ACCOUNTANCY EUROPE.

OMNIBUS EXPLAINED: KEY CHANGES TO SUSTAINABILITY STANDARDS PROPOSED BY THE EUROPEAN COMMISSION

Factsheet

FACTS.

REPORTING
MARCH 2025

INTRODUCTION

Accountancy Europe's has issued three factual analysis of the European Commission's (EC) recent Omnibus proposal focusing on the Corporate Sustainability Reporting Directive (CSRD), sustainability reporting standards and Corporate Sustainability Due Diligence Directive (CSDDD). These papers aim to give stakeholders an initial overview of the key proposed changes expected to reshape sustainability reporting and due diligence practices across Europe. Read also our statement on the EC Omnibus sustainability proposal.

This paper will focus on the proposed changes on sustainability standards.

For more information on Accountancy Europe's work on sustainability standards, visit on our website.

OMNIBUS BACKGROUND

The EC launched the Omnibus sustainability rules simplification package on 26 February 2025. This is the first step of an ambitious simplification agenda to enhance European economic competitiveness. It aims to reduce administrative and reporting burdens on companies and unlocking businesses' investment potential.

The new simplification agenda set bold targets, including a 25% cut in reporting burdens for companies and 35% for SMEs. The EC expects this effort to boost European companies' competitiveness while maintaining climate and decarbonisation goals of the Green Deal. The Omnibus package proposes amendments to several sustainability laws. These include the CSRD, the CSDDD, the EU Taxonomy for sustainable activities, and the Carbon Border Adjustment Mechanism (CBAM).

KEY CHANGES

Amongst key changes, around 80% of companies in the CSRD scope are estimated to be exempted from reporting obligations. Reporting requirements will focus on the largest companies with more than 1000 employees. The EU Taxonomy has been simplified, for instance, by limiting reporting to largest companies, introducing a financial materiality threshold for the reporting. The proposed amendments to the CSDDD text will limit due diligence obligations to direct business partners and reduce the frequency of assessments from annually to once every five years. The EC has also proposed to exempt importers of small quantities of CBAM goods that are mostly SMEs and individuals.

WAY FORWARD

It is important to note that the EC proposals are not final. The EC will submit the proposal to the two co-legislators - the European Parliament (EP) and the Council of the European Union - for their review, input and adoption. These institutions hold the power to amend the currently proposed Omnibus sustainability package.

OMNIBUS PROPOSED AMENDMENTS ON SUSTAINABILITY STANDARDS

The Omnibus proposal brings a series of changes regarding sustainability reporting standards, including the European Sustainability Reporting Standards (ESRS), the sustainability reporting standard for Listed SMEs (LSME), as well as the voluntary sustainability reporting standard for SMEs (VSME).

PROPOSED ESRS CHANGES

The EC intends to revise the first set of ESRS to:

- reduce substantially the mandatory ESRS datapoints number by (i) removing those deemed least important for general purpose sustainability reporting, (ii) prioritising quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints
- clarify provisions that are deemed unclear
- improve consistency with other pieces of EU legislation
- provide clearer instructions on how to apply the (double) materiality principle, to ensure that undertakings only report material information
- simplify the standards' structure and presentation
- enhance further interoperability with global sustainability reporting standards
- make any other modifications considering the experience from the first ESRS reports.

The EC aims to adopt a delegated act with the revised first set of ESRS as soon as possible, and at the latest six months after the entry into force of the Omnibus proposals.

The table below provides a detailed overview of the Omnibus proposed amendments to the ESRS.

	Current CSRD/ESRS provision	Omnibus proposal
Location	The ESRS report should be clearly identifiable through a dedicated section within the management report. *(ref. Accounting Directive Article 19a, paragraph 1, second subparagraph and Article 29a paragraph 1 second subparagraph).*	No change.
Contents	The ESRS aim to standardise reporting on information necessary to understand the company's impacts on sustainability matters and how they affect the company's development, performance and position (i.e., double materiality). In summary, this includes: • business model and strategy description • targets and respective progress • company sustainability governance (administrative, management and supervisory bodies and their expertise and skills to fulfil their role) • sustainability policies • incentives schemes linked to sustainability matters • due diligence of sustainability matters and the process to conduct it • principal and adverse impacts and actions to prevent, mitigate and remediate • principle risks and their management *(ref. Accounting Directive Article 19a, paragraph 2, first subparagraph and Article 29a paragraph 2, first subparagraph)*	No change.

