

Monitor, Maintain and Prioritise: A pragmatic approach.

Following the first EU Omnibus Simplification Package



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A pragmatic 'no-regrets' approach

In the aftermath of the first EU Omnibus Simplification Package, regulatory shifts have created both uncertainty and opportunity.

To support peer-to-peer sharing during this period of uncertainty, EY convened three sector-focused roundtables to facilitate discussion on 'what next?'.

Drawing from these discussions and our broader market insights, EY has developed a series of pragmatic actions designed to help with direction, focus and efficiency. These actions are organised into three key areas:

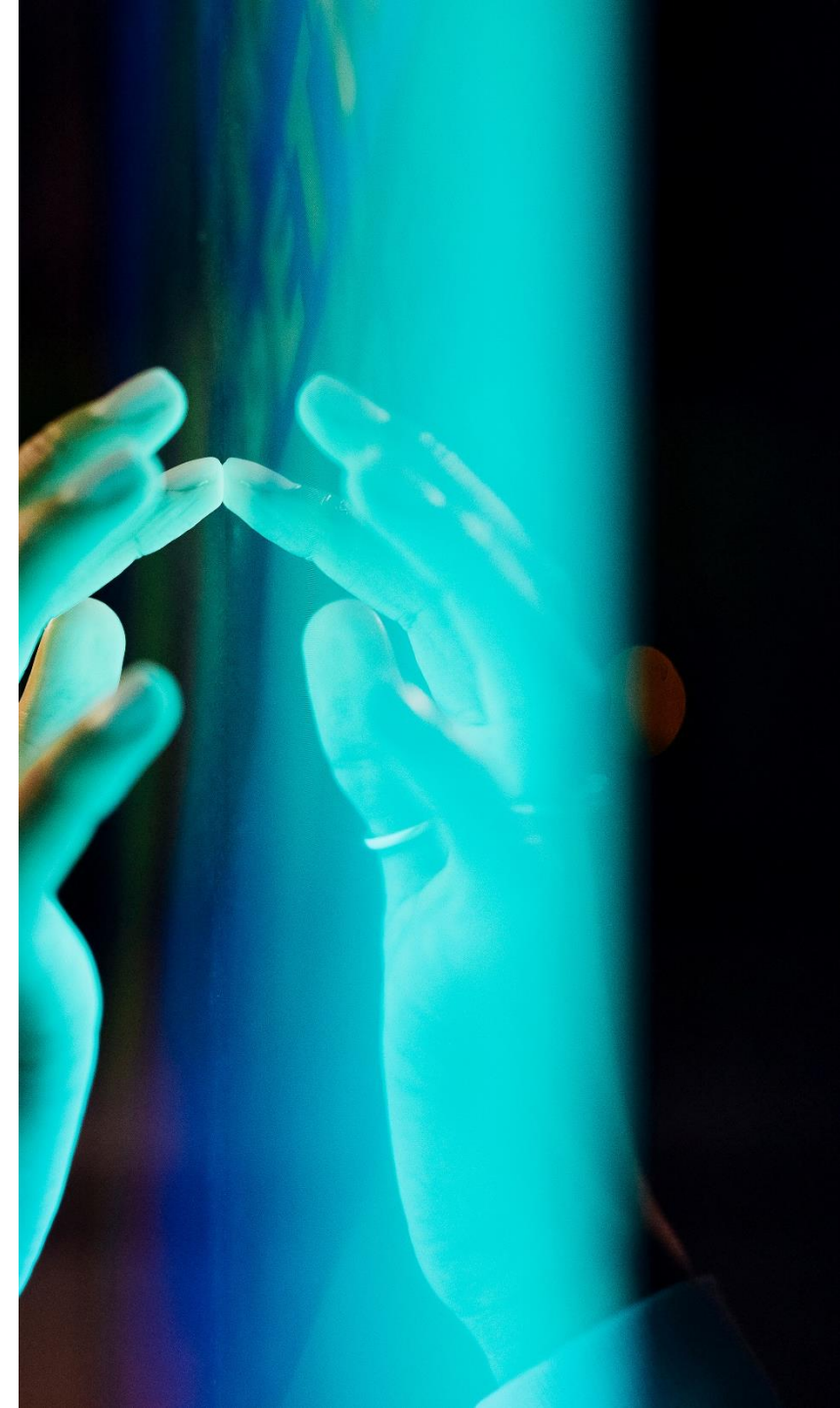
 **MONITOR**

 **MAINTAIN**

 **PRIORITISE**

Key headlines on how we are seeing companies respond among our UK-based clients:

