

## EU Sustainability Developments

# CSRD simplified: key impacts of the Omnibus Directive



### What you need to know

- **The Directive amending CSRD is now in force** and Member States must transpose the relevant elements into national law by 19 March 2027 (with the possibility of adding national requirements).
- **Scope is narrowed:** mandatory CSRD reporting now applies only to companies with over 1,000 employees and turnover over EUR450 million.
- **Timelines:** reporting timelines shifted by the earlier "Stop-the-Clock" Directive apply for remaining in-scope entities.
- **New reliefs include** higher thresholds, value chain protections, strengthened confidentiality provisions and stabilized limited assurance requirements.
- **Further changes still to come:** simplified ESRS, voluntary standards, Non-EU ESRS and digital reporting measures to be finalized via delegated acts in 2026-27.

On 18 March 2026, **EU Directive 2026/470<sup>1</sup>** revising the **Corporate Sustainability Reporting Directive (CSRD)** and the **Corporate Sustainability Due Diligence Directive (CS3D)** entered into force (the "Content Directive"). This marks a major step in the European Commission's simplification agenda, aimed at reducing the scope and complexity of sustainability reporting while maintaining its utility for corporate decision-makers and capital markets.

The Content Directive was proposed as part of the Commission's first **Omnibus simplification package** on 26 February 2025. Its overarching objective is to improve European competitiveness by lowering the administrative burden and cost of compliance, while preserving transparency and trust in sustainability reporting across the EU. The reforms focus on narrowing the number of companies subject to mandatory reporting, streamlining the reporting requirements and providing relief to smaller entities in the value chain. The changes made in the Content Directive will be supplemented by further secondary legislation, including a delegated act to adopt simplified European Sustainability Reporting Standards (ESRS).

Following political agreement between the European Parliament and the Council in December 2025, the Directive was published in the Official Journal of the EU on 26 February 2026 and has entered into force on 18 March 2026. **EU Member States must now transpose the elements revising CSRD into national law by 19 March 2027**, after which the new framework will determine who reports and how sustainability information is prepared and assured.

<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32026L0470>



## Executive summary

The proposal for a directive revising CSRD (and CS3D) was originally published as part of the European Commission's first Omnibus package in February 2025, simplifying sustainability regulations. Following a year of intense scrutiny and inter-institutional negotiation, the Directive entered into force on 18 March 2026. EU Member States will have until **19 March 2027** to transpose the Directive into local law. Key aims of the simplification agenda include:

- **Enhancing competitiveness and compliance:** streamlining sustainability reporting reduces the administrative burden and cost of compliance, allowing businesses to allocate more resources to growth and investment in innovative sustainable practices and technologies.
- **Fostering transparency and trust:** a straightforward reporting regime enhances consistency in sustainability practices across the EU, building transparency and trust among stakeholders.

This publication provides an overview of the main changes that the Directive makes to CSRD to achieve these goals. The document will cover each main change to CSRD in turn before considering the next steps. The *How we see it* boxes throughout this publication highlight practical issues and areas of significance.

In summary, the revisions to CSRD include:

Timeline	<ul style="list-style-type: none"> <li>▪ Member States have the option to exempt Wave 1 companies<sup>2</sup> that will no longer be in scope per the revised thresholds from their reporting obligations for FY 2025 and FY 2026.</li> <li>▪ Reporting timelines were postponed by two years for original Wave 2<sup>3</sup> (now FY 2027) and Wave 3<sup>4</sup> (now FY 2028) in the "Stop-the-Clock" Directive. They still apply for remaining in-scope entities.</li> </ul>
Threshold -EU and European Economic Area (EEA)	<ul style="list-style-type: none"> <li>▪ Threshold raised to apply to companies, groups and issuers with &gt; 1,000 employees on average and a turnover &gt; EUR450 million.</li> <li>▪ This applies to listed and non-listed companies, as well as credit institutions and insurance companies.</li> <li>▪ Listed small-medium enterprises (SMEs) are removed from scope.</li> </ul>
Threshold - Non-EU	<ul style="list-style-type: none"> <li>▪ Threshold raised to apply to third-country companies generating &gt; EUR450 million turnover in the EU and which have a subsidiary or, in the absence of a subsidiary, branch generating &gt; EUR200 million turnover.</li> </ul>
Exemptions	<ul style="list-style-type: none"> <li>▪ Some financial holding companies are exempt from reporting following specific conditions (though this does not exempt subsidiaries from needing to report).</li> <li>▪ Reporting relief offered to in-scope groups in relation to mergers, acquisitions and dispositions occurring during a financial year.</li> </ul>
Value chain	<ul style="list-style-type: none"> <li>▪ Introduction of a "value chain cap" to limit sustainability reporting information that can be requested by reporting companies from "protected" businesses in their value chain (i.e., those ≤1,000 employees).</li> </ul>

<sup>2</sup> Listed large companies with >500 employees AND >EUR50 million turnover OR >EUR25 million total assets

