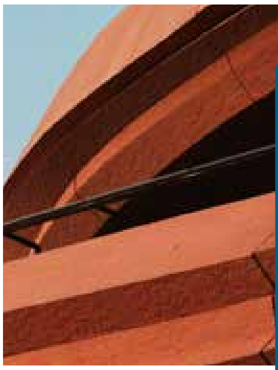
ANALYSIS



Sustainability

Simplification of sustainability reporting and standards for voluntary use by SMEs

Pursuant to Directive (EU) 2026/470 of 24 February (Omnibus I), the Commission has adopted a delegated regulation amending sustainability reporting standards (ESRS) and another that includes sustainability reporting standards for voluntary use by SMEs in the value chain of large undertakings that are subject to mandatory sustainability reporting.

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On 3 July, the European Commission adopted delegated regulations implementing the reform known as *Omnibus I* [Directive (EU) 2026/470 of February 24], namely the delegated regulation amending the European sustainability reporting standards under Commission Delegated Regulation 2023/2772 with regard to the simplification of certain sustainability reporting standards, and the delegated regulation establishing the voluntary sustainability reporting standards that may be used by companies in the value chain of those required to prepare a sustainability report (Commission Delegated Regulation (EU) …/… […] supplementing Directive 2013/34/EU of the European Parliament and of the Council by establishing sustainability reporting standards for voluntary use by undertakings protected by the value chain cap).

> *Companies may voluntarily follow the new ESRS starting in the financial year 2026*

With regard to the regulatory process, the Commission, in accordance with Article 49 of the Accounting Directive (Directive 2013/34/EU), has submitted the aforementioned delegated regulations to the European Parliament and the Council. These delegated regulations will enter into force only if, within two months of their notification to the European Parliament and the Council, neither of these institutions raises any objections or if, before the expiration of that period, both inform the Commission that they will not raise any objections. This period may be extended by an additional two months at the request of the European Parliament or the Council of the European Union.

The simplified ESRS are expected to apply from the financial years beginning on or after 1 January 2027, for companies required to prepare a sustainability report, although they may voluntarily adopt them for the 2026 fiscal year.

As indicated in the explanatory memorandum to the delegated regulation amending the ERSR, for financial years beginning between 1 January and 31 December 2026, undertakings subject to the mandatory sustainability reporting requirements may choose to apply the standards set out in Delegated Regulation (EU) 2023/2772, as amended by the delegated act already adopted by the Commission, instead of the standards set out in the existing version of that delegated regulation. "In addition, undertakings that for those financial years choose to apply the existing version of Delegated Regulation (EU) 2023/2772 should be able to apply certain reliefs introduced by this delegated act", as specified in Article 2 of the regulation pending publication in the Official Journal once the comitology procedure is completed.

With regard to the simplification of the ESRS, the Commission is fulfilling the mandate set out in the *Omnibus I* Directive (Directive 2026/470), as succinctly summarised in its Recital 18. The objective is to deliver swiftly on the simplification and streamlining of sustainability reporting; the Commission will adopt a delegated act to revise the ESRS in order to substantially reform them by: removing datapoints deemed least important for general purpose sustainability reporting; prioritising, to the extent possible, quantitative datapoints over narrative text; further distinguishing between mandatory and voluntary datapoints; providing clear instructions on how to apply the materiality principle ("relative importance" in the Spanish version of Directive 2026/470) in order to ensure that undertakings are only required to report material information and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process; improving consistency with other pieces of Union legislation, including financial services legislation; and taking account, to the greatest extent possible, of interoperability with global sustainability reporting standards. Most of these objectives have been incorporated into the new wording of Article 29a of the Accounting Directive.

The standards must also take account of the difficulties that undertakings might encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements and from suppliers in emerging markets and economies. This ties in with the second delegated regulation adopted by the Commission on 3 July, which contains the voluntary sustainability reporting standards implementing Article 29ca—also introduced by the *Omnibus I* Directive—entitled "Sustainability reporting standards for voluntary use".

It is worth noting that, following the major reform of 2026, only truly large undertakings are required to prepare what is known as a *sustainability report,* that is, companies that, on their balance sheet dates, exceed a net turnover of 450,000,000 euros and an average number of 1,000 employees during the financial year (Art. 19a and, for parent companies of a group that report on a consolidated basis, Art. 29a of Directive 2013/34/EU).

The sustainability reporting standard for voluntary use ('voluntary standard') pursues two objectives. Firstly, it aims to facilitate voluntary reporting of sustainability information by providing undertakings not subject to mandatory sustainability reporting requirements with a "simple and standardised framework". By doing so, the voluntary standard facilitates such undertakings' access to sustainable financing which — as stated in the explanatory memorandum — improves their competitiveness and market reputation. Secondly, the voluntary standard aims to tackle the so-called 'trickle-down effect' of value chain reporting by limiting the information that may be required for the purposes of sustainability reporting from undertakings in the value chain which do not have more than 1000 employees ('protected undertakings' under the Omnibus I Directive). Information requests received by value-chain undertakings, including small and medium-sized enterprises (SMEs), are deemed sometimes disproportionate and an additional burden.

To avoid the negative consequences of large companies' information requests on the companies that are part of their value chain, the Omnibus I Directive introduces the concept of a value chain cap. This cap on the information to be provided by protected companies within the value chain is set out in the voluntary standard, which acts as an "upper limit". In other words, large companies are prohibited from requesting information from members of their value chain that exceeds what must be disclosed under the voluntary standard. And, if this were the case, these SMEs may refuse to provide information that exceeds those limits. “Moreover, reporting undertakings which choose to request information exceeding those limits are required to ensure that protected undertakings are informed of which extra information is requested and of their statutory right to decline to provide it”. In accordance with Article 29ca, these sustainability reporting standards for voluntary use are based on Commission Recommendation (EU) 2025/1710 of 30 July 2025 on a voluntary sustainability reporting standard for small and medium-sized undertakings, in its original version.