



Snapshot

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Impact of final changes to European sustainability reporting requirements

Now that the Omnibus revisions to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) are final, many U.S.-based multinational entities may be impacted. This Snapshot clarifies the final Omnibus revisions and includes considerations for entities in preparing to comply with these updated requirements. It also discusses the related revisions to European Sustainability Reporting Standards (ESRS) as well as changes to EU Taxonomy reporting, both of which are addressed through separate legislative processes.

Background

Since the CSRD initially entered into force on January 1, 2023, many stakeholders provided feedback to request streamlining the requirements and reducing the reporting burden associated with these sustainability reporting requirements. The Omnibus package, initially released in February 2025, was intended to meet this demand for simplification. The initial Omnibus package included changes to both the CSRD and the CSDDD and underwent several rounds of negotiation within the EU legislative process.

On December 9, 2025, the European Parliament and Council of the European Union reached a provisional agreement on the Omnibus simplifications to corporate sustainability reporting and due diligence requirements under the CSRD and the CSDDD. On December 16, 2025, the European Parliament voted to approve the Omnibus simplifications, followed by the EU Council on February 24, 2026. With these approvals in place, Omnibus simplifications to both the CSRD and CSDDD are now final in a new directive.

The final directive was published in the Official Journal of the European Union on February 26, 2026 and entered into force 20 days thereafter. EU member states have one year after the directive entered into force to transpose it into national legislation, which may include incorporating additional country-level reporting requirements or noncompliance penalties.

It is important to note that the final Omnibus revisions to the CSRD include a mandate for future revisions to the ESRS; however, these revisions are not yet final and will be addressed by a future delegated act. Further discussion on the current status of the revised ESRS is included below.

Final Omnibus revisions to CSRD

The following details include the key final changes to the CRSD under the recently approved final Omnibus revisions.

Scope thresholds

The table below details key changes to scoping thresholds within the final Omnibus revisions, depending on an entity's attributes.

Entity type	Qualifying thresholds	Level of reporting	Standards required	Reporting timeframe
EU entities (including EU subsidiaries of non-EU parent entities) ¹	<p>EU entities are in the scope of reporting if the entity has both of the following during the financial year:</p> <ul style="list-style-type: none"> Net turnover exceeding €450 million An average number of 1,000 employees. 	Subsidiary level, unless such subsidiary reporting is included in a parent entity's sustainability reporting prepared in accordance with ESRS ²	Revised ESRS ³	Reporting obligation begins for 2027 financial years reported in 2028 ⁴
Non-EU parent entities	<p>Entities are in the scope of reporting if a non-EU parent entity has both of the following:</p> <ul style="list-style-type: none"> Net turnover generated in the EU exceeding €450 million for each of the last two consecutive financial years An EU subsidiary or branch with net turnover exceeding €200 million in the preceding financial year 	Group level (ultimate non-EU parent) ⁵	Revised ESRS ³ or future reporting standards to be developed for non-EU entities ⁶	Reporting obligation begins for 2028 financial years reported in 2029 ⁷

¹ EU entities also covers entities listed on an EU-regulated market, including non-EU issuers, which are subject to these thresholds and associated reporting requirements.

² Inclusion of the EU entity's reporting within consolidated group sustainability reporting of the non-EU ultimate parent is acceptable, provided that such consolidated group sustainability reporting is prepared in accordance with revised ESRS or equivalent standards. It is important to note that the use of such equivalent standards would only be applicable to non-EU parent entities and that the determination or adoption of such equivalent standards by the European Council has not yet occurred.

³ Revised ESRS to be adopted through a future delegated act, which is expected to occur later in 2026. Until revised ESRS are adopted, the existing ESRS remain in effect.

⁴ Initial reporting obligations are for entities with financial years starting on or after January 1, 2027. For example, an entity with a calendar year-end's first period of required reporting would be information for the period of January 1, 2027 through December 31, 2027. An entity with a June 30 year-end's first period of required reporting would be information for the period of July 1, 2027 through June 30, 2028.