<sup>3</sup> Other large companies with >250 employees AND >EUR50 million turnover OR >EUR25 million total assets

<sup>4</sup> Listed SMEs (excluding micro-enterprises), small and non-complex credit institutions, and captive insurance companies

	<ul style="list-style-type: none"> <li>▪ The limit will be based on information specified in the voluntary standard to be adopted by the Commission.</li> </ul>
Trade secrets	<ul style="list-style-type: none"> <li>▪ Companies can omit classified information and certain types of information that would qualify as trade secrets.</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>▪ Limited assurance is retained, and an assurance standard is to be adopted by 1 July 2027.</li> <li>▪ The Commission's power to adopt standards for reasonable assurance is removed.</li> </ul>
ESRS	<ul style="list-style-type: none"> <li>▪ The revised ESRS are to be adopted by the Commission within six months of the Content Directive becoming effective (i.e., expected by September 2026).</li> </ul>
Sector standards	<ul style="list-style-type: none"> <li>▪ The Commission's power to adopt sector-specific standards is removed.</li> <li>▪ Depending on demand from businesses subject to reporting, the Commission may provide sector-specific guidance.</li> </ul>
Digitalization	<ul style="list-style-type: none"> <li>▪ The Commission will establish a new digital portal with access to templates and guidelines on EU and national reporting requirements.</li> </ul>



### How we see it

**Practical impacts for companies** - When assessing the impacts on their sustainability reporting strategy and broader business practices, companies may wish to consider the following steps:

- **Assess scope and compliance impact:** determine whether they remain in scope based on the new CSRD thresholds (also considering the extra-territorial reach on non-EU parent undertakings). Stay informed about legislative developments, as national transpositions could impose stricter reporting obligations at Member State level.
- **Assess expectations from investors and other stakeholders:** such expectations are likely to remain high for out-of-scope companies, making voluntary sustainability reporting a strategic consideration for market credibility.
- **Engage with customers further up the value chain:** understand their expectations and information needs for future reporting periods. Supply chain pressures from larger companies will continue to play a crucial role in business partnerships and financing decisions.
- **Align with voluntary standards and best practices:** companies may choose to continue reporting against mandatory requirements on a voluntary basis or transition to the voluntary standard to be adopted by the Commission. Aligning with industry best practices will help maintain transparency and credibility.
- **Maintain double materiality analysis:** for entities still in scope, assess financial and impact risks and use scenario analysis and stakeholder engagement to refine materiality assessments and inform strategy.
- **Adapt value chain engagement:** identify key sustainability risks and opportunities within the value chain and encourage voluntary sustainability disclosures from business partners that have been de-scoped.
- **Strengthen governance and data integrity:** continue to develop strong ESG data governance frameworks and internal controls to enhance quality and provide greater confidence for administrators and investors.
- **Future-proof sustainability strategy:** strengthen internal sustainability expertise and integrate ESG considerations into corporate governance and strategy to future-proof compliance and enhance long-term sustainability-derived value.

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## 1. Reminder of the original CSRD

The CSRD (Directive (EU) 2022/2464) was introduced with the objective of improving sustainability reporting to help stakeholders evaluate the sustainability performance of companies. This, in turn, aims to contribute to the transition to a fully sustainable and inclusive European economy under the European Green Deal and the UN Sustainable Development Goals. The CSRD mandates that companies disclose comprehensive information on their environmental, social, and governance (ESG) impacts.



Reporting obligations in waves according to company size:<sup>5</sup>

- 2025 (FY 2024): Wave 1 - Listed large companies with > 500 employees
- 2026 (FY 2025): Wave 2 - Other large companies
- 2027 (FY 2026): Wave 3 - Listed SMEs
- 2028 (FY 2027): Wave 4 - Non-EU groups generating > EUR150 million revenue in the EU with at least one large subsidiary or, in the absence of a subsidiary, a branch with revenue > EUR40 million



Companies are required to report according to the European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG). These standards ensure consistency and comparability in sustainability reporting across the EU.



CSRD adopts a double materiality approach, requiring companies to report on how sustainability issues affect their business and how their business impacts society and the environment.



CSRD mandates limited assurance of sustainability information by independent third parties and will eventually require companies to prepare their reports in a digital format, facilitating accessibility and transparency.



Companies must provide information on their entire value chain, including their own operations, products and services, business relationships, and supply chain.

<sup>5</sup> "Large undertaking" is defined in the Accounting Directive (EU) 2013/34 as >250 employees AND >EUR50 million turnover OR >EUR25 million total assets.

## 2. General revisions to CSRD

Changes to the CSRD are significant and aim to: (i) reduce the compliance burden on smaller companies; and (ii) simplify the process and disclosure requirements for companies still in scope. These changes and their implications are set out and contextualized in the detailed sections below.