Time horizons	Information in the ESRS report should consider the short-, medium- and long-term timeframes. *(ref. Accounting Directive Article 19a, paragraph 2, second subparagraph and Article 29a paragraph 2, second subparagraph)*	No change.
Value chain	The ESRS report includes information on own operations and value chain, including products and services and business relationships and its supply chain. *(ref. Accounting Directive Article 19a, paragraph 3, first subparagraph and Article 29a paragraph 3, first subparagraph)* The ESRS incorporate value chain in two capacities: 1. as part of the double materiality assessment as the company determines material impact, risks and opportunities (IROs) in own operations as well as the value chain 2. in reporting the respective value chain information. *(ref. ESRS 1 General requirements, paragraphs 39, 60, 62 – 72 and various disclosure requirements in the other ESRS)* In reporting material value chain information, the company can either: • collect data directly from value chain actors (subject to the value chain cap below) or: • estimate the information using proxies and sector averages. *(ref. ESRS 1 General requirements, paragraphs 64 – 72)*	No change. On the reporting perspective, the Omnibus proposal includes the value chain cap in this paragraph (see below). In addition, in terms of ESRS, the EC announced its intention to revise ESRS set 1. Among others, the amendments would provide clearer instructions on how to apply the materiality principle and ensure that undertakings only report material information. It would also be reasonable to expect the ESRS being revised to also update the references regarding value chain reporting, particularly considering the value chain cap (see below). *(ref. Omnibus proposal paragraph 2(b) which amends Article 19a, paragraph 3, first subparagraph and adds new subparagraph in the Accounting Directive. Omnibus proposal paragraph 4(b) which amends Article 29a paragraph 3, first paragraph and adds new subparagraph in the Accounting Directive.)*

Value chain cap	The CSRD establishes a value chain cap via a limitation in the ESRS requirements. Specifically, the ESRS should not contain reporting requirements that would require companies to obtain from SMEs in their value chain information that exceeds the information to be disclosed under the LSME standard. *(ref. Accounting Directive Article 29b, paragraph 4)*	The Omnibus proposal reexamines the value chain cap but also changes how it is applied. Under the proposed value chain cap, the information collected from value chain actors: • is limited to the information specified in the voluntary standard to be adopted by the EC as delegated act • includes any additional sustainability information commonly shared in the sector, in case these are not part of the aforementioned standard. The value chain cap is proposed to apply directly to the reporting companies, instead of limiting what the ESRS can specify. Member States shall ensure that companies do not request further information to companies outside of the revised CSRD scope. There is however a caveat as the above are without prejudice to Union requirements on undertakings to conduct a due diligence process. *(ref. Omnibus proposal paragraph 2(b) which amends Article 19a, paragraph 3, first subparagraph and adds new subparagraph in the Accounting Directive. Omnibus proposal paragraph 4(b) which amends Article 29a paragraph 3, first paragraph and adds new subparagraph in the Accounting Directive.)* The Omnibus proposal also revises the ESRS value chain cap references specifying that the ESRS should not contain reporting requirements that would require companies to obtain information from SMEs in their value chain beyond what is outlined in the voluntary standard to be adopted by the EC as delegated act. *(ref. Omnibus proposal paragraph 6(b) which amends Article 29b, paragraph 4 of the Accounting Directive.)* Accountancy Europe emphasises that the value chain cap addresses data collection from value chain actors, which constitute "direct" value chain information in the sustainability statement. However, a company will still report material impacts, risks and opportunities in the value chain using