⁵ EU subsidiary or branch is required to publish and make accessible a sustainability report of the ultimate non-EU parent entity.

⁶ Article 40b of the initially approved CSRD required adoption of a delegated act to provide for sustainability reporting standards for non-EU entities subject to reporting at a group level. The European Commission has indicated that such a delegated act adopting sustainability reporting standards for non-EU entities will not occur prior to October 2027.

⁷ Initial reporting obligations are for entities with financial years starting on or after January 1, 2028. For example, an entity with a calendar year-end's first period of required reporting would be information for the period of January 1, 2028 through December 31, 2028. An entity with a June year-end's first period of required reporting would be information for the period of July 1, 2028 through June 30, 2029.

Sector standards

The CSRD, as initially adopted, empowered the European Commission to adopt sector-specific reporting standards. The approved Omnibus revisions removed this empowerment.

Based on the demand from CSRD reporting entities, however, Omnibus revisions do allow the European Commission to provide sector-specific guidance that illustrates and facilitates the application of ESRS within a given sector.

Information request limitations

The final Omnibus revisions include a limitation on the information that larger reporting entities may request from their value chain partners with fewer than an average of 1,000 employees during their preceding financial year (these value chain entities are referred to as "protected undertakings"). Entities with a reporting requirement under the CSRD will be prevented from requesting information beyond what is outlined in the voluntary sustainability reporting standard for nonlisted micro, small, and medium enterprises (VSME).

If an entity preparing a report in accordance with the ESRS requests information that extends beyond VSME from a protected undertaking, the entity is required to inform the protected undertaking that the requested information exceeds the voluntary standards and that the protected undertaking has a statutory right to refuse to provide the requested additional information. This information request limitation only applies to information gathered for the purpose of reporting sustainability information required by the CSRD and does not prohibit protected undertakings from sharing information on a voluntary basis. It also does not affect information requests for other purposes, such as complying with EU requirements around due diligence processes.

The VSME was developed by EFRAG, which publishes the ESRSs, and is expected to standardize current multiple ESG data requests. The VSME is not part of the CSRD and is not issued as a delegated act, and, as a result, no law requires compliance with or the application of the VSME. Instead, the VSME exists as a market-driven tool to help small and medium-sized entities provide consistent and credible sustainability information without the heavy burden of full ESRS reporting.

Assurance

The approved Omnibus changes maintain a requirement for the European Commission to adopt limited assurance standards. Although this is not a new requirement, the deadline for the adoption of limited assurance standards by the European Commission has been postponed to July 1, 2027.

As initially adopted, the CSRD empowered the European Commission to adopt reasonable assurance standards. But, to avoid increased costs for reporting entities, the approved Omnibus revisions remove the requirement to adopt reasonable assurance standards.

The approved Omnibus changes include simplified registration conditions and an exemption from oversight for third-country auditors and for audit entities issuing assurance reports on the sustainability information of non-EU entities whose securities are traded on a regulated market in a member state for a transitional period from 2025 through 2030.

The simplified registration conditions for third-country auditors or audit entities stipulate that certain information must be provided to the competent authorities of the EU member state concerned. This information includes details on the legal structure of the third-country auditor or audit entity, the assurance standard and independence-related requirements applied to the sustainability reporting subject to assurance, and a description of the internal quality control system of the third-country auditor or audit entity.

Digital portal

The final Omnibus revisions indicate that the European Commission will provide a dedicated digital portal to allow reporting entities to access information, guidance and support, and relevant templates for reporting under the CSRD.

