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A TWO-LEVEL ANALYSIS OF REGULATORY CHANGE IN EU SUSTAINABILITY REPORTING AND ITS IMPLICATIONS FOR COMPANY REPORTING SYSTEMS

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Abstract:
The European Union has built the world's most extensive corporate sustainability reporting framework and, within a decade, begun to scale it back, creating an environment of regulatory uncertainty for the companies that must report. This paper examines how that framework has evolved across three successive reforms: the Non-Financial Reporting Directive (NFRD), the Corporate Sustainability Reporting Directive (CSRD) and the 2026 Omnibus simplification package, and examines the implications of these changes for corporate reporting system design. Using a document-based comparative analysis of the legal instruments, the study codes the direction of change across a set of criteria at two levels - the directives and the European Sustainability Reporting Standards (ESRS). The findings are interpreted through the institutional theory and the dynamic capabilities perspective. Regulatory change proves to be asymmetric. The shift from the NFRD to the CSRD expanded the framework on every dimension, while the Omnibus package contracted it on almost all of them. The widely discussed simplification is therefore more accurately characterised as a recalibration of the framework's scope, pace, and intensity rather than its dismantling. Against this background, the paper argues that companies should design their reporting systems around a stable regulatory core, with more changeable requirements incorporated as configurable components.

Key words: Corporate sustainability reporting, ESRS (European Sustainability Reporting Standards), CSRD (Corporate Sustainability Reporting Directive), Omnibus Directive, regulatory uncertainty

INTRODUCTION

The European Union has built the world's most ambitious framework for corporate sustainability reporting and then begun to scale it back. The Non-Financial Reporting Directive (NFRD) of 2014 introduced a relatively limited disclosure obligation for a few thousand large public-interest entities. The Corporate Sustainability Reporting Directive (CSRD) of 2022 replaced this limited approach with a comprehensive reporting regime, significantly expanding the number of companies covered and introducing mandatory reporting standards, double materiality, value-chain disclosures, digital tagging, and assurance requirements. The 2026 Omnibus simplification package reversed much of that movement by narrowing the scope, easing the standards, suspending digital tagging, and postponing the implementation timetable. Within a decade, the framework thus expanded on every front and then retreated across most of them. Regulatory uncertainty, rather than steady tightening, has become the defining condition under which European companies must report.

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This turbulence poses a distinctive problem for firms. The development of corporate reporting systems requires substantial upfront expenditure and a long-term organisational commitment. Because the underlying data architecture, procedures, and control mechanisms cannot be readily adjusted to every revision of the regulatory framework, companies must make investment decisions under significant uncertainty about the future extent, and even the continued applicability of their reporting obligations. The question of how to design a reporting system that is robust to such change is therefore not a narrow compliance matter but a strategic one, and it applies as much to firms currently outside the mandatory scope, for whom the direction of future reform is especially uncertain, as to those already reporting.

This study addresses the problem through two complementary theoretical lenses. Institutional theory provides the frame for the regulatory evolution itself. Beyond the familiar account of institutional isomorphism [1] and the regulative pillar of institutions [2], the literature on gradual institutional change [3, 4] shows that reform seldom adds or removes rules. More commonly, institutional change occurs through processes of layering, conversion, and drift, which modify existing arrangements without displacing their underlying core. This perspective makes it possible to identify which components of the EU regulatory framework were modified by successive reforms, which remained stable, and why some elements endured through periods of both regulatory expansion and contraction.

On the other hand, dynamic capabilities theory provides the frame for the firm-level response. Teece, Pisano and Shuen's [5] foundational account and Teece's [6] microfoundations, sensing changes in the environment, seizing opportunities, and reconfiguring the resource base, describe the capabilities a firm needs when its regulatory environment is unstable. The distinction between ordinary and dynamic capabilities corresponds closely to the pattern identified in this study, comprising a stable foundation designed for long-term use, complemented by adaptable components that can be reconfigured in response to regulatory change.

Bringing the two lenses together, the paper pursues three research questions. First, how has the architecture of EU ESG regulation evolved, at the level of the directives, from the NFRD to the Omnibus package (RQ1)? Second, what changes has the Omnibus package introduced into the operating logic of the European reporting system, at the level of the standards (RQ2)? Third, how should companies design sustainability reporting systems under regulatory uncertainty (RQ3)? The first two questions are addressed empirically, through a structured comparison of the enacted legal texts, and the third is addressed conceptually, by deriving design propositions from the observed pattern of change.

The structure of the paper is as follows. The next section presents the theoretical framework, reviewing prior research on the regulation of EU sustainability reporting**.** Section three outlines the adopted research methodology, including the document-based comparative design, the legal sources, the two-level structure of the analysis, the comparison criteria, and the direction-of-change coding scheme. Section four presents the results of the comparison at the level of the directives, tracing the evolution from the NFRD through the CSRD to the Omnibus package and coding the direction of change on each criterion. Section five presents the results at the level of the reporting standards, comparing the first set of ESRS with their post-Omnibus revision and identifying the change in the system's operating logic. Section six develops the practical implications for company reporting systems under regulatory uncertainty, setting out the design propositions. Finally, section seven provides conclusions, identifies the limitations of the study, and suggests directions for future research.

LITERATURE REVIEW

ESG reporting refers to the disclosure of environmental, social, and governance information alongside traditional financial reporting, intending to improve transparency about how firms affect society and the environment and how sustainability issues affect firm performance [7]. In the European context, this reporting has moved from a relatively flexible non-financial disclosure model toward a more comprehensive sustainability reporting regime embedded in broader corporate accountability and sustainable finance agendas [8, 9]. The literature consistently describes the EU as a leading regulatory actor in this

field, not only because it mandates disclosure for a wide set of firms, but also because its rules increasingly shape reporting expectations beyond the EU through their extraterritorial reach and standard-setting influence [9]. Bibliometric analyses reinforce this picture, showing how quickly ESG research has grown and how it has clustered around a few core themes, such as disclosure, performance, and ratings [10, 11]. Systematic reviews, in turn, trace a shift from voluntary corporate social responsibility reporting toward mandated ESG disclosure [12].