### 2.1. Reminder of revised application timelines (stop-the-clock provisions)

The “Stop-the-Clock” Directive ((EU) 2025/794) deferred reporting obligations for companies that were originally in scope of CSRD but had not started reporting due to the staggered implementation timeline. The objective was to avoid a situation in which certain companies were required to report under the original CSRD for financial year 2025 (“Wave 2”) or 2026 (“Wave 3”), only to then be subsequently relieved of this requirement in a revised CSRD. Hence, to avoid these companies incurring unnecessary costs, reporting was deferred by two years for each wave. Wave 2 companies that remain in scope (see thresholds section below) will now report in 2028 in respect of FY 2027, and Wave 3 companies would theoretically have reported in 2029 in respect of FY 2028 (though Wave 3 has now been de-scoped entirely - see thresholds section below).

#### *Targeted transition relief for some Wave 1 reporters*

Member States may now choose to exempt Wave 1 undertakings that fall below the revised thresholds from CSRD reporting for the 2025 and 2026 financial years (see thresholds section below). This is in view of reducing the administrative burden as swiftly as possible for companies that would no longer fall within the scope of the higher thresholds.



#### How we see it

**Leverage the additional time available:** Wave 2 entities that remain in scope should use the additional time created by the “stop-the-clock” delay to strengthen governance, controls and data processes for preparing sustainability information.

### 2.2. Changes to in-scope EU and EEA thresholds

#### *New scope test (EU/EEA undertakings, groups and issuers)*

Thresholds for mandatory CSRD sustainability reporting have been significantly revised to target the largest entities only. An undertaking (or group on a consolidated basis) is in scope only if it exceeds both:

- i. More than 1,000 employees on average during the financial year;

**And**

- ii. Net turnover above EUR450 million.

#### *Who is covered?*

The thresholds apply to listed and non-listed undertakings, including credit institutions and insurance undertakings where they meet the revised criteria. Non-EU undertakings with securities admitted to trading on a regulated market within the EU (i.e., “issuers”) that exceed the above thresholds also remain in scope. Listed SMEs are no longer in scope. A voluntary reporting standard will be made available for those companies no longer in-scope that wish to report on their sustainability profile.

#### *Review clause*

The Content Directive introduces a review mechanism to reassess the appropriateness of the scope over time (for example, inflation may require adjustment of the financial thresholds), recognizing that the balance between data needs and the reporting burden may evolve. The Commission must publish an assessment on the scope by 30 April 2031 and every three years thereafter.



### How we see it

The Commission estimated that the number of entities required to report under its original proposals (i.e., large undertakings over 1,000 employees) would have been reduced by as much as 80 percent compared to the original scope of CSRD.<sup>5</sup> With thresholds raised further in the final text, the reduction is even more significant. Many entities that previously anticipated CSRD obligations based on the former “large undertaking” criteria will now fall outside the scope. However, market expectations (driven in varying degrees by, for example, financial institutions, investors, customers and value chain partners, etc.) will continue to prompt sustainability information requests, making voluntary sustainability reporting a strategic consideration for market credibility.

### 2.3. Reporting options for in-scope EU and EEA entities

In practice, the amended CSRD makes several reporting options available for in-scope EU entities (i.e. those entities based in the EU that meet the thresholds of over 1,000 employees and over EUR450 million turnover - this includes EU-based subsidiaries of non-EU parents that are large enough to meet these thresholds in their own right). When considering a group structure, these reporting options include:

- **Standalone (or consolidated) reporting for EU entities** - each EU entity in scope at its own level can issue its own sustainability report that complies with the ESRS. For an in-scope EU parent entity, this requires a consolidated report at its own level.
- **Consolidated reporting for EU subsidiaries at an (intermediate) EU parent level** - An EU parent or intermediate parent can issue a consolidated sustainability report that includes its EU and non-EU subsidiaries. An in-scope EU subsidiary of an EU parent or intermediate parent is exempt from issuing its own report if the EU parent entity includes the subsidiary in its consolidated sustainability report that fully complies with the ESRS. This exemption also applies to an in-scope EU subsidiary that is itself a parent undertaking required to publish a consolidated report.
- **Consolidated reporting for EU subsidiaries at the non-EU parent level** - If a non-EU parent issues a consolidated sustainability report that fully complies with the ESRS or equivalent standards<sup>6</sup> and includes its EU and non-EU subsidiaries, an in-scope EU-based subsidiary included in this consolidated report is not required to issue its own report. This exemption also applies to an in-scope EU subsidiary that is itself a parent undertaking required to publish a consolidated report.
- **Artificial consolidation for EU subsidiaries with non-EU parents** - As a transitional provision until 2030, a non-EU parent can select an EU subsidiary to consolidate all of the EU subsidiaries of that non-EU parent in the scope of the amended CSRD (including those subsidiaries' EU and non-EU subsidiaries). The selected EU subsidiary must be one of the EU subsidiaries that generated the greatest turnover in the EU during at least one of the preceding five financial years, on a consolidated basis where applicable.