- Most wave 2 companies are advancing with discrete parts of their original CSRD implementation programme, but large-scale implementation to address all ESRS gaps are on hold until the shape of the final ESRS become clearer.
- While companies are positive about the simplification objectives, they recognise investment in resources may need reallocating with updated timelines.
- Organisations are now leveraging this additional time to reset their plans and reprioritise sustainability strategies, beyond tick-the-box compliance.
- Focus has now shifted beyond just CSRD, to seeing the full picture of sustainability reporting to enable focus and an interconnected view.
- There is a sense of urgency for sustainability to reposition its role in value creation, especially after a prolonged focus on achieving compliance. A focus on the business case is even more important in today's world of constrained resources and geopolitical tensions.



Key practical actions

➔ MONITOR

- **Review Wave 1 Reports:** Analyse existing sustainability reports from peers to identify leading practices and opportunities to refine disclosures.
- **Benchmark material IROs:** Examine the material impact, risks and opportunities (IROs) from peers.
- **Stay Connected:** Engage with industry peers and service providers to keep abreast of evolving practices.
- **Monitor Legislative Developments:** Keep track of ongoing discussions regarding the Content Directive and EU Member State transposition.

➔ MAINTAIN

- **Maintain CSRD readiness position:** Use the additional time to complete/re-evaluate your double materiality assessment as the foundation of your sustainability strategy and disclosures. Refine based on further understanding of what is truly material and benchmarking wave 1 reporting.
- **Maintain CSRD governance and oversight measures.** Use the additional time to improve your overarching sustainability reporting target operating model, covering all reporting requirements / regulations for better governance and oversight.

➔ PRIORITISE

- **Enhance data infrastructure and assurance readiness:** Formalise your processes and controls for material sustainability topics. Consider usefulness of tech platforms to support future reporting needs.
- **Prioritise for early action those that serve as value-adding in terms of supporting:**
 - Corporate and sustainability strategy
 - Other reporting requirements, e.g. ISSB, CDP, TNFD, Corporate Governance Code
 - Investor and other stakeholder requests.

Monitor: legislative and market developments.

Following the first EU Omnibus Simplification Package, companies are understanding what the full scope of their CSRD-specific work programmes look like.

Legislative developments

The 'Stop-the-Clock' Directive postpones the application dates for certain corporate sustainability reporting and due diligence requirements, as well as the deadline for transposing the due diligence provisions. Key changes include:

1. **Corporate Sustainability Reporting Directive (CSRD):** The entry into application of the CSRD requirements for large companies that have not yet begun reporting, as well as for listed small and medium-sized enterprises (SMEs), has been postponed by 2 years.
2. **Corporate Sustainability Due Diligence Directive (CS3D):** The transposition deadline and first phase of application has been postponed by 1 year.

The directive entered into force on April 17, the day after its publication, and Member States are required to transpose into their national law by December 31, 2025.