		proxies and estimations in case it cannot collect direct value chain data because of the cap.
ESRS set 1 contents	The CSRD provides specificities on the ESRS' construct. These include: • the qualitative characteristics of information • the environmental, social and governance topics for the topical standards • retrospective and forward-looking information • quantitative and qualitative information • incorporation of datapoints stemming from other relevant EU laws • alignment with international standards. *(ref. Accounting Directive Article 29b)*	No change. However, the EC announced its intention to revise ESRS set 1, whereby among other, it would: • prioritise quantitative datapoints • improve consistency with EU laws • enhance alignment with international standards. *(ref. Omnibus Recitals page 5)*
Sector-specific standards	The EC would adopt delegated acts with both sector-agnostic and sector specific standards in order to comply with the information requirements in the CSRD. *(ref. Accounting Directive Article 29b, paragraph 1)* The first set of ESRS represents sector-agnostic standards. However, they incorporate the references to upcoming ESRS sector-specific standards. *(ref. various paragraphs in ESRS 1 General Requirements; various disclosure requirements in ESRS 2 General Disclosures and ESRS E1 Climate Change)*	The Omnibus proposal deletes the respective references for adopting delegated acts with sector-specific standards. In the Omnibus recitals the EC confirms the intention is not to have sector-specific reporting standards and avoid an increase in the number of reported datapoints. *(ref. Omnibus proposal paragraph 6(a) whereby the third and fourth subparagraphs of paragraph 1 of Article 29b are deleted, Omnibus recitals paragraph 13)* The EC confirmed a revision of the first set of ESRS, whereby it would be reasonable to expect the removal of all ESRS sector-specific references. *(ref. Omnibus Recitals page 5)*

EFRAG's mandate	In adopting delegated acts, the EC was required to take into consideration EFRAG's work on the ESRS as well as LSME standards. This gives EFRAG a legal mandate on only these two sets of standards. *(ref. Accounting Directive Article 49, paragraph 3b)* However, EFRAG also developed the VSME and third-country companies standards, upon the EC's request.	The Omnibus proposal makes no specific edits to the existing respective references in the CSRD. However, it is reasonable to assume that EFRAG's legal mandate is now limited to only the existing 12 sector-agnostic ESRS as the Omnibus proposal abolishes the legal references on: • the LSME standard • ESRS-sector specific standards. The Omnibus proposal confers on the EC the power to adopt a delegated act with a proportionate standard for companies outside the new proposed CSRD's scope. However, it does not extend an additional legal mandate to EFRAG as it does for the existing 12 ESRS.

PROPOSED CHANGES IN OTHER SUSTAINABILITY REPORTING STANDARDS

The Omnibus proposal also addressed the other sets of sustainability reporting standards.

<table>
<tr><th></th><th>Current CSRD</th><th>Omnibus proposal</th></tr>
<tr><td>VSME</td><td>There was no provision to have sustainability reporting standards for companies outside of the scope of the CSRD.

The voluntary sustainability reporting standard for SMEs (VSME) developed by EFRAG upon the EC's request, aims to ease SME reporting burden and consolidate larger companies' SME data collection methodologies.

There was no indication that the VSME would be adopted in EU law.</td><td>The EC intents to adopt a delegated act with a proportionate standard for voluntary use by companies outside of the revised scope of the CSRD. (See our factsheet on the Omnibus changes to CSRD)

In the meantime, the EC intends to issue a recommendation on voluntary sustainability reporting as soon as possible, based on the VSME standard developed by EFRAG.

(ref. Omnibus proposal paragraph 8 which adds Article 29ca in the Accounting Directive)</td></tr>
<tr><td>LSME</td><td>The CSRD requires a proportionate standard for the smaller listed entities in the CSRD's scope. The EC would adopt a delegated act with this standard.

(ref. Accounting Directive Article 29c)</td><td>The Omnibus Directive abolishes the requirement to have such a standard.

(ref. Omnibus proposal paragraph 7, which deletes Article 29c in the Accounting Directive</td></tr>
<tr><td>Non-EU groups</td><td>Non-EU companies in scope are required to provide the same information as other EU companies in scope, except for information on risks and opportunities.

These companies can report sustainability information using:
• standards for third-country companies
• a full set of ESRS
• standards deemed equivalent to ESRS by the European Commission (EC)

The EC will adopt a delegated act with the standard for non-EU groups to apply. There are no further specifications on the contents of the standard for third-country companies.

(ref. Accounting Directive Article 40a and 40b)</td><td>No changes or further specifications provided on the contents of the standard for third-company undertakings.</td></tr>
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