

The Omnibus Directive – pros and cons from multiple perspectives

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Sustainability and sustainability reporting have become mainstream parts of accountants' and controllers' occupation. Sometimes, however, major external events can change the way they work drastically. On 26th February 2025, the European Commission published a package of new proposals to simplify EU regulation (called the 'Omnibus'), which also is meant to boost competitiveness, and unlock additional investment capacity (EC 2025a). Based on the Draghi-Report (EC 2025b), the Commission expressed the necessity to cut corporate reporting requirements radically, which will expectedly result in a cost savings of € 350 million. Ursula von der Leyen, President of the European Commission said: "Simplification promised, simplification delivered! We are presenting our first proposal for far-reaching simplification. EU companies will benefit from streamlined rules on sustainable finance reporting, sustainability due diligence and taxonomy. This will make life easier for our businesses while ensuring we stay firmly on course toward our decarbonisation goals. And more simplification is on the way" (EC 2025a).

In this column, we would like to shed a light on the effects on the actors involved, in the field of corporate reporting, predominantly because of the changes in the application of the Corporate Sustainability Reporting Directive (CSRD), with some minor sidesteps to other parts of the Omnibus Directive.

Importance of a multi-perspective analysis

In recent publications on social media and in the mainstream media, there is a debate on whether the positive effects of the Omnibus outweigh the negative effects. A newspaper (Het Financieele Dagblad 2025), citing four (!) entrepreneurs, suggested that Dutch companies are happy with the Omnibus, whereas some leading companies pledge for maintaining the boundaries of the CSRD. A negative effect could be the lower comparability of reports. Most debaters seem to provide their thoughts from a single perspective only¹, for example emphasizing the lower comparability. A

broader, multi-perspective analysis is needed. With this call for a broader analysis, we may help lawmakers to balance the pros and cons of the Omnibus. But also support companies to understand the search for associations between their financial situation, their impact on people (i.e. human rights) and impact on the environment (for example, biodiversity). In this column, we reflect on the pros and cons for different actors, as seen from different theoretical angles – the agency theory, efficient-market hypothesis, stakeholder theory, legitimacy theory and the resource based-view. The first two are economic theories, for which reporting is an important source of information. The next two theories have societal purposes, and the resource-based view provides a combined sustainability-economics perspective: for example, resource depletion has economic, ecological and societal consequences. A shortcoming may be that we do not apply ecological, nor pure sociological theories but only the theories applied in our own field of research.

Next, we introduce the major proposed adjustments made by the European Commission, then we continue explaining the theoretical viewpoints applied, and the related consequences.

The contents of The Omnibus Directive summarized for the CSRD

Since this is a small contribution only, we cannot dive into all details of the Omnibus. We address the main changes proposed, with a focus on the CSRD. Before addressing the changes proposed, we initially address the 'stopping of the clock' with regard to the 'wave 2' and 'wave 3' companies. Wave 2 companies are large companies (not meeting the requirements for wave 1 companies)² with over 1000 employees, wave 3 companies are listed SMEs. For those companies, the reporting requirements will be postponed with two years. Since many countries have adopted the CSRD in their national legislation³, wave 2 companies need to comply with the CSRD for financial year 2025 if the Omnibus changes will not be adopted in time. On April 3, 2025, the European Parliament voted in favour of "stop-

the-clock” with 531 voted in favour (and only 69 against), which means that this first “problem” was eliminated.

Main changes with largest effects

The second part of the proposal aims to adjust the scope and content of the CSRD. We will mention the main changes with the largest impact:

- The CSRD reporting requirements would only apply to large undertakings with more than 1000 employees on average (i.e. undertakings that have more than 1000 employees⁴ and either a turnover above € 50 million or a balance sheet above € 25 million). The number of undertakings subject to mandatory sustainability reporting requirements would be reduced by about 80%, taking out of scope large undertakings with up to 1000 employees (i.e. some of the undertakings from the second wave and some of the undertakings from the first wave) and listed SMEs (i.e. all undertakings in the third wave).
- For CSRD companies, the Commission proposes to draft new European Sustainability Reporting Standards (ESRS) with less than the current 1100 datapoints.
- For undertakings not subject to the CSRD the Commission proposes to prescribe the Voluntary Standards for small and medium sized entities (VSME) as delegated act, both for adopting reporting as well as value chain cap (i.e. maximum amount of data to be provided to reporting companies by non-reporting companies⁵ is capped by the VSME).
- Requests to the value chain will be limited to tier-1 contacts, which means only direct company contacts (upstream or downstream), but no longer within the entire value chain.
- There would be no sector-specific reporting standards, so avoiding an increase in the number of prescribed datapoints that undertakings should report.
- The presumption to ‘upgrade’ from limited assurance to a requirement to reasonable assurance would be removed. This will provide clarity that there will be no future increase in costs of assurance for undertakings in scope. The Commission even states it will propose ‘targeted assurance guidelines (EC 2025c)’ in a later stage.
- For companies with less than € 450 million in revenues, the EU Taxonomy becomes voluntary. And Taxonomy based criteria will be adjusted.
- Consistency with other parts of the law will be improved.
- There will be steps taken for interoperability (i.e. with the ISSB standards).

What it means for future reporting, depends on the point of view one takes. Fiechter et al. (2022) show that CSR reporting quality increased significantly after the introduction of the Non-Financial Reporting Directive (NFRD). More importantly, their results suggest that mandatory disclosures can be a powerful tool driving

corporate change. Since there are several advantages and disadvantages coming from the proposed Omnibus, we will reflect upon them using these different theories.