The evolution of EU ESG reporting (see Figure 1) is usually traced from the earlier non-financial reporting framework to the Corporate Sustainability Reporting Directive (CSRD) [13] and the European Sustainability Reporting Standards (ESRS) [14]. Earlier rules increased disclosure practice but often left firms with substantial flexibility, which limited comparability and did not necessarily produce high-quality or decision-useful reporting [15, 16, 17]. This limitation is a recurring theme in the literature on the transition from the Non-Financial Reporting Directive to the CSRD [18]. The shift is not merely terminological, but reflects a broader change in the purpose of reporting, from selective non-financial disclosure toward standardised sustainability reporting grounded in double materiality [8, 7]. Under CSRD and ESRS, firms are expected to report both how sustainability matters affect enterprise value and how corporate activities affect society and the environment, thereby expanding the logic, scope, and intended users of reporting [19, 20]. This revision was itself the product of competing institutional logics, business respondents adopting a more conservative stance than NGOs and citizens in the consultation informing the reform [21], and it exemplifies a broader international transition from voluntary to mandatory disclosure whose documented effects, although positive, are modest on average [22].



Fig. 1 Timeline of EU ESG reporting evolution

Alt-text: *Horizontal timeline of the evolution of EU ESG reporting regulation, showing eight milestones from the NFRD (2014) through the CSRD and ESRS (2023) to the Omnibus simplification package (2025-2026).*

This regulatory expansion also changed how the reporting system is supposed to function. The literature emphasises broader scope, more detailed disclosure requirements, stronger comparability ambitions, assurance expectations, and closer integration between sustainability and financial reporting systems [23]. At the same time, studies of implementation suggest that formal harmonisation does not automatically produce substantive convergence. Early evidence shows growing uniformity in report structure under ESRS, but substantial variation remains in the rigour with which firms apply the standards in practice [24]. Cross-country and institutional differences also persist, indicating that harmonised standards alone may be insufficient without equally robust enforcement and implementation capacity [25].

A central concept in this evolution is double materiality. The literature treats it as one of the defining innovations of the EU model because it links financial materiality with impact materiality and therefore broadens the informational basis of reporting [8, 20]. However, the same literature also shows that operationalising double materiality is difficult. Firms appear more comfortable with climate-related indicators than with biodiversity, circularity, or complex value-chain metrics, and some of the most demanding data points, such as Scope 3 emissions, remain difficult to measure reliably [26, 27]. This suggests that the effectiveness of the new regime depends not only on legal design but also on firms' technical capacity to generate auditable, decision-useful sustainability data. Research on the ESRS reporting process goes further, arguing that linking the double materiality assessment to performance measurement and management can turn reporting from a compliance exercise into a lever for improving sustainability performance [28].

The literature further shows that the evolution of EU ESG reporting did not end with CSRD adoption, but continued into the Omnibus reform debate. Recent work describes the Omnibus package [29] as a simplification turn that may reduce reporting burdens while also creating uncertainty about the long-term direction and ambition of the regime [30, 31]. Some authors characterise this shift as a movement from initial regulatory optimism to a more cautious or even disillusioned phase, especially where competitiveness concerns are used to justify narrowing obligations [30]. Related commentary argues that reductions in requirements and ongoing revisions risk weakening the transparency and comparability objectives that originally justified the CSRD/ESRS architecture [32]. This debate reflects a deeper tension between transparency and competitiveness, with Hockmann and Thomsen [33] framing deregulation as a question of whether sustainability reporting is a burden or a source of competitive (dis)advantage.

For firms, this regulatory uncertainty has practical consequences. Multiple studies indicate that preparedness for ESRS compliance is uneven, with larger firms and firms in environmentally sensitive sectors generally better positioned to comply than smaller or less exposed firms [34, 35, 36]. Companies also face uncertainty about which disclosures will remain stable, how deeply they should invest in systems redesign, and whether simplification will reduce or merely postpone compliance burdens [26, 31]. This matters because reporting systems require upfront investments in data architecture, internal controls, governance processes, and coordination across functions and value chains [8, 37]. Where rules change quickly, firms risk building systems for requirements that are later revised, yet delaying investment can leave them underprepared for mandatory reporting cycles. To cope with the heavy data demands of the CSRD, firms are advised to shift from reactive, regulation-by-regulation responses toward proactive sustainability data management [38]. The consequences are therefore mixed. On one hand, evolving regulation can stimulate organisational learning, stronger internal ESG data systems, and closer integration of sustainability into management and accounting practices [37, 39]. On the other hand, the literature warns that instability may encourage minimal compliance, symbolic disclosure, or strategic box-ticking rather than substantive organisational change [40, 24]. Market evidence also suggests that firms may perceive sustainability reporting regulation as costly or burdensome, as reflected in negative shareholder reactions to some regulatory events [41]. Taken together, these findings imply that regulatory dynamism can improve reporting quality only if accompanied by clear guidance, credible enforcement, and sufficient implementation time.

Overall, the literature supports three broad conclusions. First, EU sustainability reporting has evolved from relatively flexible non-financial disclosure toward a more standardised and ambitious sustainability reporting regime centred on CSRD, ESRS, and double materiality [7, 8, 30]. Second, this evolution has changed the reporting system by expanding scope, increasing formal comparability, and requiring deeper integration of sustainability information into corporate reporting infrastructures, although substantive reporting quality remains uneven in practice [24]. Third, the Omnibus phase introduces regulatory uncertainty that complicates firms' system-building decisions. Companies need adaptable reporting architectures, but the literature remains cautious about whether simplification will improve usability or instead dilute the transformative aims of the EU framework [30, 31].