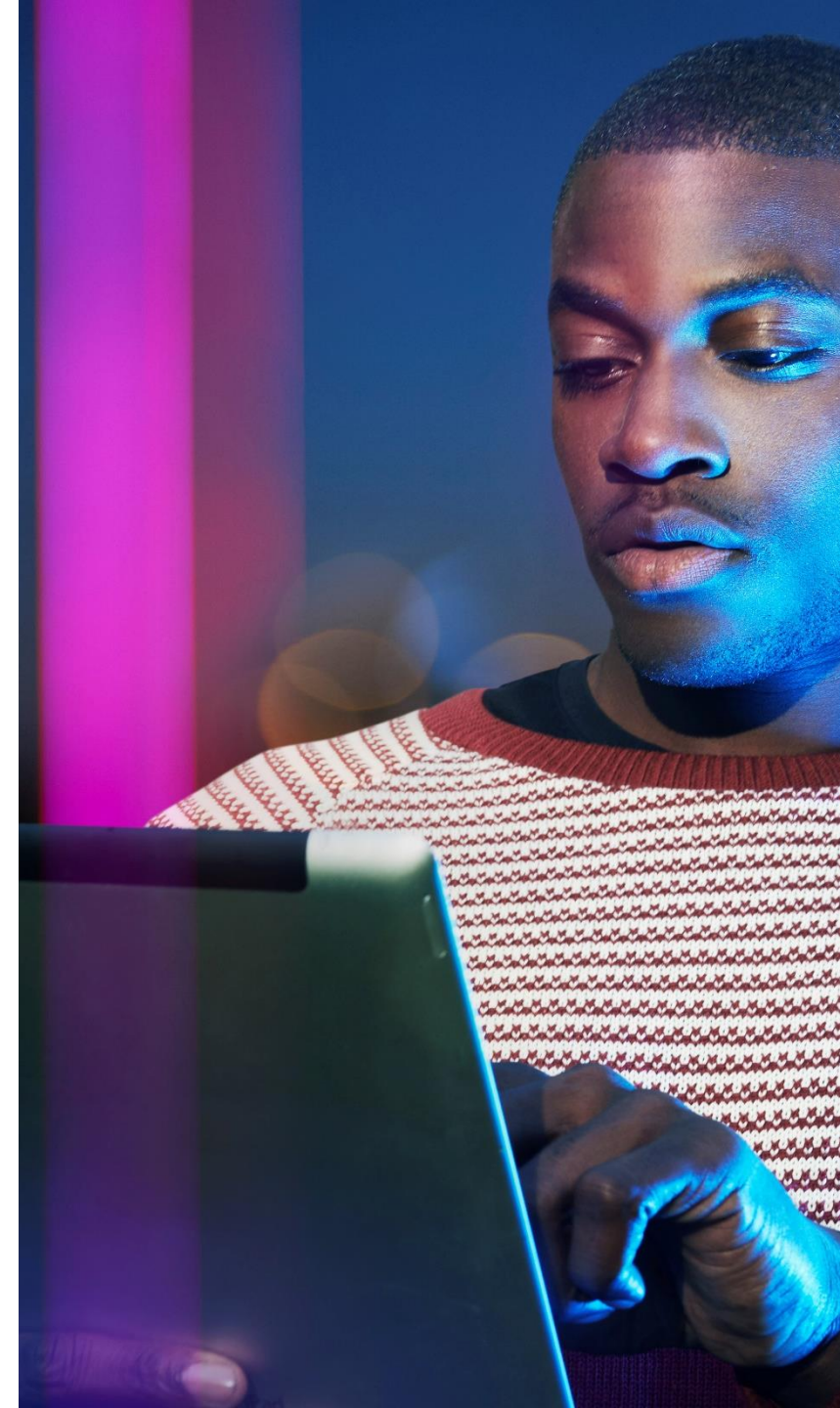
There are other legislative developments companies will need to follow, such as:

- The European Commission has requested that EFRAG provide technical advice regarding revisions to the ESRS by 31 October 2025, a date has not been given for the revised standards yet. It is anticipated that revised standards will be required to be used for reporting year 2027, with the option to be used voluntarily by companies for reporting year 2026.
- Discussions on the Content Directive containing the substantive changes to CSRD and CSDDD are to begin soon and could possibly be finalised by the end of 2025 depending on the pace of negotiations.

Peers and reporting landscape

Focus on the following near-term actions:

- Review Wave 1 reports to identify leading practice for improving your sustainability disclosures and communications.
- Analyse material IROs from peers to understand their approach to complex disclosure requirements, as ESRS content evolves.
- Stay connected with peers and service providers to track evolving CSRD practices, ensuring compliance and alignment with industry standards.



Maintain: strong foundations.

Pre-Omnibus, companies were rushing to the finish line, often without fully integrating or maximising the value of their investments. The additional time offers companies the opportunity to be more focused, streamlined and impactful in their decision-making.

Focused materiality assessment

Your double materiality assessment (DMA) should be an important tool that underpins your sustainability strategy, facilitating better decision-making, stakeholder engagement, resource allocation and overall long-term value creation. While many companies have taken an accelerated approach to completing the DMA to achieve compliance, the range of these benefits may not have been fully leveraged in the rush to completion.

For those who have completed their DMAs, use this time to refine analyses, ensuring efforts are directed to most impactful areas and benchmark results against wave 1 reporters. Consider how the analysis can be better aligned with other materiality analyses being completed and relevant business processes such as principal risks reviews.

Governance

What we've seen from many organisations is that the focus on CSRD reporting has helped to elevate the status and priority of the sustainability agenda, with the compliance 'stick', which has helped integrate sustainability better into core business processes.

This business integration, together with the strong relationship between Finance and Sustainability, among others as well as board oversight, should not be wasted effort as it should ultimately ensure better decision-making, focused investment and reduce inefficiencies across sustainability strategies more generally.