Reporting exemption for financial holding undertakings

The final Omnibus revisions also include an exemption for “financial holding undertakings,” which are parent undertakings of groups that exist only by virtue of diverse investment holdings. These financial holding undertakings can choose whether to report consolidated sustainability information or to omit such information. It is important to note that this reporting exemption only applies if the parent entity meets the definition of a “financial holding undertaking” stipulated in Article 2 (15) of Directive 2013/34/EU, as follows: “[U]ndertakings 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 shareholders.” It is also important to note that this exemption does not apply to any entities that have a CSRD reporting obligation in their own right, including subsidiaries of parent undertakings that may elect a financial holding undertaking exemption.

Review clause

The final Omnibus revisions include a review clause allowing for future scope extensions to the CSRD, taking into account whether sustainability data will sufficiently mobilize private investments toward achieving the objectives of the European Green Deal, as well as the influence of sustainability reporting on the competitiveness of EU entities. In addition, the European Commission is charged with reviewing and amending, as appropriate, revised thresholds to adjust for the effects of inflation.

Final Omnibus revisions to CSDDD

In addition to changes to the CSRD, a number of changes were also made to the CSDDD under the recently approved final Omnibus revisions, including the following key changes.

<i>Area affected</i>	<i>Final directive</i>
Reduction in scope	<p>Includes the following thresholds:</p> <ul style="list-style-type: none"> • EU entities (including EU subsidiaries of non-EU parent entities) - 5,000 or more employees on average and over €1.5 billion in net worldwide revenue • Non-EU entities (including non-EU parent entities) - over €1.5 billion net revenue generated in the EU <p>These thresholds reduce the number of entities in scope compared to prior thresholds.</p>
Risk-based approach	<p>Introduces a risk-based approach whereby entities are only required to ask for necessary information if there is a reasonable expectation of an adverse impact on their business partners' activities, rather than systematically asking for the required information.</p>
Non-EU-wide liability	<p>Indicates that obligations arising as a result of breaches of the CSDDD will be covered under national law rather than at the EU level. A review clause was added on the need for a harmonized EU liability regime.</p>
Transition plan	<p>Removes the previous requirement to put into effect a transition plan for climate change mitigation to be compatible with the 2015 Paris Agreement.</p>
Penalties	<p>Includes a maximum penalty cap of 3% of an entity's net worldwide turnover.</p>
Delay	<p>Postpones the CSDDD transposition deadline by another year to July 26, 2028, with compliance required by July 2029.</p>
Review clause	<p>Includes a review clause allowing for possible future scope extension of the CSDDD.</p>

ESRS revisions

In December 2025, EFRAG submitted its technical advice to the European Commission on the amended ESRS, which included changes intended to simplify the standards and reduce complexity. Among the revisions are simplified requirements for double materiality assessments and a significant reduction in the number of data points to be reported, including the elimination of all voluntary disclosure requirements. The European Commission is considering EFRAG's amendments to ESRS, which may result in further changes prior to final adoption. Once revisions are finalized by the European Commission, they are expected to be adopted through a delegated act during late 2026.

An overview of the key amendments is included below.

ESRS 1 – General Requirements

- Double materiality assessment (DMA) includes revisions emphasizing proportionality and avoiding unnecessary justification for nonmaterial topics, as well as introducing more flexible, principles-based guidance, such as the option to apply a top-down approach.
- Phased-in value chain data with information request limitations.
- Reduced documentation burden as entities no longer need extensive documentation for nonmaterial topics.

ESRS 2 – General Disclosures

- These disclosures remain mandatory with simplified data points that prioritize essential, quantitative information.
- Greater flexibility is allowed to clearly present information so that entities can convey key information in a balanced and consistent manner.