METHODOLOGY

This study uses a qualitative, document-based comparative analysis of legal sources. The aim was to establish, for each successive reform of the EU sustainability reporting framework, the direction in which the reporting obligation moved, and to distinguish the elements of the framework that were altered from those that were preserved.

The analysis was based exclusively on the legal instruments and their official accompanying documents. At the level of the directives, these were: Directive 2014/95/EU (the Non-Financial Reporting Directive, NFRD) [18]; Directive (EU) 2022/2464 (the Corporate Sustainability Reporting Directive, CSRD) [13]; Directive (EU) 2025/794 (the "stop-the-clock" directive) [42]; and Directive (EU) 2026/470 (the Omnibus I directive) [43]. At the level of the standards, they were: Commission Delegated Regulation (EU) 2023/2772 [14], which adopted the first set of European Sustainability Reporting Standards (ESRS), and Commission Delegated Regulation C(2026) 5010 of 3 July 2026 [44], which revises those standards but, as of the date of writing, had been adopted by the Commission only and was still subject to scrutiny by the European Parliament and the Council, before its publication in the Official Journal and entry into force.

The framework was examined at two levels, in sequence, because the directives and the standards operate at different points of the same system. The directives were compared first, to establish the binding legal scope of each reform, while the standards were compared second, to show how much of each reform is actually delivered in the detailed reporting requirements. The rationale for this sequence lies in the fact that, as demonstrated by the Omnibus revision, a substantial part of the simplification occurs at the level of the underlying standards rather than in the directive itself and would therefore be overlooked in a single-level analysis.

At the directive level, the comparison covered three instruments and two transitions (NFRD to CSRD, and CSRD to the consolidated Omnibus version, the latter treated as the whole simplification package of Directives (EU) 2025/794 [43] and (EU) 2026/470) [42]. At the standards level, it covered one transition, from ESRS (2023) [14] to the revised ESRS (2026) [44].

Comparison criteria

The comparison was carried out on two levels, the directive level and the standard level, with the criteria chosen separately for each. At the directive level, the criteria were drawn from a structured legal analysis of the NFRD, the original CSRD and the post-Omnibus framework. Reading the three texts made it possible to identify the main dimensions that each directive uses to define how sustainability reporting is regulated in the EU. The criteria were developed directly from the legislation, so that they reflect the categories used in the legal acts themselves rather than any framework taken from earlier studies. At the standard level, the criteria were based on a structured review of ESRS (2023) and the revised ESRS adopted on 3 July 2026. They reflect the main areas affected by the revision and were identified by comparing the provisions of the two versions. Related provisions were grouped into broader categories. At the directive level, twelve criteria were used: scope; companies based outside the EU; disclosure content; the materiality concept; reporting standards; value-chain obligations; reporting format; digital tagging; the level of assurance; the assurance provider; timing and phasing; and enforcement and oversight. At the standards level, ten criteria were taken into account: the number of data points; the cross-cutting standards; double materiality; the materiality filter; mandatory and voluntary disclosures; the minimum disclosure requirements; the value chain; reliefs and phase-in provisions; disclosure requirements, as well as the structure of the sustainability report.

Coding

Each level was analysed in two steps. The first stage involved a descriptive comparison in which corresponding provisions of the different versions of the directives were systematically examined against the text of the respective legal instruments. Second, a direction-of-change coding was assigned to each

criterion. For each transition, one of three values was assigned: expansion, contraction or no change. Coding was directional, meaning that every criterion was assessed against the earlier text as the baseline. At the directive level, the baseline was the preceding directive in the sequence, and at the standard level it was ESRS (2023). A criterion was coded as an expansion where the revised text broadened the obligation relative to the baseline, e.g. widening the range of entities brought within the reporting requirement, increasing the volume or granularity of the information to be disclosed. A criterion was coded as a contraction where the revised text moved in the opposite direction, that is, narrowing the entities covered, reducing the disclosures required. Timing changes were coded as expansion where the obligation was brought into effect sooner (an earlier application date or shorter phase-in) and as contraction where it was postponed (a later date or longer phase-in). A criterion was coded as no change where the provisions were equivalent across the two texts.

Design assumptions

The coded pattern was next used to develop a set of design assumptions for company reporting systems. The analysis distinguishes between elements of the framework that were altered by successive reforms and those that remained unchanged. The observed distribution of change and continuity provides the basis for the design propositions. These propositions are grounded in the legal analysis, and they do not constitute empirical findings on corporate behaviour or the effects of reporting, which fall outside the scope of the study and would require separate empirical research.

RESULTS

This section presents the results of a two-level comparison of the EU sustainability reporting framework. At the first level, it examines the evolution of the legislative framework across three successive stages (see Table 1).