Consider using this additional time to enhance your overarching sustainability reporting target operating model, ensuring it encompasses all reporting requirements and regulations across public channels of reporting. This will help you approach reporting in a streamlined way across your business and help reduce risks associated with greenwashing which may occur from different parts of the company unwittingly communicating sustainability in different ways and without oversight to substantiation.



Prioritise: value to the business, over compliance.

Prioritise data readiness

The ESRS are now undergoing a consultation with the intention to simplify the standards.

What we experienced as assurers for wave 1 reporters, was often the significant work required to achieve an unqualified assurance conclusion. While companies achieve limited or reasonable assurance over some metrics, the requirement to assure the entire report was an enormous task for even the most mature reporters. With the additional time, companies may prioritise the following steps:

- Understand how your business holistically tracks non-financial information.
- Locate the data to support your material IROs and assess its reliability and quality.
- Evaluate the quality of your strategic suppliers' non-financial information.
- Consider your digital technology strategy and options to use sustainability data platforms.
- Engage with your assurance providers early to understand their approach to verifying your ESRS disclosures, including 'pre-assurance', which can also help you identify weaknesses in reporting processes.

Target value, not compliance

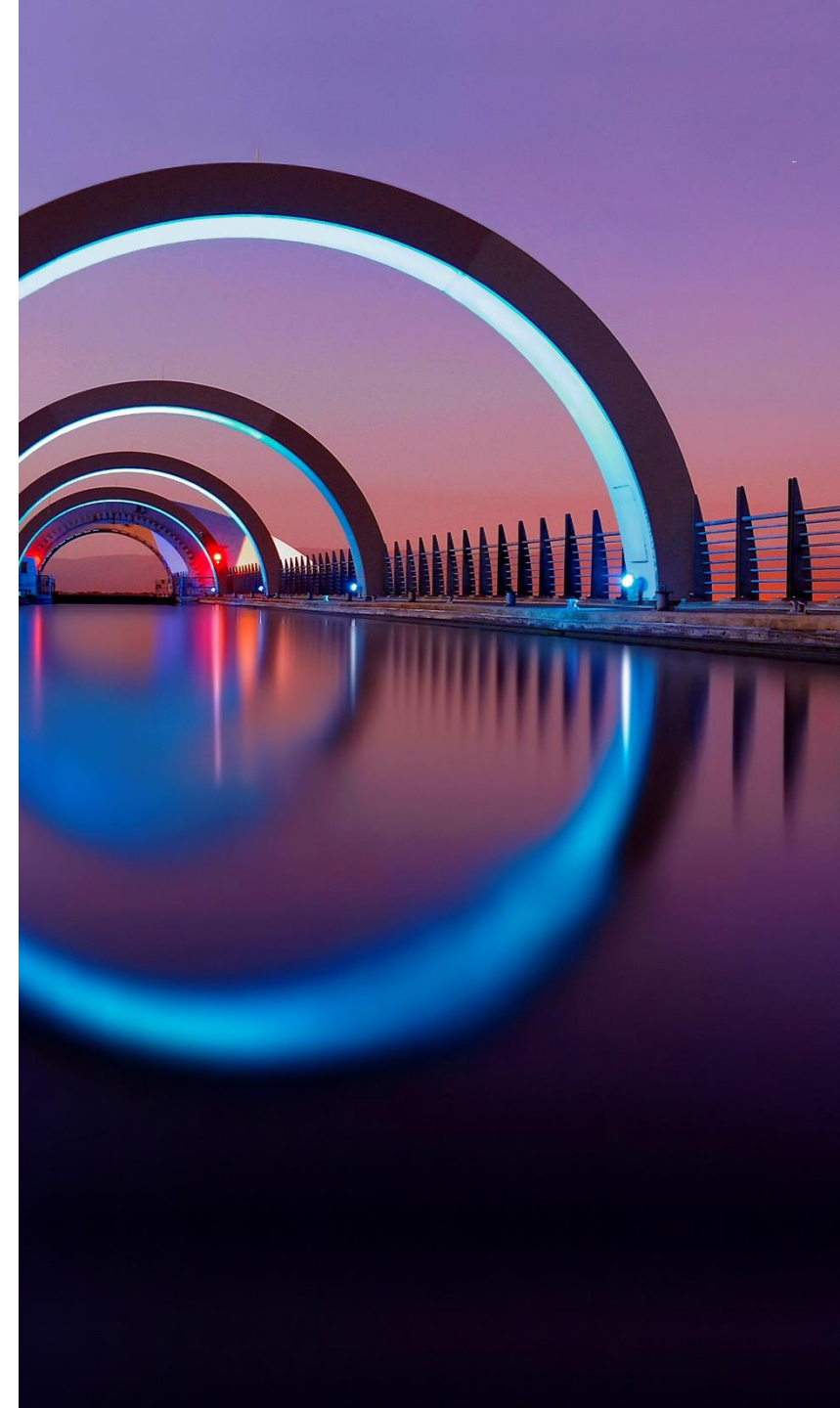
The European Commission has also expressed preference to find opportunities for alignment with other standards, but how far that process will go is unclear in the immediate term.

