

The background of the cover is a low-angle photograph of a large, leafy green tree on the left and a modern glass-walled building on the right. The sky is a clear, bright blue. The tree's branches and leaves are in sharp focus, creating a sense of depth and natural beauty. The glass building reflects the surrounding environment, adding a modern architectural element to the scene.

Sustainability reporting after Omnibus I - Key takeaways

International Sustainability Reporting Bulletin

ISRB 2026/04

May 2026

CONTENTS

1 Background

2 Revised CSRD: reductions in scope

4 Revised CSRD: key amendments and simplifications to the ESRS

6 Revised CSRD: key amendments and simplifications to the value-chain cap

8 Revised CSRD: further key changes

3 CSRD: changes in timing

5 Revised CSRD: key changes for sector-specific standards

7 Revised CSRD: key changes to the assurance requirements

9 Next steps

Background

This publication provides a 'snapshot' of sustainability reporting developments with a focus on the first Omnibus package of proposals published by the European Commission (EC) on 26 February 2025 with the aim to simplify and streamline reporting requirements of the Corporate Sustainability Reporting Directive (CSRD or the Directive), the EU Taxonomy regulation, and Corporate Sustainability Due Diligence Directive (CSDDD) while maintaining transparency and compliance that is consistent with the European Green Deal. The proposals included changes to the scope, timing of adoption and simplifications of the CSRD, EU Taxonomy and CSDDD. The proposals were published in two draft directives - more about this later in this publication.

Ahead of the release of the first Omnibus package of proposals, in January 2025, the EC published its Competitiveness Compass for the EU, outlining plans to strengthen EU competitiveness and prosperity over the next five years. Key elements included simplifying regulations and reducing reporting burdens, with targets to cut administrative burdens by at least 25% for all companies and by at least 35% for small and medium sized entities (SMEs) through the Omnibus Package.

EXECUTIVE SUMMARY

Key changes agreed in the Omnibus I package by the European Parliament (EP) in December 2025 include:

- ▶ narrowing the scope of the CSRD to all EU undertakings with over 1000 employees and more than EUR 450 million net turnover and to non-EU undertakings that generated more than EUR 450 million of net turnover within the EU in each of the last two consecutive financial years and have an EU subsidiary or branch that generated more than EUR 200 million of net turnover in the preceding financial year
- ▶ postponing the application of reporting requirements by two years for certain companies
- ▶ extending transitional reliefs for entities already applying the ESRS
- ▶ simplifying the European Sustainability Reporting Standards (ESRS)
- ▶ removing the development of sector-specific reporting standards, and
- ▶ introducing 'protected undertakings' as a new mechanism under which entities outside the scope of the CSRD may refrain from providing value chain information to CSRD in-scope entities for use in their CSRD reporting if the information request goes beyond what is set out in the Voluntary Sustainability Reporting Standard for Small and Medium-Sized Undertakings (VSME standard). This is designed to protect smaller undertakings from excessive sustainability information requests.

Additionally, the EP eliminated the transition from limited to reasonable assurance and the EC is to issue a limited assurance standard by 1 July 2027.

Revised CSRD: reductions in scope

On 16 December 2025, the EP approved the simplification and reduction in scope of sustainability reporting and due diligence requirements for companies. This concluded the 'Omnibus I' released as a set of proposed changes to simplify sustainability and due diligence reporting by the EC in February 2025 and includes substantial modifications to the scope of the CSRD. Consequently, many companies that were originally within the scope of the CSRD will no longer be required to comply with the requirements. Instead, as shown in the table below, the Directive will only apply to EU undertakings with over 1000 employees and generating more than EUR 450 million in net turnover, and to non-EU undertakings that generated more than EUR 450 million of net turnover within the EU in each of the last two consecutive financial years and have an EU subsidiary or branch that generated more than EUR 200 million of net turnover in the preceding financial year. These adjustments reduce the number of companies within the scope by approximately 90%. Furthermore, companies that fall outside the mandatory reporting requirements will have the option to voluntarily publish a sustainability report based on a revised version of the VSME standard or another sustainability reporting framework such as IFRS Sustainability Disclosure Standards.)