Table 1

Comparison of the three EU sustainability reporting directives 2014-2026

Criteria	NFRD – Directive 2014/95/EU	CSRD – Directive (EU) 2022/2464	OMNIBUS simplification package – Directive (EU) 2026/470, in force since 18 March 2026
Scope (which companies must report)	Large public-interest entities, including listed companies, banks and insurers, with more than 500 employees, and parent undertakings of qualifying large groups.	Large undertakings exceeding at least two of three thresholds: €25 m balance-sheet total, €50m net turnover and 250 employees; also listed SMEs, excluding micro-undertakings.	Undertakings with both net turnover above €450 m and more than 1,000 employees; the same thresholds apply to groups and issuers. Listed SMEs are excluded. Member States may exempt former wave-one undertakings falling outside the new scope for financial years 2025-2026.
Companies based outside the EU	Not covered; the regulation applies to EU companies only.	A non-EU group must report through its EU subsidiary or, failing that, its EU branch, where it earns more than €150 m in the EU for two consecutive years (with an extra turnover test for the branch route). Applies from 2028.	The turnover threshold is raised sharply, from €150 m to €450 m, with a €200 m floor for the qualifying subsidiary or branch, so far fewer non-EU groups are caught.

cont. Table 1

Disclosure content	A minimum set of information needed to understand the company's development, performance, position and impact, covering environmental, social and employee matters, human rights and anti-corruption, together with the business model, policies and their outcomes, main risks and key indicators. Companies may explain rather than report where they pursue no policy.	Full, standardised sustainability reporting: business model and strategy including resilience and a climate-transition plan aligned with 1.5°C and 2050 climate neutrality; time-bound targets including 2030 and 2050 emissions targets; the role and expertise of governance bodies; policies and incentive schemes; due diligence and the main adverse impacts across the company and its value chain; principal risks and dependencies; and supporting indicators, over short, medium and long horizons.	The required content is essentially kept, but two reliefs are added at directive level: the value-chain limit (below) and an option for parent companies to leave out information on certain subsidiaries, provided the significant events are flagged. The real cut in the volume of disclosure comes through the revised ESRS, not the directive.
Materiality concept	Both perspectives, the company's impact on society and the effect of sustainability on the company, are present in the wording but neither is named or spelt out.	"Double materiality" made explicit and central: companies report both their impact on people and the environment and how sustainability matters affect their own development, performance and position, and must also report how they identified that information.	Double materiality is kept unchanged. The Commission is asked to give clearer guidance on applying it in the revised standards, but the directive's own wording is not changed.
Reporting standards	No common standard; companies may use national, EU or international frameworks and must state which.	A single set of mandatory EU standards (ESRS) adopted by the Commission, including planned sector-specific standards, plus separate lighter standards for listed SMEs.	The mandatory-standards model is kept but reshaped: the planned sector-specific standards and the listed-SME standards are dropped, a new voluntary standard for smaller companies is added, and the core standards are simplified.
Value-chain obligations	Indirect and conditional: main risks in business relationships, products or services only "where relevant and proportionate".	The value chain is built into the regime: due diligence and the main adverse impacts must cover the company's own operations and its whole value chain, with a safeguard limiting what can be demanded from smaller suppliers.	The safeguard becomes a firm limit: smaller value-chain companies cannot be required to give more than a defined minimum, and reporting companies may meet value-chain requirements using either directly obtained data or estimates.
Reporting format	The non-financial statement was generally included in the management report, but Member States could allow undertakings to publish a separate report	Sustainability information must be presented in a clearly identifiable dedicated section of the management report; the option to use a separate sustainability report was removed	Sustainability information remains part of a dedicated section of the management report; the Omnibus Directive does not restore the separate-report option.
Digital tagging	The NFRD did not introduce mandatory machine-readable tagging of non-financial information.	The CSRD introduced the requirement to digitally tag sustainability information, including EU Taxonomy disclosures, in accordance with the ESEF framework.	Undertakings are not required to tag sustainability information until the relevant technical tagging rules are adopted under the European Single Electronic Format (ESEF) framework.

cont. Table 1

Assurance level	No check on the content. The auditor only confirms that a report exists.	Mandatory independent assurance at a "limited" level, covering compliance with the directive, the standards, the identification process and the tagging requirement, with a possible later move to fuller "reasonable" assurance after a feasibility review.	The move to reasonable assurance is dropped. Limited assurance stays, and the deadline for the common assurance rules is pushed back to mid-2027.
Assurance provider	The statutory auditor, for the existence check only; Member States could require an independent provider.	The statutory auditor by default, with Member States able to allow a different auditor or an accredited independent provider.	The requirements are eased: an audit firm need only designate at least one qualified sustainability partner approved as a statutory auditor in the Member State concerned.
Timing and phasing	Adopted in 2014; applied from the 2017 financial year.	In force from 2023, phased in by company type: 2024 f or the largest public-interest entities, 2025 for other large companies and groups, 2026 for listed SMEs and certain institutions, and 2028 for non-EU reporting.	In force from March 2026, to be transposed by March 2027. Read together with the 2025 "stop-the-clock" delay, first reporting for the companies still in scope falls on the 2027 financial year.
Enforcement and oversight	Left to national authorities under general company-law enforcement; no dedicated oversight of non-financial reporting.	Strengthened: public oversight of auditors is extended to those assuring sustainability reports, including registration, quality review, investigation and penalties, alongside retained national enforcement.	The framework is largely kept, with narrow easing for non-EU auditors (an oversight exemption and simplified registration until end 2030). The supervised population shrinks as fewer companies fall in scope.

Source: [18, 13, 42, 43].

The analysis focuses on two consecutive regulatory transitions: from the NFRD to the CSRD and from the original CSRD framework to its post-Omnibus form. For each comparison criterion, the direction of change was classified as expansion, contraction or no change (see Table 2).

Table 2

Direction-of-change coding, directive – level

Criteria	From NFRD to CSRD	From CSRD to Omnibus
Scope	expansion	contraction
Non-EU companies	expansion	contraction
Disclosure content	expansion	contraction
Materiality concept	expansion	no change
Reporting standards	expansion	contraction
Value-chain obligations	expansion	contraction
Reporting format	expansion	no change
Digital tagging	expansion	contraction
Assurance level	expansion	contraction
Assurance provider	expansion	contraction
Timing and phasing	expansion	contraction
Enforcement and oversight	expansion	contraction

At the second level, the analysis compares the standards through which the legislative requirements are operationalised: the original set of European Sustainability Reporting Standards (ESRS), adopted by

Commission Delegated Regulation (EU) 2023/2772, and the revised ESRS adopted by the European Commission on 3 July 2026 (European Commission, 2026, C(2026) 5010 final) (see Table 3).