### How we see it

**Determining the appropriate level at which sustainability reporting should be prepared** can be complex, particularly for a non-EU parent entity with EU subsidiaries in scope of the CSRD. In assessing the available reporting options, entities may wish to consider, among other factors: the maturity and geographic coverage of their data collection systems and internal controls (both within the EU and globally where applicable); the extent of sustainability information they are prepared to disclose publicly to meet reporting requirements (e.g., in some circumstances, an entity may wish to limit reported information to only EU subsidiaries); the implications of reporting at an individual or consolidated level;

<sup>5</sup> See Commission Questions and Answers on Simplification Omnibus press release, 26 February 2025 - [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_25\\_615](https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_615)

<sup>6</sup> Note that the Commission's recognition of equivalent standards to ESRS is still forthcoming.

and whether any transitional or consolidation-based reporting options provide sufficient and durable relief over time.

## 2.4. Changes to for in-scope thresholds non-EU-parented group

*Higher thresholds for third-country groups (additional non-EU entity consolidated reporting)*

For non-EU-parented groups, the CSRD "third-country" regime is narrowed so that only very large groups are captured. These include ultimate parents that generated a net turnover of EUR450 million in the EU for each of the last two consecutive financial years (raised from EUR150 million), and have an EU subsidiary or, in the absence of such a subsidiary, an EU branch that generated more than EUR200 million net turnover in the preceding financial year. They are required to report starting in 2029 on FY 2028 data at the consolidated level of the ultimate parent.



### How we see it

The calculation method and assessment of net turnover "generated in the EU" is not specifically defined in the Content Directive. Some entities have questioned whether the amount should include revenue generated by non-EU entities from customers in the EU. Other entities have questioned whether the amount should include revenue generated by EU subsidiaries from customers outside the EU. Based on our current understanding, we believe an entity should calculate the third-country group's revenue generated in the EU based on whether the customer is in the EU, regardless of the location of the entity that generated that revenue.

## 2.5. Reporting options in-scope non-EU-parented groups

Non-EU-parented groups that meet the threshold for additional non-EU entity consolidated reporting must report at the consolidated level by applying any of the following standards:

- Non-EU ESRS (a separate EU sustainability reporting standard for non-EU entities which is pending adoption by the European Commission - see *How we see it box* below)
- The revised ESRS
- Standards that are deemed equivalent to the ESRS (these have not yet been determined by the European Commission)

Non-EU entity consolidated reporting may be in addition to reporting requirements that apply to EU subsidiaries that fall within the scope of the amended CSRD thresholds for EU entities in their own right (i.e., those entities based in the EU that meet the thresholds of over 1,000 employees and over EUR450 million turnover).



### How we see it

**Reporting standards for third-country groups:** the Content Directive does not change the existing provisions in the Accounting Directive empowering the Commission to adopt delegated acts (secondary legislation) to provide for sustainability reporting standards for third-country undertakings. EFRAG is in the process of elaborating such standards (i.e., Non-EU ESRS), in light of the simplified ESRS. However, the Commission has announced that the delegated act to adopt any forthcoming non-EU ESRS should not be expected before 1 October 2027.<sup>7</sup> Third-country undertakings that fall within the scope of the revised CSRD, therefore, need to closely monitor the EFRAG process and publications to ensure technical readiness for their first reporting period, starting FY 2028.

<sup>7</sup> De-prioritisation of Level 2 acts in financial services legislation - Finance

## 2.6. Summary of reporting timelines considering new thresholds

With changes to the reporting timelines and in-scope thresholds, companies must assess whether they have reporting obligations and, if so, when they are expected to meet them. This table provides a high-level summary of the current outlook.

Original wave	Company classification	Original reporting dates	Effect of "Stop-the-Clock" Directive	Effect of Content Directive (final status)
Wave 1	Large listed companies with >1,000 employees and >EUR450 million turnover	Report in 2025 for financial years starting on or after 1 January 2024	None	Continue to report against a "simplified" ESRS
	Large listed companies with >500 and ≤1,000 employees and ≤EUR450 million turnover			Out of scope for reporting following transposition Member States' option to exempt from reporting for FY 2025 and FY 2026 Value chain responses under new voluntary standard
Wave 2	Large companies with >1,000 employees and >EUR450 million turnover	Report from 2026 for financial years starting on or after 1 January 2025	Defer reporting until 2028 and assess final scoping applicability and reporting requirements	Report from 2028 for financial years starting on or after 1 January 2027 against "simplified" ESRS
	Large companies with ≤1,000 employees and/or ≤EUR450 million turnover			Out of scope for reporting following transposition Value chain responses under new voluntary standard
Wave 3	Listed SMEs (excluding micro-enterprises), small and non-complex credit institutions, and captive insurance undertakings	Report from 2027 for financial years starting on or after 1 January 2026	Defer reporting until 2029; now effectively superseded by Content Directive (see right)	Out of scope for reporting following transposition Value chain responses under new voluntary standard
Wave 4	Ultimate non-EU parents generating overall >EUR450 million revenue in the EU with at least one EU-based subsidiary or a branch with revenue >EUR200 million	Report from 2029 for financial years starting on or after 1 January 2028	No change	No change
	Ultimate non-EU parents generating >EUR150 million revenue in the EU with at least one EU-based large subsidiary or a branch with revenue >EUR40 million but below any of the revised thresholds for third-country groups			Out of scope for reporting following transposition

## 2.7. Exemptions offered

### *Financial holding structures*

The Content Directive exempts financial holding companies<sup>8</sup> from reporting under the amended CSRD in specific conditions. Financial holding companies are eligible for this reporting exemption if they are neither directly nor indirectly involved in the management of their subsidiaries, without prejudice to their rights as shareholders, and the subsidiaries' business models and operations are independent of one another.