CURRENT CSRD	OMNIBUS I PROPOSAL	APPROVED OMNIBUS I
<ul style="list-style-type: none"> ▶ Companies listed on an EU regulated market, both EU and non-EU (except for micro entities¹). ▶ All large companies, defined as those meeting two out of the following three criteria: <ul style="list-style-type: none"> • More than 250 employees • More than EUR 50m turnover • More than EUR 25m total assets. This includes subsidiaries of non-EU groups. ▶ Insurance undertakings and credit institutions regardless of their legal form (except for micro entities¹). ▶ Non-EU groups which generate more than EUR 150m turnover in the EU for each of the last two consecutive financial years and which have a subsidiary or branch in the EU (if a subsidiary, either a large – as defined above – or a small or medium size public interest entity (excluding micro entities¹) and, if a branch, one which generated more than EUR 40m turnover in the preceding financial year). 	<ul style="list-style-type: none"> ▶ Companies listed on an EU regulated market, both EU and non-EU (except for micro entities¹). ▶ All large companies, defined as those meeting the following criteria: <ul style="list-style-type: none"> • More than 1,000 employees, AND either: <ul style="list-style-type: none"> • More than EUR 50 million turnover or • More than EUR 25 million total assets This includes subsidiaries of non-EU groups. ▶ Insurance undertakings and credit institutions regardless of their legal form (except for micro entities¹). ▶ Non-EU groups which generate more than EUR 450m turnover in the EU for each of the last two consecutive financial years and which have a subsidiary or branch in the EU (if a subsidiary, either a large – meet two of the following: more than 250 employees, more than EUR 50m turnover, more than EUR 25m total assets in the EU and, if a branch, one which generated more than EUR 50m turnover in the preceding financial year). 	<ul style="list-style-type: none"> ▶ All EU companies with more than 1,000 employees and more than EUR 450m net turnover. ▶ Non-EU groups which meet the following two criteria: <ul style="list-style-type: none"> • Generate more than EUR 450m net turnover in the EU for each of the last two consecutive financial years; and • Which have a subsidiary/branch in the EU which generates more than EUR 200m net turnover in the preceding financial year.

¹ Micro entities are those which do not exceed two of the following three thresholds: EUR 900,000 turnover, EUR 450,000 total assets, 10 employees.

CSRD: changes in timing

The reporting requirements of the original CSRD were to be phased in on the basis of four 'waves' as follows

<p>'Wave One' (Year ending 31 December 2024, report in 2025):</p>	<ul style="list-style-type: none"> ▶ Large public interest entity² (PIE), defined as companies and parent companies of large group that are listed on an EU regulated market, both EU and non-EU exceeding: <ul style="list-style-type: none"> • 500 employees and • EUR 25m total assets and/or • EUR 50m net turnover ▶ Large insurance entity and credit institutions regardless of legal form with more than 500 employees.
<p>'Wave Two' (Year ending 31 December 2025, report in 2026):</p>	<ul style="list-style-type: none"> ▶ All other large entities² defined as those meeting two out of the following three criteria: <ul style="list-style-type: none"> • More than 250 employees AND either: <ul style="list-style-type: none"> • More than EUR 50m turnover • More than EUR 25m total assets. This includes subsidiaries of non-EU groups.
<p>'Wave Three' (Year ending 31 December 2026, report in 2027):</p>	<ul style="list-style-type: none"> ▶ SMEs listed on an EU regulated market (permitted to opt out of reporting for financial years 2026 and 2027). ▶ Small and non-complex credit institutions (that are large or listed SMEs). ▶ Captive insurance and reinsurance companies (that are large or listed SMEs).
<p>'Wave Four' (Year ending 31 December 2028, report in 2029):</p>	<ul style="list-style-type: none"> ▶ Certain non-EU companies that have business in the EU exceeding <ul style="list-style-type: none"> • EUR 150m turnover for each of the last two consecutive financial years and • Large subsidiary – meet two of the following: more than 250 employees, more than EUR 50m turnover, more than EUR 25m total assets in the EU, or a small or medium size public interest entity (excluding micro entities¹) or • EU branch exceeding EUR 40m turnover in the preceding financial year.

'Stop-the-clock' directive

The 'stop-the-clock' directive, which is one of the two directives proposed by the Omnibus I, made significant changes by postponing the application of all reporting requirements in the CSRD by two years for 'Wave Two' and 'Wave Three' companies that were due to report for their 31 December 2025 and 2026 year ends in 2026 and 2027, respectively. This was to prevent undertakings from coming into scope based on the original requirements and then falling out of scope again due to the subsequent changes in thresholds, having already incurred costs to prepare a sustainability report.

The 'stop-the-clock' directive [2025/794](#) was published in the EU's Official Journal on 16 April 2025 and Member States were required to bring into force the laws, regulations and administrative provisions necessary to comply with the 'stop-the-clock' directive by 31 December 2025.