Table 3
Comparison of the reporting standards transition from the original ESRS Set 1 (2023) and the post-Omnibus revised ESRS (2026)

Criteria	ESRS (2023)	Revised ESRS (2026) adopted by the Commission, subject to scrutiny
Number of datapoints	The standards specify disclosure requirements composed of individual quantitative or qualitative datapoints but do not state an official overall total. Most datapoints are subject to materiality, while some apply irrespective of materiality and others are voluntary.	Mandatory datapoints reduced by 61% and total datapoints by over 70%, with greater emphasis on quantitative information. The datapoint-based structure is retained.
Cross-cutting standards (ESRS 1 & 2)	Two general standards apply to every company: ESRS 1 (general requirements) and ESRS 2 (general disclosures). Whatever a company's materiality assessment concludes, it must always report everything set out in ESRS 2.	Both general standards are kept and still apply to all companies. The blanket "always report all of ESRS 2" wording is dropped; instead ESRS 2 is treated as information that will almost always be material, so in practice it passes through the same materiality filter as everything else.
Double materiality	Mandatory. A topic counts as material if it matters for the company's impact on people and the environment, for its financial position, or both. The company sets its own criteria and thresholds and must explain in detail if it concludes that climate change is not material.	The double-materiality principle is kept unchanged. What changes is that the assessment is made lighter: a company can reach a conclusion for a whole topic without testing every individual impact or risk, need not examine every possibility or search exhaustively, and can judge its value chain using regional or sector data rather than asking each supplier.
Materiality/ usefulness filter	Materiality works as a permission: a company may leave out a data point it judges to be not material and not needed.	Materiality works as a rule against clutter: a company must not report prescribed information that is not material. A "fair presentation" principle is judged for the report as a whole rather than item by item, and applying the standards correctly is treated as producing a fair presentation.
Mandatory and voluntary disclosures	Both mandatory and voluntary items sit inside the standards. Companies may also add material from other rules or frameworks, such as ISSB or GRI, provided it is clearly identified.	The rules draw a sharper line between mandatory and voluntary. Voluntary and other extra content is moved into a separate "supplementary information" section: it can come from frameworks such as GRI, can be added to meet a particular user's needs, but must be clearly marked as extra and must not crowd out the material information.
Minimum Disclosure Requirements (MDR)	ESRS 2 sets minimum requirements for reporting policies, actions, metrics and targets, applied on top of each relevant topic for every material matter, which created a good deal of repetition.	These become "general disclosure requirements" for policies, actions, metrics and targets, applied once for each material topic or sub-topic rather than repeated across every related requirement. Where only a sub-topic is material, only that sub-topic's information is reported.

cont. Table 3

Value chain	Companies report value-chain information where it is material, based on their due diligence. Estimates are a fallback, allowed only after reasonable efforts to gather the real data have failed. Protection for smaller suppliers is indirect and deferred.	Directly collected data and estimates are placed on an equal footing, a company may use proxies, sector averages or peer data from the outset. A firm limit is introduced: smaller "protected" companies in the value chain, including those outside the EU, can be asked only for a defined minimum set of data. A three-year grace period applies where information is missing.
Reliefs, proportionality, phase-in provisions	Few, and mostly temporary. Sensitive or classified information, and know-how or the results of innovation, may be withheld; comparative figures are not needed in the first year; some requirements are phased in.	Many more, and permanent as well as temporary. Companies may leave out minor activities, report on only part of their operations, or exclude joint operations they do not control; may rely on what is available "without undue cost or effort"; may withhold commercially damaging information; and receive extended phase-ins for several topics, including biodiversity, workers in the value chain, affected communities and consumers. Using a relief must be disclosed, and doing so does not undermine fair presentation as long as its effect is explained.
Disclosure requirements: policies, actions, targets and metrics	A four-part structure: policies, actions, metrics and targets is reported for each material matter.	The same four-part structure is kept.
Structure of the sustainability statement	Require the sustainability statement to follow a prescribed four-part structure, in the following order: general information, environmental information, social information and governance information.	Retain the same four-part structure, increased presentation flexibility.

Source: [14, 44, 45].

The sequence of the analysis reflects the two-level structure of the regulatory framework. Examining the legislative level alone would not fully capture the changes introduced by the revised framework.

DIRECTIVE-LEVEL COMPARISON

Table 1 compares the three successive stages of the EU sustainability reporting framework across twelve criteria. By placing them side by side, the table illustrates the direction of regulatory development between 2014 and 2026, from the relatively limited scope of the NFRD, through the substantial expansion introduced by the CSRD, to the selective contraction brought about by the Omnibus amendments.

The NFRD established a comparatively narrow reporting regime. Its requirements applied primarily to large public-interest entities with more than 500 employees, covered a limited range of non-financial matters, permitted undertakings to rely on different reporting frameworks and did not require assurance of the disclosed information. The CSRD significantly expanded this framework. It extended the reporting scope to a broader group of undertakings, introduced double materiality, required the use of