In these circumstances, the parent entity may choose whether or not to report sustainability information on a consolidated basis. However, this does not exempt subsidiaries from needing to report, if they fall within scope in their own right.

### *Exemption for subsidiaries that are large public-interest entities*

The Accounting Directive, as amended by the CSRD, already exempted parent undertakings that are subsidiaries included in the consolidated sustainability reporting of another undertaking, from drawing up a consolidated sustainability statement (Article 29a paragraph 8 of Directive (EU) 2013/34). However, this exemption was not applicable for large listed companies. The Content Directive now extends the scope of this exemption to large public-interest entities that are subsidiaries included in the consolidated sustainability report of another undertaking.

### *Changes in group composition*

The amendments include a reporting relief related to mergers, acquisitions and dispositions that occur during the financial year. Where a group of undertakings changes composition during a financial year due to mergers or acquisitions, a parent entity can exclude newly acquired entities and merged entities from the consolidated report for that financial year (and include them from the following year). Additionally, a parent entity is not required to include sustainability information in the consolidated sustainability report for a subsidiary that is disposed of during the financial year.

#### **How we see it**

**Financial holding company exemption requires careful assessment:** the criteria defined in the Directive that a financial holding company is neither directly nor indirectly involved in the management of its subsidiaries, without prejudice to their rights as shareholders, and the subsidiaries' business models and operations are independent of one another may involve a degree of judgment. Such assessment will need to be made in the light of national transpositions which could introduce further precision to the scope of this new exemption.

**Financial holding company exemption does not extend to in-scope EU subsidiaries:** a parent entity that is considered a financial holding company exempt from reporting under the CSRD should carefully evaluate which of its subsidiaries are in scope of the CSRD and the reporting options available to the group, since the reporting relief provided to financial holding companies does not extend to subsidiaries within the group (i.e., subsidiaries in scope of the CSRD continue to have reporting obligations). A financial holding company may still choose to report sustainability information on a consolidated basis.

**Expected transparency for excluded subsidiaries (acquisitions, disposals or mergers):** if parent undertakings exercise the option to exclude a subsidiary from the consolidated sustainability report, they are required, however, to indicate any significant event that affected the subsidiary during the financial year and that has

<sup>8</sup> "Financial holding undertakings", as defined by the Accounting Directive (EU) 2013/34, are "undertakings the sole object of which is to acquire holdings in other undertakings and to manage such holdings and turn them to profit, without involving themselves directly or indirectly in the management of those undertakings, without prejudice to their rights as shareholder"

an effect on the group's impacts, risks or opportunities related to sustainability matters. As part of its Technical Advice, EFRAG also proposes to require such disclosures. Clarifications on the application of this exemption may be provided as part of the transposition process and within the revised ESRS Delegated Act (see section 2.11).

## 2.8. Voluntary reporting and information requests in the value chain

### *Voluntary reporting*

The Content Directive provides that a delegated act will be established by the Commission by 19 July 2026 regarding sustainability reporting standards for voluntary use, which are expected to be published in the Official Journal of the EU by November 2026. These standards will be based on, yet may differ from, the EFRAG VSME standard published in December 2024 to ensure they are proportionate and relevant for the undertakings for which they are designed and to the scale and complexity of their activities. These standards will be designed for undertakings averaging 1,000 employees or fewer during the preceding financial year.

The current EFRAG VSME Standard proposes a more flexible approach to sustainability reporting than the ESRS, with several key features:

- A shortened two-module structure: one basic module and one optional comprehensive module, both counting 20 disclosure requirements in total
- Three types of data points (mandatory, conditional, voluntary)
- No double materiality assessment; conditional disclosure of greenhouse gas (GHG) emissions reduction targets if they exist, voluntary disclosure of Scope 3 GHG emissions and a climate transition plan

The Standard includes additional guidance, providing methodologies, lists, tables, educational material, as well as examples and illustrations.

Until the Commission adopts sustainability reporting standards for voluntary use, undertakings that report sustainability information voluntarily are free to do so in accordance with Commission Recommendation (EU) 2025/1710, which is based on the voluntary standard for SMEs (VSME) developed by EFRAG.