Assumed effects for different actors

The perceived effects of Omnibus may vary across actors, and the benefits or disadvantages may even result from questions on intrinsic motivations, and above mentioned theories. For the following actors we expect the following effects:

- For *listed companies* the effects will be limited. Only the adjustments on the prescribed ESRSs will impact their reporting as well as the value chain cap of the VSME combined with requesting only tier-1 contacts, which is positive in direct short-term economic terms (+). The affected stakeholders will be less involved and less well informed. Stakeholder theory and legitimacy theory can explain the negative aspect of less information on value chains and less support for the licence to operate (societal legitimacy) for companies working in vulnerable value chains (-/-).⁶
- For *large companies with over 1000 employees*, the biggest advantage is the postponement of two years, providing them with more time to prepare. And with less than € 450 million in revenues, the EU Taxonomy becomes even voluntary, which is positive in direct economic terms (+). Lower costs for reporting and assurance, could leave more funds available for investments in sustainable assets (+). But there will be less information in the market, which may be a problem in terms of agency relationships (-/-), lacking comparability (-/-), less affected stakeholders involved in the reporting process (-/-) and lower societal legitimacy and societal licences to operate (-/-). It can also be seen negatively in terms of resource-based view, as less attention will be paid to preserving vulnerable (socially and ecologically) resources.
- For *large companies with less than 1000 employees*, the CSRD is no longer an obligation to comply with CSRD, meaning they may report based on the VSME, spending less (+), focusing on key issues for their stakeholders if they will apply VSME (+). Other effects are similar to the previous actors, for whom the CSRD will become voluntary; possibly negative in terms of (social and ecological) sustainability (-/-).
- For *auditors*, postponement may give them more time to prepare, more time to educate their staff (+). However, for this group, a major part of their expected business model will evaporate, which is a huge financial loss. (-/-).
- For *companies in the value chain* (including SMEs), the VSME is now defined as the cap for requesting information (which was previously defined on the level of the listed standard for SMEs), which results in a reduction of their administrative burden.

I.e. formally, companies cannot demand more than the VSME requirements. The question however is whether responsible CSRD-firms will always respect these boundaries. For all other SME companies, they may now focus on key issues they are intrinsically motivated for (+) and using the VSME.

- *Banks and other financial institutions* may face challenges with regard to data collection and data quality if information in the value chain is less readily available, not audited and maximized to tier-1 contacts. (-/-). Complying with the SFDR might become challenging, because the EU Taxonomy plays a huge part in term of data quality and reliability.
- For *enforcement bodies* like the Dutch AFM, sustainability will remain equally important. The AFM started considering the topic of integrated financial and non-financial reporting in 2012. However, the supervision and enforcement will become more complex (-/-).
- *Affected communities, or human rights in a broader sense*: if 80% of the reporting companies will stop considering the stakes of affected communities, there is likely to be a deterioration of social sustainability levels in the entire value chain. With less requirements within the Corporate Sustainability Due Diligence Directive (CSDDD) to oversee the due diligence of the entire value chain, we expect a negative impact on human rights, child labour, gender equality and other sensitive topics. Also, less affected communities will be involved in the reporting process (-/-).
- And finally, the silent stakeholder (SER 2025) i.e. nature. Maria Luís Albuquerque (Commissioner for Financial Services and the Savings and Investments Union) reassures (EC 2025d) “Keep in line with our Green Deal objectives”. However, with less companies working on sustainability reporting, and after declining the requirements on climate and transition plans, we question whether these objectives will be met in the future. Nature and society, as resources, and nature and society as stakeholders, will probably suffer (-/-).

Conclusion and follow up

The interesting result from this reflection is that one cannot conclude whether Omnibus is beneficial or not. That depends on the type of actor, the lens, and on the time-frame. Many companies seem to be happy. Most negative effects are on the long run, the positive effects are short-term effects. It is certain that a short-term cost reduction will take place, either because the process of reporting is more aligned, the number of requirements is reduced, less companies are obliged to comply with the CSRD, value chain requests are lowered, or there is a limit on assurance work related to the CSRD.

However, many (research) questions remain. Following Fiechter et al. (2022) the lack of ‘lawful’ requirements may both impact reporting, but also impact sustainability, i.e. society and the environment. What will be the long-term effects of Omnibus on climate-related challenges? What are the effects of the Omnibus on the CSDDD, particularly on human rights and issues like equality? What will happen if reporting companies demand for more value chain data than the VSME prescribes? Will large companies only work with small companies as preferred supplier if they deliver more data than level of VSME prescribes?

What will happen to all the auditors educated for sustainability assurance for whom there is no CSRD-assurance work available? And as a follow-up on Saez Cardoso and Ter Hoeven (2024), how will these changes affect the SFDR transparency and potential greenwashing? From the agency theory perspective, Omnibus seems doubtful, as less information is available. From a legitimacy perspective, and from a stakeholder view, results are negative. Not even mentioning ecological effects on biodiversity and nature in general. Overall, it may be concluded, that sustainability may not be strengthened by the Omnibus, yet Draghi’s economic promises seem fulfilled, mainly in the short run.

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Notes

1. F.i. Tjibbe Bosman on FD (February 20, 2025), or Brigitte de Graaff and Tjeerd Krumpelman on accountant.nl (March 6, 2025).
2. In the first wave, large public interest entities with more than 500 employees must report for the first time in 2025 for financial year 2024.
3. The CSRD has not been adopted in national legislation in the Netherlands (yet).
4. Although not specifically defined, for the Dutch context we assume fulltime equivalents (FTE) rather than headcount.

5. Non-reporting companies are defined as all companies not being obliged to comply with the CSRD including “large companies” with in between 250 and 1000 employees.
6. It remains unclear, also combined with the requirements of the CSDDD, to what extent listed companies may indeed diminish the value chain request from a due diligence perspective to only tier-1. We expect that this potentially may not be enough to meet with company requirements from a risk assessment perspective.

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