Until the ESRS have been revised, prioritise for action only filling ESRS gaps that provide strategic value. This is an opportunity to return to sustainability plans and reinvigorate focus back to strategic impact beyond compliance.

Prioritise for early action those that serve as value-adding in terms of supporting:

- Corporate and sustainability strategies.
- Other regulations and reporting requirements, such as: ISSB's standards, CDP, TNFD, Corporate Governance Code, UK employment law updates.
- Requests from investors, ESG ratings agencies, and other stakeholders.

Subsequent slides indicate possible 'no-regret' areas of consideration for E1 (climate change) and S1 (own workforce), as examples for two of the most commonly material standards for companies, in prioritising work programmes in the near-term.



E1 (Climate change): no-regret approach

E1 objective: to provide stakeholders with a clear understanding of how businesses impact the climate, and how they manage the risks and opportunities associated with climate change.

No-regret approach: consider other reporting regulations that align with the asks of E1, such as regulatory adoption of IFRS S1 and S2, and projects, policies and metrics that serve as value-adding to your climate strategies.

Projects:

- **Inventory of GHG emissions:** Conduct a GHG inventory across Scope 1, 2, and material Scope 3 categories. Engage with suppliers to map value chain hotspots, preparing for Scope 3 demands and due diligence obligations, and leverage existing data collection processes where possible. This will lay the groundwork for disclosures and support understanding of risk.
- **Use climate scenario and resilience analysis** to identify physical and transition risks, linked to your sector and geographies, aligned with TCFD/IFRS S2 and upcoming CSRD E1 needs. Consider what this means for your business (strategy, finance, etc) and define response actions.
- **Develop a climate transition plan** assessing target ambitions, actions, investments, governance, and milestones.

Policies:

- **Climate policy:** Set out your organisation's approach to climate mitigation, including science-based target ambitions, and approach to decarbonisation.
- **GHG emission and energy efficiency policy:** Define principles on energy consumption, renewables, and reduction of emissions-intensive resources and activities across your value chain to encourage reductions for both your direct GHG emissions (Scope 1 / 2) and the most material Scope 3 categories, focusing on those categories with the highest potential for intervention.
- **Sustainable procurement policy:** Embed climate expectations and GHG criteria in supplier onboarding and renewal (e.g., data sharing, target setting), and wider procurement processes.

Metrics:

- Scope 1, 2, and material Scope 3 emissions by category.
- Emissions/revenue, production, or other activity-relevant KPIs.
- Total energy consumption and share of renewable vs. non-renewable energy.
- **Financial exposure:** % of turnover, CapEx, and OpEx aligned with the EU Taxonomy (if applicable); % of assets and activities exposed to physical or transition risks.
- **Progress toward targets:** % emissions reduction vs. baseline year, % of suppliers engaged, climate training completion rate (for top management, or sustainability staff).

S1 (Own workforce): no-regret approach

S1 objective: to provide stakeholders with a clear understanding of how businesses manage their workforce and the impacts of their activities on their employees.

No-regret approach: consider what other reporting regulations that intersect with the asks of S1, such as UK employment law, and other projects, policies and metrics that serve as value-adding to your sustainability strategies.

Project:

- Identify alignment to **UK employment law updates**, where are there compliance risks and how can potential gaps be closed.
- Develop an **Inclusion Strategy** that brings together your approach to UK employment law updates, impactful approaches for Gender and Disability inclusion and equips you to maintain readiness when CSRD returns.
- Launch a **Self-ID campaign** to encourage employees to disclose their diversity data, enabling you to respond to upcoming pay gap and headcount diversity reporting requirements. This preparatory work would also include defining key dimensions, such as 'top management', 'own workforce', and 'disability'.