### *"Value chain cap" – new protections for smaller value chain partners*

The amended CSRD introduces a "value chain cap" that limits the sustainability information that in-scope reporters can request from businesses in their value chain that have up to 1,000 employees on average (referred to as "protected undertakings"). Reporting companies can only request information limited to what will be specified in the voluntary sustainability reporting standard (based on VSME), to be adopted by the Commission.

Protected undertakings have the right to refuse to provide information that goes beyond these limits. If a company requests information above the cap, it must ensure that the protected undertaking is informed of which information exceeds the limits and of its statutory right to decline to provide such information. The value chain cap would only apply to information gathering carried out for sustainability reporting purposes. This does not affect information requests for other purposes, such as complying with EU due diligence requirements. Finally, assurance providers should prepare their assurance opinion respecting these protections.

### *Transitional provision for value chain information*

The Content Directive maintains a transitional provision allowing companies partial coverage during their first three years of sustainability reporting in the event that not all the necessary information regarding their value chain is available. This is conditional on companies explaining the reasons for this partial coverage, the efforts made to obtain the necessary information, and their plans to obtain it in the future. After this period, companies will be required to fully meet the value chain reporting

requirements, by using information directly obtained from their value chain or estimates, as appropriate.



#### How we see it

**Voluntary reporting standards and market expectations:** although the EFRAG VSME standard was originally developed for nonlisted SMEs with fewer than 250 employees, the significantly reduced scope of CSRD means that companies with between 250 and 1,000 employees will also be able to report sustainability information using the voluntary standard to be adopted by the Commission.

As the Commission intends to base this delegated act on the EFRAG VSME standard, affected companies should assess whether the level of disclosure under the VSME meets investor expectations, market practice and sector-specific norms. The VSME framework allows companies to supplement required disclosures with additional information, including sustainability issues that are common within their sector or specific to their own business model. Early identification of these issues, supported by stakeholder engagement, can help companies reconcile regulatory simplification with broader market expectations.

**The "Value chain cap" shifts the approach to compliance:** in-scope reporters will need to focus on the most material value chain data points, strengthen estimation methodologies where primary data is unavailable, and develop scalable supplier engagement processes that operate within the value chain cap. Assurance providers must also take these statutory protections into account when forming their assurance opinions.

**Transitional provision for value chain information:** as part of its Technical Advice, EFRAG proposed to delete the transitional provision for value chain information to avoid redundancy with new reliefs (see section 2.9 below). As the Content Directive maintains this provision in the CSRD, this may result in misalignment with the revised ESRS. Companies are encouraged to monitor any changes in the upcoming Delegated Act on revised ESRS to be adopted by the Commission, especially on the treatment of value chain information.

## 2.9. Omission of information

### *Expanded confidentiality and security-related omissions*

The Content Directive defines four cases where undertakings should be permitted to omit certain information from disclosure in sustainability reporting. These cases expand the prior omission options, which were scattered across the CSRD and the ESRS Set 1. These consisted of the possibility to omit classified and sensitive information, information related to intellectual property, know-how, or results of innovation, as well as information related to impending developments or matters in the course of negotiation, if allowed by Member States. The last option, formerly left to the discretion of Member States, is now replaced and amended with a direct permission to companies to omit certain types of information.

The Content Directive now allows companies to omit information according to the following options, provided they disclose the fact that they have used the exemption, and reassess at each reporting date whether the information may still be omitted:

- i. Information whose disclosure would prejudice an undertaking's commercial position. When omitting such information, companies must still ensure that :
  - a) Such omission does not prevent a fair and balanced understanding of their development, performance and position, or of their principal risks or principal impacts
  - b) It is impossible to disclose the information in a manner that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing their commercial position

- ii. Information relating to intellectual capital, intellectual property, know-how, technological information, or innovation results that qualify as trade secrets
- iii. Classified information<sup>9</sup>
- iv. Other information protected from unauthorized access or disclosure by EU or national law, or necessary to safeguard privacy or the security of persons<sup>10</sup>



### How we see it

These clarifications address prior concerns regarding the disclosure of confidential information, including on trade secrets. They are designed to reduce the risk that sustainability reporting unintentionally forces disclosure of sensitive information, while preserving the overarching objective of fair presentation.

**Prejudice to the commercial position of undertakings:** While this option is expected to provide companies with substantial relief, attention must be given to the high threshold which restricts the use of this option to companies who have determined that it is impossible to disclose the information in a manner that would enable them to meet the objectives of the disclosure requirement without seriously prejudicing their commercial position. Also, the associated level of transparency required should be carefully considered, especially if the option is used to omit certain ESRS 2-related disclosure requirements, which notably cover general information on strategy and business models, material impacts, risks and opportunities as well as financial effects of material risks and opportunities.