common European reporting standards, strengthened value-chain reporting, introduced digital reporting requirements and made independent assurance part of the reporting regime.
The Omnibus amendments subsequently reduced several dimensions of the CSRD framework while preserving its underlying architecture. They narrowed the population of undertakings subject to mandatory reporting, increased the thresholds applicable to non-EU groups, limited information requests directed at undertakings in the value chain, postponed parts of the implementation timetable and removed or suspended certain planned requirements relating to assurance and digital tagging. At the same time, key conceptual features of the CSRD, most notably double materiality, were retained. The revised framework thus represents a recalibration of the CSRD model rather than a fundamental change in its underlying regulatory approach.
Table 2 summarises the direction-of-change assessment for the same twelve criteria. The two transitions move in opposite directions. The shift from the NFRD to the CSRD is classified as expansion across all twelve criteria, reflecting a comprehensive broadening of the framework. This included an extension of the reporting scope to a larger population of undertakings, more extensive disclosure requirements, mandatory EU reporting standards, digital reporting and the introduction of independent assurance.
By contrast, the transition from the CSRD to the post-Omnibus framework is classified as contraction for ten of the twelve criteria. Double materiality and reporting format are the only criteria for which no change is identified at the level of the directive.
The resulting contraction is extensive but does not amount to a complete reversal of the CSRD model. The Omnibus amendments narrow the scope of mandatory reporting, raise the thresholds applicable to non-EU groups, limit value-chain information requests, modify the assurance requirements and extend the implementation timetable. They also reduce requirements relating to digital tagging and assurance providers. However, the framework's central conceptual principle remains unchanged: undertakings continue to determine the relevance of sustainability information on the basis of double materiality. The classification of double materiality as "no change" applies specifically to the provisions of the directive. Although the Omnibus amendments do not alter the principle itself, its practical application is simplified through the revised reporting standards. This distinction illustrates the importance of examining the directive and the ESRS as separate but interrelated regulatory levels.
Overall, the coding reveals a pattern of comprehensive expansion followed by broad, though incomplete, contraction. The post-Omnibus framework retains the central reporting logic established by the CSRD while recalibrating its scope, implementation pace and regulatory intensity.

REPORTING STANDARD-LEVEL COMPARISON

Table 3 provides a descriptive comparison of the two sets of reporting standards, through which the directive-level provisions are translated into specific reporting requirements, while Table 4 classifies the direction of change for each criterion examined.
The comparison shows that the 2026 revision preserves the fundamental architecture of the 2023 standards while simplifying their application. The revised ESRS framework retains the two cross-cutting standards, ESRS 1 and ESRS 2, and continues to require disclosures on policies, actions, metrics and targets within its broader reporting architecture. Double materiality remains the basis for determining the sustainability information to be reported, with a simplified and more proportionate approach to materiality assessment.
The principal revisions concern the volume of required disclosures and the mechanisms used to determine their inclusion. The number of mandatory data points is reduced by approximately 61 per cent, the double-materiality assessment is simplified, and the available relief provisions are broadened and made more permanent [45]. Two changes are particularly significant. First, the treatment of immaterial information is strengthened, rather than merely allowing such information to be omitted, the revised standards require its exclusion. Second, estimates may be used alongside directly collected value-chain data, while the value-chain cap limits the information that may be requested from certain smaller

suppliers. Overall, the revision simplifies reporting within the existing architecture rather than fundamentally redesigning the standards.
Table 4 classifies the direction of change, for each criterion, whether the revision widens the reporting obligation, narrows it, or leaves it unchanged. The pattern is one-directional. Of the ten criteria assessed, eight are coded as contraction and two as no change, and none as expansion. The revision therefore either reduces or preserves existing reporting requirements, without introducing additional obligations.

Table 4
Direction-of-change coding, reporting standard – level

Criteria	Direction of change from ESRS 2023 to ESRS 2026
Number of data points	Contraction
Cross-cutting standards (ESRS 1 & 2)	Contraction
Double materiality	Contraction
Materiality/usefulness filter	Contraction
Mandatory and voluntary disclosures	Contraction
Minimum Disclosure Requirements (MDR)	Contraction
Value chain	Contraction
Reliefs, proportionality, phase-in provisions	Contraction
Disclosure requirements: policies, actions, targets and metrics	No change
Structure of the sustainability statement	No change

The two criteria coded as “no change” relate to the disclosure requirements concerning policies, actions, targets and metrics and to the required structure of the sustainability statement. No substantive change was identified in the latter, which continues to distinguish between general, environmental, social and governance information. All other identified changes reduce the scope or ease the application of the reporting requirements.
It is important to highlight that double materiality was assessed differently at the two levels analysed. Although the Omnibus amendments leave the principle formally intact at the directive level, it was coded as a “contraction” in the comparative analysis of the ESRS, reflecting the simplification and narrowing of its practical application under the revised reporting standards.
Considered together, the findings from both levels indicate that the reforms reduce the scope and complexity of reporting without fundamentally altering the framework’s underlying architecture or operational logic.

IMPLICATIONS OF REGULATORY CHANGE FOR REPORTING-SYSTEM DESIGN

The two regulatory shifts examined in this study, from the NFRD to the CSRD and from the CSRD to the Omnibus package, reveal a pattern of practical relevance. At both levels, encompassing the directives and the standards, the changes consistently concerned how much companies are required to report, which companies are required to report, the applicable reporting deadlines, and the extent to which the reported information is subject to verification. They did not alter the fundamental structure of sustainability reporting. Although most requirements were reduced, the foundations of the reporting framework remained in place. These include the principle of double materiality, the two general standards applicable to all companies, the four-part structure based on policies, actions, metrics and targets, and the required structure of the sustainability statement.
For companies, the principal lesson is that regulatory uncertainty is not random. It is concentrated in those parts of the framework that can be changed relatively easily by legislators, including the number of required datapoints, company-size thresholds and reporting deadlines. By contrast, the underlying structure of the reporting framework remains relatively unaffected. This makes it possible to design a reporting system that does not need to be rebuilt whenever the regulations are amended, but can

instead be adjusted. At the same time, a sustainability reporting system should not be designed solely as a means of complying with legislative requirements. It should also provide the company with reliable information for assessing its sustainability performance, identifying areas requiring improvement, monitoring progress against established objectives, and supporting continuous improvement. Regulatory compliance should therefore be regarded as one function of the system rather than its only purpose. A system designed in this way can continue to provide organisational value even when the scope or intensity of mandatory reporting is reduced.