¹ Micro entities are those which do not exceed two of the following three thresholds: EUR 900,000 turnover, EUR 450,000 total assets, 10 employees.

² Entity means a large stand-alone undertaking or a parent company of a large group.

'Quick-fix' delegated act on transitional reliefs

The EC also published a 'quick-fix' delegated act [2025/1416](#) in the EU Official Journal to extend transitional reliefs for entities already applying the ESRS. The delegated act was effective from 13 November 2025.

The 'quick-fix' delegated act amended the first set of ESRS, with the objective of easing the reporting burden for 'Wave One' undertakings, which are the undertakings which were required to report for the year ended 31 December 2024 under the original CSRD. These undertakings were not covered by the 'stop-the-clock' directive EU 2025/794, which deferred reporting obligations for 'Wave Two' and 'Wave Three' entities to the year ending 31 December 2027 and beyond.

The 'quick-fix' allows 'Wave One' undertakings to omit certain disclosures for their second year of reporting for the year ended 31 December 2025, aligning their obligations more closely with those of smaller entities, i.e. under 750 employees, that benefit from phase-in reliefs. Specifically, undertakings may omit full disclosures under ESRS E4 *Biodiversity and ecosystems* (E4), S2 *Workers in the value chain* (S2), S3 *Affected communities* (S3), and S4 *Consumers and end-users* (S4), provided the topics are not deemed material. For ESRS S1 *Own workforce* (S1), a range of metrics, including data on non-employees, collective bargaining, social protection, disability inclusion, training, health and safety, and work-life balance, may be excluded for the years ended 31 December 2025 to 2026. However, if any of these topics are assessed as material, undertakings must still provide summarised disclosures under ESRS 2 *General Disclosures*, paragraph 17.

However, based on the precise text of the legislation, application of the extended reliefs was not allowed for undertakings with a financial year starting before 1 January 2025. For example, those with their first financial year beginning on 1 July 2024 and ending on 30 June 2025 did not benefit from these reliefs in their first CSRD report as the 'quick-fix' does not allow earlier application before reporting periods beginning on or after 1 January 2025. Consequently, undertakings in this category with over 750 employees were required to report in accordance with all the disclosure requirements from E4, S2, S3, and S4 in their first CSRD report, because in the original version of Appendix C of ESRS 1 *General requirements* the phase-in provisions were only applicable to undertakings with less than 750 employees.

'Wave One' undertakings with fewer than 750 employees also received extended relief under the ESRS 'quick-fix' provisions. Initially permitted to omit disclosures of Scope 3 greenhouse gas (GHG) emissions and total GHG emissions for financial year 2024, these undertakings may now continue to exclude this information in reports covering the years ending 31 December 2025 and 2026. Additionally, they are allowed to omit all disclosures under ESRS S1 for the same three-year period.



Omnibus I changes in timing and scope for the original four waves

The Omnibus I changes the timing and scope for the original four waves as follows:

Previous 'Wave One'	'Wave One' EU entities with more than 1000 employees in average and more than EUR 450m in net turnover.	Year ending 31 December 2024, report in 2025 and onwards.
	'Wave One' EU entities with less than 1000 employees in average and/or less than EUR 450m in net turnover.	<ul style="list-style-type: none"> ▶ Year ending 31 December 2024, report in 2025. ▶ Years ending 31 December 2025 and 2026, report in 2026 and 2027 respectively - <i>possible Member State exemption from reporting obligations – see BDO Insight below.</i> ▶ Year ending 31 December 2027, report in 2028 and onwards - <i>no reporting obligation.</i>
New 'Wave Two'	EU companies with more than 1,000 employees in average and more than EUR 450m in net turnover.	Year ending 31 December 2027, report in 2028 and onwards.
New 'Wave Three'	Small and medium-sized listed entities.	<i>No reporting obligation.</i>
New 'Wave Four'	<ul style="list-style-type: none"> ▶ Non-EU groups which meet the following two criteria: <ul style="list-style-type: none"> • Generate more than EUR 450m net turnover in the EU for each of the last two consecutive financial years; and • Have a subsidiary or branch in the EU which generates more than EUR 200m net turnover in the preceding financial year. 	Year ending 31 December 2028, report in 2029 and onwards.

BDO INSIGHT

At this stage, it is not clear how Member States intend to approach this exemption. Member firms should therefore remain alert to developments and consider the potential implications should the exemption be incorporated into their national legislation.

Furthermore, the revised CSRD was not published in the EU Official Journal until 26 February 2026, meaning that it did not legally come into effect until 18 March 2026. Each Member State is now required to transpose this into national law. It is therefore highly unlikely that this relief will be available for entities reporting in 2026 for the year ended 31 December 2025.