**Classified and sensitive information:** In August 2025, the Commission had clarified in a Commission Notice that the defence sector would be "more likely than other sectors to use the provision that allows the omission of sensitive or classified information".<sup>11</sup> Moreover, prior to the amendments introduced in the Content Directive, companies were neither required to indicate the fact that they had used the option to omit classified and sensitive information, as permitted by the first set of ESRS Standards, nor to reassess this omission at each reporting date. While the Content Directive broadens the scope of omissions available to companies, it also requires additional transparency on their use compared with prior requirements. In-scope companies should thus engage in risk assessments to anticipate these disclosures, also taking into consideration national transposition of the Content Directive.

## 2.10. Changes to assurance provisions

### *Limited assurance remains*

The CSRD's requirement for assurance over in-scope EU entities' sustainability reporting remains unchanged. Auditors and assurance providers must continue to apply limited assurance to sustainability information, as the Commission will not progress towards adopting a reasonable assurance standard under the Omnibus reforms. To align with the revised reporting timelines introduced through the "Stop-the-Clock Directive" and broader simplification measures, the Commission's deadline to adopt an EU limited assurance standard via delegated act has been deferred to 1 July 2027 from 1 October 2026.

### *Transitional measures for third-country auditors*

Transitional arrangements, including simplified registration conditions and temporary relief from oversight, are introduced for certain third-country auditors and audit

<sup>9</sup> "Classified information", as defined by Regulation (EU) 2023/2418, means information or material, in any form, the unauthorised disclosure of which could cause varying degrees of prejudice to the interests of the Union, or of one or more of the Member States, and which bears an EU classification marking or a corresponding classification marking

<sup>10</sup> "Sensitive information" as defined by Regulation (EU) 2023/2418

<sup>11</sup> Commission Notice on the application of the sustainable finance framework and the Corporate Sustainability Due Diligence Directive to the defence sector (C/2025/4950), section 3.2.5 (53)

entities issuing sustainability assurance reports for third-country entities whose securities are admitted to EU-regulated markets. This is a temporary exception for a limited period of time, to ensure a smoother transition for third-country auditors.



#### How we see it

Assurance expectations will continue to evolve. The forthcoming limited assurance standard on sustainability reporting is expected to be based on IAASB International Standard on Sustainability Assurance (ISSA) 5000. In the near term, companies should focus on 'auditability' of processes and controls (data lineage, governance, documentation and consistency), while monitoring how Member States and assurance regulators implement the updated framework.

Voluntary reasonable assurance on the sustainability report as a whole or on single KPIs continues to be possible, and can be performed on the basis of any assurance standard applicable in the relevant Member State (International Standard on Assurance Engagements (ISAE) 3000 (Revised) until ISSA 5000 becomes effective in 2027, or local assurance standards).

## 2.11. Revision of ESRS

### *Mandate to simplify ESRS*

At the time of publication, the Commission is reviewing the Technical Advice submitted by EFRAG in early December 2025, proposing revisions to the ESRS, and plans to adopt an amended ESRS delegated act no later than six months after entry into force of the Content Directive amending CSRD (expected by September 2026). The revision is intended to substantially reform ESRS Set 1 to reduce burden and streamline sustainability reporting while maintaining decision-useful information.

### *What the ESRS revision must focus on*

The Directive specifies that the revised ESRS should, among other things:

- i. Remove less important data points; prioritize quantitative data points where possible
- ii. Further distinguish between mandatory and voluntary data points
- iii. Provide clearer instructions on applying materiality
- iv. Improve consistency with other EU legislation; and increase interoperability with global sustainability reporting standards

To address these priorities, the EFRAG Technical Advice proposes key changes, among others:

- Shortened and restructured standards
- Flexibility to present information in the sustainability statement (executive summary, appendices, level of aggregation or disaggregation)
- Concept of fair presentation as an explicit objective
- Greater prominence to information materiality as an overarching filter
- Simplified double materiality assessment process, that is more focused and offers the opportunity to apply a top-down approach based on strategy and business model
- New guidance on how remediation, mitigation and prevention actions affect the assessment of material negative impacts
- Reporting boundaries, confirming the alignment with the financial statements, and including new provisions and exceptions
- New significant reliefs, e.g., application of the undue cost or effort principle, partial scope metrics due to lack of data
- Additional phase-in reliefs until financial year 2029 for quantitative information on anticipated financial effects and substances of concern

- Further changes in the topical standards

Read a more detailed overview of the revised ESRS, published in January 2026 : [EFRAG proposes major ESRS simplifications to cut reporting burden | EY - Global.](#)



#### How we see it

**Application dates of revised ESRS:** depending on the date of entry into force of the amended ESRS delegated act and on further indications to be provided by the Commission, companies in-scope of the CSRD may be allowed to anticipate application of this delegated act for their FY 2026 reporting. For companies reporting under ESRS, this means planning for a period when, pending further indications by the Commission, the current ESRS remain applicable, while preparing to transition to a streamlined set of requirements. Early gap assessments against the expected direction of travel (e.g., data point rationalization) can reduce re-work in later reporting cycles.

## 2.12. Provisions for sector-specific standards removed

### *Sector-specific ESRS cancelled*

The Content Directive removes the Commission's power to adopt sector-specific sustainability reporting standards. This is intended to avoid increasing the number of data points after simplification.