ESRS Topical Standards: Reduction in data-points with a focus on essential and quantitative data and metrics

- E1 – Climate Change: Reduced granularity in how scenario analysis and transition plans are described and a concentration on core GHG data point metrics.
- E2 – Pollution: Simplified pollutant categories with fewer mandatory breakdowns and a focus on material pollutants. A phased-in and proportional approach was added for value-chain pollution information.
- E3 – Water: Reduced base-level granularity with disclosures based on materiality-driven metrics, allowing low-risk companies to more easily scope out these metrics.
- E4 – Biodiversity & Ecosystems: Lowered expectation for site-by-site reporting and simplified narrative expectations for transition plans and dependencies.
- E5 – Resource Use and Circular Economy: Reduced granularity to focus on key waste streams and material flows and a prioritized set of circulatory indicators, with some becoming optional or material-dependent.
- S1 – Own Workforce: Fewer mandatory data points with a focus on the most decision-useful disaggregation. Some metrics within this standard are now optional or materiality driven.
- S2 – Workers in the Value Chain: The required data points have been simplified and the mapping and coverage follows a more proportional and phased approach.
- S3 – Affected Communities: Simplified materiality filter and streamlined engagement disclosures.
- S4 – Consumers and End-Users: More explicit focus on material product groups and fewer mandatory indicators on incidents, complaints, and product features.
- G1 – Business Conduct: Consolidated policy and process disclosure requirements and an increased focus on the most meaningful quantitative indicators.

EU Taxonomy changes

In 2025, the European Commission published a revised delegated act impacting reporting under the EU Taxonomy Regulation, which requires EU entities (including EU subsidiaries of non-EU parent entities) to report on how much of an entity's business is aligned with the EU's environmental objectives, including climate change mitigation, climate change adaptation, sustainable use of water, transition to a circular economy, pollution

prevention, and biodiversity protection. This reporting is achieved through the use of key performance indicators (KPIs), such as turnover, capital expenditure, and operational expenditure.

Key changes to EU Taxonomy reporting requirements under this delegated act included the following:

- Revisions to focus on material economic activities;
- Flexible reporting for financial firms;
- Introduction of simpler reporting templates and fewer data points to be reported; and
- Simplification of the “Do No Significant Harm” rules.

These changes to the EU Taxonomy reporting requirements are designed to save time and reduce administrative burden, improve the clarity and consistency of reporting, help entities focus on what’s most important for reporting, and support better data quality over time.

The revised EU Taxonomy delegated act is effective from January 1, 2026.

Next steps

While the revised ESRS reporting requirements have yet to be finalized and adopted by the European Commission, the majority of the CSRD revisions are now final. Entities may move forward in determining whether they remain in the scope of reporting and, for those that will have a future reporting requirement, proceed with preparations toward compliance.

Grant Thornton insights

Entities are encouraged to evaluate their specific facts and circumstances to determine appropriate actions moving forward, including:

- Analyzing their organizational chart against the revised thresholds, which could result in a potential change in reporting strategy or a reduction or elimination in the scope of reporting.
- Engaging with internal or external legal counsel to verify whether the entity has in-scope subsidiaries or a group-level reporting requirement.
- Communicating updated requirements, reporting strategy, and deadlines to key internal stakeholders or leadership to obtain appropriate investment to support high-quality reporting, such as internal personnel, external advisory assistance, tools, or systems.
- Developing a plan for the completion of a double materiality assessment and, for entities that have previously performed a double materiality assessment, developing a plan and timeline for completing a refreshed double materiality assessment. This may be followed by a reporting gap assessment.
- Developing an engagement plan for key vendors or customers to assist with preparation for upcoming data requests from value chain partners, which may include an evaluation for transition to voluntary sustainability reporting or use of the VSME for entities that are below updated thresholds.
- Assessing how the draft revised ESRS may impact reporting needs.

- Focusing on fundamentals while ESRS revisions are being completed, which may include governance and process or controls design that produce high-quality data for reporting.
- Considering assurance readiness for CSRD reporting, including the entity's double materiality assessment, and developing a plan and timeline for the completion of assurance readiness to enhance preparedness for upcoming reporting requirements.
- Preparing for assurance, which may include development of an engagement plan for service providers.
- Monitoring for further remaining updates that accompany these final Omnibus revisions, including finalization of revised ESRS and EU member state transposition activities.

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