Building upon this finding, the following guidance outlines the considerations for designing an adaptable sustainability reporting system. It applies both to companies already subject to mandatory reporting and to those currently outside its scope, for which a proportionate system may provide an initial foundation capable of expansion in response to future regulatory and organisational requirements.

DESIGN GUIDANCE FOR THE REPORTING SYSTEM

The reporting system architecture was derived from the results of the comparative analysis of regulatory changes introduced at the directive and reporting-standard levels, particularly from the identification of which elements changed, how frequently they changed, and whether these changes represented an expansion, contraction or continuation of the existing requirements. Based on these findings, the proposed reporting system comprises three layers: regulatory parameters, configurable reporting components, and a stable system foundation. Table 5 maps the criteria examined at the directive and reporting-standard levels onto the three layers of the proposed reporting system architecture.

Table 5

Translation of the Research Findings into the Reporting System Architecture

Regulatory level	Criterion	System architecture layer
Directive level	Scope	Regulatory parameters
	Companies based outside the EU	Regulatory parameters
	Disclosure content	Configurable
	Materiality concept	Stable
	Reporting standards	Configurable
	Value-chain obligations	Configurable
	Reporting format	Configurable
	Digital tagging	Configurable
	Level of assurance	Regulatory parameters
	Assurance provider	Regulatory parameters
	Timing and phasing	Regulatory parameters
	Enforcement and oversight	Regulatory parameters
Standards level	Number of datapoints	Configurable
	Cross-cutting standards	Stable
	Double materiality	Configurable
	Materiality filter	Configurable
	Mandatory and voluntary disclosures	Configurable
	Minimum disclosure requirements	Configurable
	Value chain	Configurable
	Reliefs and phase-in provisions	Regulatory parameters
	Disclosure requirements	Stable
	Structure of the sustainability statement	Stable

It is worth emphasising the different treatment of materiality at the two regulatory levels. At the directive level, the materiality concept is assigned to the stable system foundation because the principle of double materiality remains the legal basis for determining the sustainability information to be reported. At the standards level, double materiality is assigned to the configurable reporting components

because its practical application, including the assessment process, documentation and materiality-related decision rules, may be simplified or otherwise modified between successive versions of the reporting standards.
On the basis of the mapping presented in Table 5, the three architectural layers are discussed below to clarify how the findings of the comparative regulatory analysis translate into specific reporting system design guidance.

Regulatory parameters
Regulatory scope, including the treatment of companies based outside the EU, company-size thresholds, reporting deadlines, the regulatory status and applicability of datapoints, exemptions, assurance requirements, transitional provisions, and enforcement arrangements constitute the most changeable layer of the reporting framework. EU regulatory developments demonstrate that the scope and thresholds of sustainability reporting may be revised repeatedly and that uncertainty surrounding future requirements can itself undermine the consistency and quality of reporting practices. These elements should therefore be treated as external parameters rather than embedded in the system as fixed assumptions. Regulatory amendments could then be implemented by updating system settings, decision rules, and reporting calendars rather than redesigning the system. Such an approach reduces the cost and organisational disruption associated with regulatory change while enabling the company to determine which requirements apply in a given reporting period.

Configurable reporting components
Changes in regulatory parameters should be translated into configurable reporting components, including the indicator library, the company's reporting status, the applicable version of the reporting standards, value-chain information requirements, and readiness for digital tagging. This intermediate layer is necessary because reporting content may differ between companies and change over time, even when the underlying regulatory requirements remain stable. For example, the application of double materiality means that the information to be reported depends on the company's material impacts.
The reporting system should therefore consist of modular components that can be activated, deactivated, modified, or replaced without altering the reporting process. Individual datapoints should be linked to their regulatory basis, applicability criteria, materiality status, data source, responsible data owner, and reporting period. This would allow the company to document why a datapoint has been included or omitted and to adjust its disclosures when either the applicable requirements or the materiality assessment changes.
The system should also distinguish between indicators required for external disclosure and those used for internal management. An indicator that is no longer mandatory under the reporting standards should not automatically be removed if it remains relevant to performance assessment, risk management, strategic decision-making, or the monitoring of sustainability objectives.

Stable system foundation
The configurable components should operate on a stable foundation comprising the principle of double materiality, the general reporting logic established by the cross-cutting standards, the core disclosure architecture covering policies, actions, metrics, and targets, the overall structure of the sustainability statement, integration with existing information systems and organisational processes, clearly assigned responsibilities, internal controls, and audit-trail mechanisms. Although the practical application of some of these elements may be simplified or adjusted, the underlying capabilities retain their value across different regulatory configurations. The foundation should maintain a documented record of materiality judgements, exemptions, estimates, methodological choices, and the reasons for including or omitting particular information. This documentation is necessary to preserve traceability over time, support internal and external assurance, and demonstrate that reporting decisions have been made

consistently and on an appropriate basis. Clear responsibilities should also be assigned for indicators, data sources, reporting judgements, approvals, and improvement actions. Data owners should be accountable for the completeness, consistency, and timely provision of information, while designated decision-makers should review and approve materiality assessments, reporting judgements, and final disclosures.

Taken together, the three layers should enable the reporting system to function not only as a compliance mechanism but also as a continuous management instrument. The same information collected for external reporting can be used to assess performance, compare actual results with targets, identify deviations, evaluate the effectiveness of policies and actions, and determine where corrective or improvement measures are required.