Revised CSRD: key amendments and simplifications to the ESRS

According to the 'content' directive, which is the second of the two directives proposed by the Omnibus I, the EC will revise the first set of the ESRS to simplify and reduce reporting requirements and enhance coherence with the sustainable finance framework. The EC asked EFRAG to provide its technical advice in the form of revised ESRS Standards.

EFRAG submitted its final technical advice on the revised and simplified ESRS to the EC on 3 December 2025.

The draft revised ESRS introduce a number of significant simplifications designed to enhance relevance and reduce unnecessary reporting burdens. Usefulness of information now operates as an overarching filter, with an explicit requirement for fair presentation to support more meaningful, less compliance driven disclosures.

The materiality assessment has been streamlined through clearer guidance and reduced documentation requirements. In addition, the former preference for direct data collection across the value chain has been removed, potentially easing data gathering requirements.

The draft revised ESRS also introduce substantial reliefs, proportionality mechanisms, and phased implementation for some of the more complex disclosure areas. Narrative reporting requirements, particularly those relating to policies, actions, and targets, are now more principles based, offering more flexibility in presentation and focusing on how sustainability matters are managed.

Overall, the simplification exercise has resulted in a 61% reduction in mandatory datapoints (where those datapoints are material) and the elimination of all voluntary disclosures. Interoperability with the ISSB standards has improved in several respects, including fair presentation, closer alignment of GHG boundary and anticipated financial effects. However, some ESRS reliefs and phase ins now extend beyond those available under ISSB requirements, meaning companies aiming to achieve both ESRS and ISSB compliance should exercise caution.

As a result of these changes, the length of ESRS Set 1 has been reduced by approximately half.

The EC has subsequently made additional changes to the technical advice submitted to it by EFRAG. At the time of publication of this ISRB, the EC is expected to publish its final proposed ESRS for a four week 'have your say' comment period (see 'Next steps' below).

	CURRENT CSRD	OMNIBUS I PROPOSAL	APPROVED OMNIBUS I
Reporting standard	Full agnostic ESRS	Simplified ESRS (fewer data points)	Simplified ESRS (fewer data points)

Revised CSRD: key change for sector-specific standards

The original CSRD required sector-specific reporting standards to be developed in 2026 and implemented to enhance comparability and provide guidance on sustainability matters within specific sectors. However, due to concerns about increased disclosure requirements and additional reporting burdens, the EC proposal was to eliminate this mandate. This proposal was intended to allow undertakings to focus on implementing the sector-agnostic ESRS and it was also proposed that entities could refer to existing sector-based international standards for additional guidance.

The EC's proposals were approved by the EP.

	CURRENT CSRD	OMNIBUS I PROPOSAL	APPROVED OMNIBUS I
Sector-specific standards	Yes	No	No

Revised CSRD: key amendments and simplifications to the value-chain cap

Even under the original legislation SMEs, except for listed SMEs, were not within the scope of the CSRD. However, in practice, many SMEs face sustainability information requests when they are part of the value chain of companies that fall with the scope of the CSRD.

The original CSRD aimed to protect smaller undertakings in supply chains from excessive reporting demands through a value-chain cap. This was achieved by ensuring that the ESRS did not include reporting requirements that would require undertakings to request more value chain information from SMEs than the information which is required to be disclosed by the listed SMEs (LSME) standard.

At the request of the EC, EFRAG developed a VSME standard for voluntary use by SMEs that are not within the scope of the CSRD.

Under the original Omnibus I proposals, the VSME standard would replace the LSME standard as the value-chain cap with the intention to protect undertakings with fewer than 1000 employees from excessive sustainability information requests.

According to the Omnibus I approved by the EP, a new mechanism has been introduced to limit the amount of information that a company may request from companies within its value chain. This cap applies solely to information gathered for sustainability reporting under the CSRD (as incorporated into the Accounting Directive) and it does not restrict the extent to which sustainability-related information is collected for other purposes, such as compliance with the CSDDD or an undertaking's own risk-management processes.

The upper boundary for information requests is defined by the VSME Standard, which will be adopted through a delegated act and will be based on EFRAG's VSME. Companies with fewer than 1,000 employees on average in the preceding financial year are classified as 'protected undertakings'. When approached for information for sustainability reporting purposes, 'protected undertakings' may decline to provide information that goes beyond the requirements of the voluntary standards. If a reporting entity asks a protected entity for information that goes beyond the requirements of the VSME Standard, it is required to identify which information exceeds the information specified in the VSME and inform the protected entity of its right to decline to provide that information.