The Commission may still issue non-binding sector-specific guidance depending on market demand. This may include guidance to support the application of ESRS and guidance on the conduct of the double materiality assessment within a given sector.



#### How we see it

In the absence of sector-specific standards companies may consider other frameworks (such as ISSB industry standards) and take measures to align with recognized industry best practices to maintain transparency and credibility.

## 2.13. Changes to digitalization requirements

### *Digital support measures*

Two changes are particularly relevant for digital reporting. First, the Content Directive introduces a dedicated EU portal to provide access to information, guidance, templates and other support on both the mandatory and voluntary sustainability reporting framework, interconnected with online national support measures where they exist.

Second, the Content Directive requires an entity to mark up its sustainability report using an electronic reporting format (European Single Electronic Format), which is currently under development. Until the detailed rules for digital 'mark-up' of sustainability reporting are adopted in a delegated act, undertakings are not required to mark up their sustainability reports.

The Content Directive also requires the Commission to report on technological initiatives that could support undertakings with more secure, seamless and automated collection and exchange of sustainability data, in order to reduce the administrative burden related to data processing.



#### How we see it

**ESRS Knowledge Hub:** EFRAG has launched an interactive online platform to support stakeholders in navigating sustainability reporting materials, including the ESRS. In practice, the ESRS Knowledge Hub is likely to operate as the core of the EU-level digital reporting portal envisaged under the Content Directive's digitalization provisions. By bringing together adopted current ESRS, draft simplified standards, the VSME framework, technical guidance and links to EU

legislation in a single interactive environment, the Hub signals the Commission's direction of travel toward a centralized, authoritative access point for sustainability reporting requirements. It may progressively be expanded or integrated as the EU's primary interface for navigating sustainability reporting standards, guidance and future digital tagging solutions.

### 3. Next steps

#### *Secondary legislation*

With the Content Directive now in force, the Commission is developing a number of delegated acts, a form of secondary legislation, to supplement the Directive with technical standards and requirements.

In summary, the secondary legislation pending at the time of this publication includes:

Milestone	Deadline
Delegated Act on standards for voluntary use	19 July 2026 Reviewed every four years and available to any company not subject to mandatory reporting
Delegated Act on digital tagging	Expected in the second half of 2026
Delegated Act on revised ESRS	Within six months after entry into force of the Content Directive (expected by September 2026)
Delegated Act on limited assurance standard	1 July 2027
Delegated Act on non-EU ESRS	To be confirmed (the Commission has indicated that this will not be before October 2027)
Delegated Act on due diligence statements	31 March 2029
Commission to publish assessment of the scope	30 April 2031

### Transposition of the Content Directive

Member States must transpose the Omnibus Content Directive into their national legislation within the next 12 months; the deadline for transposition is **19 March 2027**. At the time of publication, all EU Member States with the exception of Germany, Luxembourg, the Netherlands, Portugal and Spain have transposed and formally adopted the original CSRD Directive into their national legislation.

EU Member States that have transposed the original CSRD (as of 03/2026)		EU Member States that have not transposed the original CSRD (as of 03/2026)
<ul style="list-style-type: none"> <li>▪ Austria</li> <li>▪ Belgium</li> <li>▪ Bulgaria</li> <li>▪ Croatia</li> <li>▪ Cyprus</li> <li>▪ Czechia</li> <li>▪ Denmark</li> <li>▪ Estonia</li> <li>▪ Finland</li> <li>▪ France</li> <li>▪ Greece</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hungary</li> <li>▪ Ireland</li> <li>▪ Italy</li> <li>▪ Latvia</li> <li>▪ Lithuania</li> <li>▪ Malta</li> <li>▪ Poland</li> <li>▪ Romania</li> <li>▪ Slovakia</li> <li>▪ Slovenia</li> <li>▪ Sweden</li> </ul>	<ul style="list-style-type: none"> <li>▪ Germany</li> <li>▪ Luxembourg</li> <li>▪ The Netherlands</li> <li>▪ Portugal</li> <li>▪ Spain</li> </ul>

**How we see it**

**Member State transposition:** Member States must transpose the Content Directive into national law within 12 months of its entry into force (i.e., by 19 March 2027); local implementation timelines and choices (e.g., optional transitional exemptions for de-scoped Wave 1 companies) will, therefore, matter to determine when and how obligations apply in each jurisdiction.

As noted above, five Member States have not yet transposed the original CSRD into their national legislation. This has resulted in a complex and fragmented reporting landscape across the EU. For those Member States, it is likely that their draft legislation will be amended to incorporate the changes reflected in the Omnibus Content Directive. If Member States do not transpose the Content Directive on schedule, it will add further layers of complexity and fragmentation for businesses to navigate. Companies are advised to monitor developments in relation to the transposition in countries relevant to their operations and reporting requirements and assess the impacts.

### All in to shape the future with confidence

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