CONCLUSION

This study examined the evolution of the European Union's sustainability reporting framework across three successive regulatory reforms and considered how corporate reporting systems can be designed to remain resilient to such changes. Drawing exclusively on enacted legislation, the analysis addressed two interconnected regulatory levels: the directives and their underlying reporting standards. The findings provide a basis for addressing each of the three research questions formulated in the introduction.

RQ1 examined how the architecture of EU sustainability reporting regulation evolved at the directive level, from the NFRD through the CSRD to the Omnibus package. The findings indicate a two-stage development, with an initial broadening of regulatory requirements followed by substantial recalibration. The transition from the NFRD to the CSRD extended the framework across all twelve criteria considered. It broadened the range of entities subject to reporting, increased the scope and specificity of required disclosures, introduced mandatory common standards and independent assurance, and extended reporting requirements to value-chain information and digital tagging. By contrast, the transition from the CSRD to the Omnibus package resulted in contraction across ten of the twelve criteria, while double materiality remained unchanged in the operative provisions. From an institutional-theory perspective, this pattern is better understood not as a simple sequence of regulatory tightening and relaxation, but as an initial expansion followed by the reconfiguration of the EU sustainability reporting framework. This interpretation is consistent with theories of gradual institutional change, according to which selected elements of a regulatory framework may be modified, supplemented, or removed while its underlying structure remains in place.

RQ2 focused on the changes introduced by the Omnibus package to the operational logic of the reporting standards. Eight of the ten criteria were classified as contraction, two as continuity, and none as expansion. The revisions are therefore substantive but limited in extent. They strengthen the exclusion of immaterial information, allow estimates to be used alongside directly collected value-chain data, and consolidate the minimum disclosure requirements. However, the main organising features of the reporting system remain unchanged, as double materiality continues to determine the scope of reportable information, the two general standards are retained, disclosures remain structured around policies, actions, metrics, and targets. Taken together, the results for RQ1 and RQ2 indicate that regulatory change is concentrated in the adjustable dimensions of the framework, whereas its fundamental architecture remains comparatively stable.

The identified asymmetry can be interpreted through both theoretical lenses guiding the analysis. Institutional theory explains the persistence of the regulatory core as a source of continuity, coherence, and legitimacy, while treating scope, thresholds, and relief provisions as more adaptable elements through which policymakers respond to changing circumstances. Dynamic capabilities theory extends this interpretation to the firm level. It suggests that companies should incorporate stable requirements into their established reporting routines and controls, while maintaining the capacity to monitor regulatory developments and modify those system components that remain subject to change.

RQ3 explored the implications of regulatory uncertainty for the design of corporate ESG reporting systems. Because the study relies exclusively on documentary analysis, it does not empirically test alternative reporting system designs. Instead, it derives design propositions from the allocation of the examined criteria to three architectural layers according to the nature and expected rate of change of the corresponding requirements. Relatively stable principles and structures, including the principle of double materiality and the general reporting structure, form the system foundation. Formal conditions determining the applicability of reporting requirements, such as scope, thresholds, timing, assurance requirements, reliefs and phase-in provisions, are treated as regulatory parameters. Criteria affecting the company-specific selection and operational application of reporting requirements, including individual datapoints, materiality-assessment procedures, value-chain information and digital-tagging rules, are implemented through configurable reporting components. This architecture is intended to accommodate regulatory change without requiring extensive redesign of the reporting system as a whole.

This modular approach may also benefit companies that currently fall outside the mandatory scope of the CSRD. The voluntary sustainability reporting standard provides these companies with a proportionate starting point for developing their reporting systems and organisational capabilities. They may initially focus on the information covered by the voluntary standard, establish basic data-collection and control procedures, and assign responsibility for individual sustainability matters. These arrangements can subsequently be expanded as the company's reporting needs, organisational capabilities and regulatory obligations evolve. If the company later enters the mandatory reporting scope, whether because of organisational growth or further regulatory change, the existing system can be adapted by updating its regulatory parameters and extending its configurable reporting components, while retaining the stable system foundation. This allows the system to be aligned with the applicable mandatory reporting requirements without being redesigned from the ground up.

Institutional theory and capabilities theory provide complementary foundations for deriving the reporting system propositions. Institutional theory explains how regulatory requirements shape the design of corporate sustainability reporting systems and create pressures for legitimacy. Capabilities theory shifts attention to the internal resources, routines and coordination mechanisms through which companies interpret, operationalise and adapt to these external requirements. Accordingly, the propositions address both the institutional alignment of the reporting system and the organisational capabilities required for its effective implementation.

These conclusions should be interpreted in light of several limitations. The analysis draws exclusively on legal documents and is limited to two directive-level transitions and one standards-level transition within the European Union. At the standards level, it examines the general architecture of the framework rather than conducting a provision-by-provision analysis of each topical standard. It therefore captures the direction of regulatory change but does not provide evidence of how companies implement the revised requirements, how they adapt their reporting systems, or whether these adjustments improve reporting quality or organisational performance. Empirical studies are also needed to evaluate the proposed modular approach to reporting-system design and to determine whether it reduces adaptation costs or strengthens companies' capacity to respond to regulatory change.

Despite these limitations, the study offers three contributions aligned with its research questions. First, it systematically compares successive EU sustainability reporting instruments using a common set of criteria, distinguishing the changes introduced by each reform from the elements retained and separating the directive level from the standards level. Second, it shows that the simplification of the reporting framework is better understood as a recalibration of its scope and intensity than as its dismantling. Third, it integrates insights from institutional theory and dynamic capabilities theory to propose a modular reporting-system architecture, in which stable requirements form a durable foundation and more variable requirements are managed through configurable components.

Generative AI (ChatGPT 5.6) was used to improve the clarity, precision, and linguistic quality of the manuscript. The author reviewed and approved all AI-assisted revisions and takes full responsibility for the final content.

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