Policies:

Use this extra time to draft and embed the policies that safeguard your business against the risks that S1 was designed to highlight:

- **Employee behaviours:** Code of Ethics, Equal Opportunities, Equal Pay, Flexible working, Grievance, Paternity leave, Secure employment, Training and skills development, Whistleblowing.
- **EHS:** Workplace accidents, Health and Safety, Working time.
- **Human Rights/ Key Stakeholder:** Human Rights, Freedom of association, Social dialogue, Supplier Code of Conduct, Vulnerable customers, Community engagement.

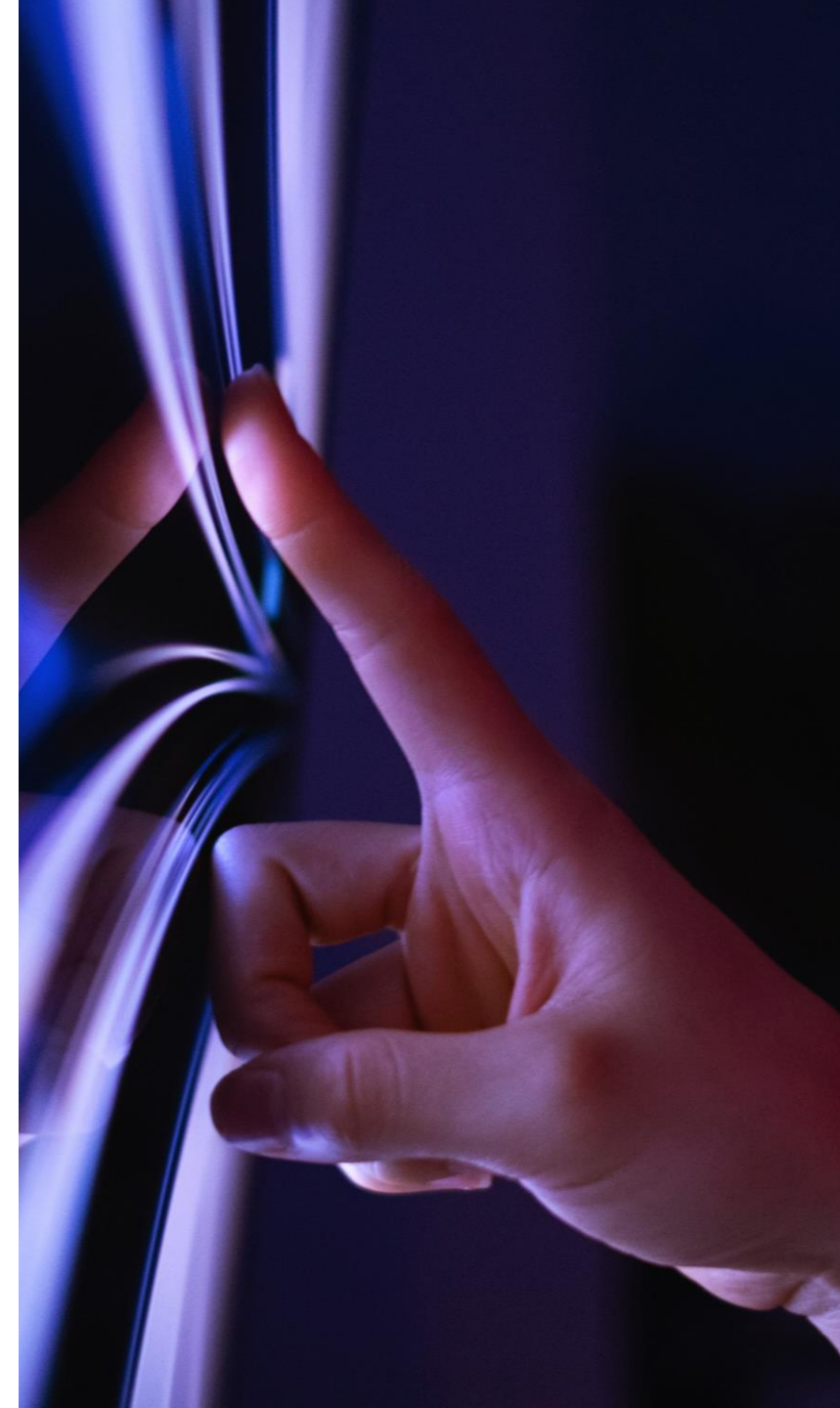
Metrics:

Develop a dashboard that enables you to understand risk exposure and performance:

- **Diversity dimensions (to mitigate risk of groupthink):** Headcount by age, gender, disability status and region, Top management by gender and training hours by gender.
- **Conduct and resourcing risks:** Attrition rates, Days lost to work related accidents, Renumeration ratio, Sickness absence, Training hours, % of employees entitled to take family leave, % of employees covered by collective bargaining agreements.