	CURRENT CSRD	OMNIBUS I PROPOSAL	APPROVED OMNIBUS I
Value-chain cap	Broad information requests	Restricted information requests (VSME standard)	'Protected entities' may decline to provide information for use in CSRD reporting if the information requirement goes beyond what is set out in the VSME standard for sustainability reporting.

Revised CSRD: key changes to the assurance requirements

The original CSRD required that undertakings publish sustainability information together with the opinion of a statutory auditor or, depending on Member State options, an independent assurance service provider. Initially the sustainability report would be subject to limited assurance, with a subsequent move to reasonable assurance. In the 'content' directive of the Omnibus I, the EC proposed significant changes. Firstly, the Commission proposed to eliminate the transition from limited to reasonable assurance. In addition, rather than developing a comprehensive assurance standard, the Commission proposed issuing targeted assurance guidelines by 2026.

The EP agreed that sustainability reporting should be subject to limited assurance only. In addition, the EC was asked to develop and adopt a standard for limited assurance by 1 July 2027.

	CURRENT CSRD	OMNIBUS I PROPOSAL	APPROVED OMNIBUS I
Assurance	Yes (limited assurance now; reasonable assurance in the future)	Yes (only limited assurance)	Yes (only limited assurance)

Revised CSRD: further key changes

Exemption for financial holding companies

Financial holding companies are entities whose sole purpose is to acquire and manage equity interests in other companies to generate returns, without themselves, whether directly or indirectly, taking part in the management of those companies. According to the Omnibus I approved by the EP, a parent undertaking that qualifies as a financial holding company may opt not to prepare a consolidated sustainability report, provided its subsidiaries operate with business models and activities that are independent both from the parent and from each other.

BDO INSIGHT

The legislative recitals make clear that this exemption is intended to be interpreted narrowly, meaning that close attention will be needed as Member States transpose the requirements into national law.

At this stage, it remains uncertain how the precise scope of this exemption will be applied in practice.

Full exemption for subsidiaries

According to the revised CSRD, subsidiaries may be exempt from preparing separate sustainability reports when they are included within their parent company's sustainability reporting. Under the current CSRD, this exemption is not available to subsidiaries that qualify as large entities and are listed. This means that the Omnibus I amendments approved by the EP broaden the exemption to include listed as well as unlisted subsidiaries.

Next steps

As it was noted earlier, in December 2025, the Council of the EU and the EP reached agreement on a compromise text of Omnibus I, which was subsequently approved by the EP. After undergoing a final legal and linguistic review, including checks for consistency with other EU laws, the revised CSRD was published in the EU Official Journal on 26 February 2026 and entered into force 20 days later on 18 March 2026. Member States now need to transpose the revised requirements into their own national legislation.

The EC has reviewed EFRAG's technical advice on the revised ESRS, and further amendments are expected. As a next step in the legislative cycle, the Commission is expected to release the proposed final revised ESRS for a four week public consultation, with the potential for the related Delegated Act to be adopted by the end of June 2026 (although it is possible that this will be delayed). Following adoption of the revised ESRS, the Delegated Act will undergo a two month 'non objection' period by the EP and the Council of the EU, which may be extended by an additional two months. If no objections are raised, the delegated act will be published in the Official Journal of the European Union and will enter into force 20 days later. The EC aims to finalise the Delegated Act in time for companies to apply the revised ESRS for reporting periods ending 31 December 2027, with the option of voluntary early adoption for the year ending 31 December 2026.

BDO INSIGHT

It is important to note that the original CSRD has already been transposed into national law in many EU Member States, although not all. Some EU Member States that have transposed the CSRD are now making changes to their national legislation, such as amending the effective date.

For the revised CSRD and other amendments to the legislation, any options will only be available once the changes have been transposed into national laws. This includes the implications of the 'stop-the-clock' mechanism, 'quick-fix' and any potential use of the EU Member State options as the Omnibus amendments are implemented.

Therefore, it is important to understand the existing and evolving legal position and the implications of the approved Omnibus I in different EU member states.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Neither BDO IFR Advisory Limited, and/or any other entity of BDO network, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The BDO network (referred to as the 'BDO network' or the 'Network') is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network in connection with International Financial Reporting Standards (IFRS) Accounting Standards (comprising IFRS Accounting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board, and European Sustainability Reporting Standards (ESRS) published in the Official Journal of the European Union, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2026 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

www.bdo.global