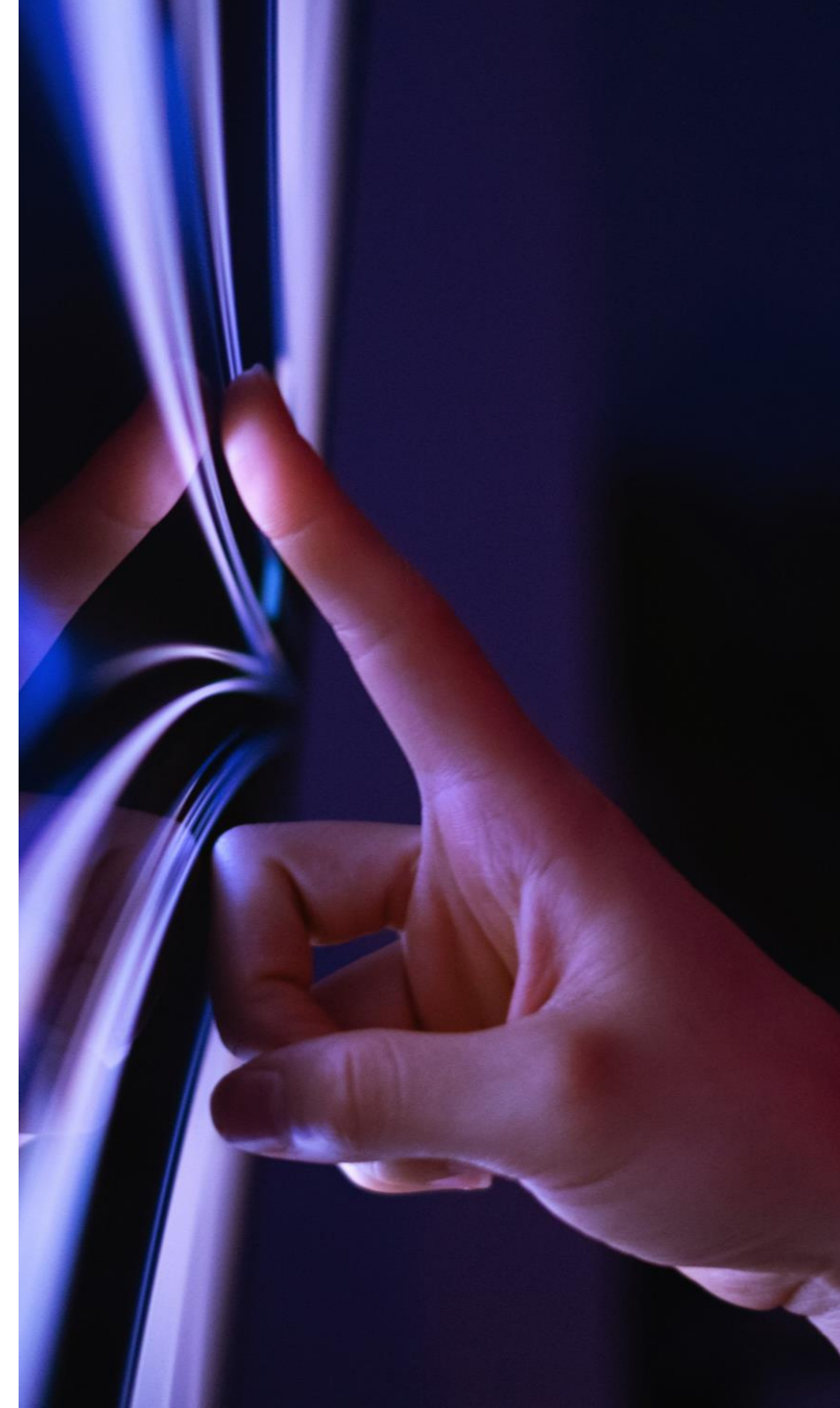
Glossary of terms and notes (1/2)

- **CDP - Carbon Disclosure Project:** A global platform for companies, cities, and regions to disclose environmental impacts, focusing on climate change, water, and deforestation, aiding transparency and informed decision-making.
- **CSDDD - Corporate Sustainability Due Diligence Directive - Directive (EU) 2024/1760:** EU directive aimed at ensuring companies conduct due diligence on their supply chains to identify, prevent, and mitigate adverse human rights and environmental impacts.
- **CSRD - Corporate Sustainability Reporting Directive - Directive (EU) 2022/2464:** adopted on 14 December 2022, this directive amends several existing EU regulations and directives to enhance and standardize sustainability reporting across the European Union. It introduced the European Sustainability Reporting Standards (ESRS - see definition below) with the aim to improve transparency and accountability in corporate sustainability practices, aligning with the EU's broader sustainability and climate goals.
- **DMA - Double Materiality Assessment:** basis for the identification of material sustainability matters for entities reporting under the CSRD. It consists in the analysis of the entity's impacts on the environment and society (impact materiality), and how financial risks and financial opportunities related to material sustainability matters may affect the entity's business model, strategy, and financial performance (financial materiality).
- **Directive (EU) 2025/794:** adopted on 14 April 2025, it amends CSRD and CSDDD directives and concerns the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements.
- **EFRAG - European Financial Reporting Advisory Group:** advisory body to the European Commission (EC) responsible for developing and recommending the European Sustainability Reporting Standards (ESRS - see definition below).
- **ESRS - European Sustainability Reporting Standards:** A set of standards developed by EFRAG under the mandate of the CSRD. The ESRS provide detailed disclosure requirements for reporting on environmental, social, and governance matters, structured across cross-cutting and topical standards.
- **EU Taxonomy - Regulation (EU) 2020/852:** EU framework to facilitate sustainable investment by providing a classification system for environmentally sustainable economic activities. It sets out criteria for determining whether an economic activity contributes substantially to one or more of the EU's environmental objectives, does not significantly harm any of these objectives, and complies with minimum social safeguards.
- **IFRS - International Financial Reporting Standards:** A globally recognized set of accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). These standards aim to ensure transparency, accountability, and efficiency in financial markets.



Glossary of terms and notes (2/2)

- **IROs - Impacts, Risks, Opportunities:** IROs refer to the concept of Double Materiality under the CSRD, which requires entities to assess how their activities across the value chain impact the environment and society, and how risks and opportunities related to sustainability matters may affect the entity's business model, strategy, and financial performance.
- **ISSB - International Sustainability Standards Board:** A standard-setting body established by the IFRS Foundation. The ISSB develops a comprehensive global baseline of sustainability disclosure standards with the aim of aligning with financial reporting and supporting investors' information needs.
- **NFRD - Non-Financial Reporting Directive - Directive (EU) 2014/95:** An EU law that required certain large public-interest entities to disclose non-financial information. The NFRD has been replaced and significantly expanded by the Corporate Sustainability Reporting Directive (CSRD - see definition in previous page).
- **Omnibus I - COM (2025) 81:** the term 'EU Omnibus' generally refers to a legislative package used by the European Commission to group multiple regulatory updates or corrections into a single act. In the CSRD context, the Omnibus I - COM(2025)81 includes cross-cutting amendments affecting several EU sustainability laws simultaneously (e.g. changes to application dates, alignment of terminology, or clarifications across CSRD and EU Taxonomy Regulation).
- **'Stop the Clock' Directive (EU) 2025/794:** it amends the CSRD and CSDDD directives by deferring their application deadlines. Its purpose is to give Member States and companies additional time to implement and comply with sustainability reporting and due diligence requirements, in response to concerns over preparedness and administrative burden.
- **TCFD - Task Force on Climate-related Financial Disclosures:** An international framework developed by the Financial Stability Board to guide companies in disclosing climate-related financial risks and opportunities. It focuses on four core areas: Governance, Strategy, Risk Management, and Metrics & Targets.
- **TNFD - Taskforce on Nature-related Financial Disclosures:** A global initiative that builds on the TCFD model to help organizations report on nature-related risks and impacts, such as biodiversity loss and ecosystem degradation.
- **CSRD wave 1 reporter:** entities that fall under the first application phase of the CSRD, starting with financial years beginning on or after 1 January 2024. These typically include large public-interest entities already subject to the NFRD.
- **CSRD wave 2 reporter:** entities that are newly brought into scope under the CSRD, starting with financial years beginning on or after 1 January 2025 (now subject to a 2-year delay). This wave includes large EU undertakings not previously covered by the NFRD, based on certain size thresholds.





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