

# The Sustainability Brief

March 2026



## Right-Sizing Sustainability Reporting in a Post-Omnibus World

### Join Us: ZMH's First-Ever Roundtable Discussion

In honor of International Women's Day, ZMH is hosting its inaugural roundtable, "***Sustainability's Next Chapter: Navigating the Shift from Mandates to Investor Expectations***" on **Wednesday, March 25th at 12PM EST**. Moderated by ZMH Advisory Board Member Abigail Beach (Global Sustainability & ESG Leader), the panel brings together sustainability veterans Jessica Thomas (former Head of Sustainability Reporting, Microsoft Activision Blizzard) and Ann Lee Jeffs (Founder, Sustainability Women in the World) for a candid, expert conversation on where sustainability strategy is headed—and what it means for your team. Register [here](#).

### Background

On February 26, 2026, the European Union published the Sustainability Omnibus (Omnibus I Directive) in the Official Journal of the European Union, introducing substantial amendments to both the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). This Directive will go into effect on March 18, 2026.

Now this development isn't a reversal of sustainability as a governance priority—but a recalibration. And for most companies, the more important question isn't whether they're technically in scope but whether their sustainability strategy is aligned with what their investors, customers, and supply chain partners expect.

## 01. CSRD: Scope Narrows, Expectations Remain

The amended CSRD now applies only to EU undertakings or groups that employ more than 1,000 employees and generate more than €450 million in annual net turnover—replacing the original broader threshold that captured companies meeting just two of three criteria (250 employees, €25M balance sheet, €50M turnover).

For non-EU companies—and that includes large US-based multinationals—CSRD applies where EU turnover exceeds €450 million for two consecutive years and the group has an EU subsidiary or branch exceeding €200 million in net turnover.

A newly introduced value chain cap limits the sustainability information that in-scope companies may request from value chain partners with fewer than 1,000 employees, easing cascading reporting burdens on smaller suppliers. For small and mid-size companies operating within larger supply chains, this is meaningful relief—though customer and investor expectations may still drive informal disclosure requests regardless of what's legally required.

## 02. CSDDD: Higher Thresholds, Extended Timeline

The Omnibus also raises applicability thresholds for the Corporate Sustainability Due Diligence Directive. It now applies only to EU companies with more than 5,000 employees and €1.5 billion in global turnover. For non-EU companies, the threshold is €1.5 billion in EU-generated turnover, without an employee requirement.

Additional key changes:

- The obligation to adopt and implement a climate transition plan has been removed under CSDDD (though CSRD disclosure requirements regarding transition plans remain where applicable)
- Non-compliance penalties capped at 3% of global turnover (down from 5%)
- The EU-harmonized civil liability regime has been removed; liability will primarily be governed by national law
- Transposition deadline extended to July 2028; compliance begins July 2029, with annual due diligence reporting starting for financial years beginning January 1, 2030

### 03. The Strategic Signal: Right-Sizing, Not Retreating

The Omnibus reflects regulatory recalibration—not a signal that sustainability governance is becoming less relevant.

Three structural realities have not changed:

- Institutional investors continue integrating sustainability risk into stewardship and voting policies
- Global disclosure expectations are converging, even where mandates diverge
- Building data systems and governance infrastructure requires multi-year planning

The question for leadership teams has shifted. It's no longer "*Are we required to report?*" It's "*How do we right-size sustainability reporting in a way that protects capital access, manages risk, and avoids overbuilding?*"

That's a more strategic question—and frankly, a more useful one.

### 04. What Companies Should Do Now

#### Focus on No-Regret Foundations

Companies no longer in immediate CSRD scope—or likely facing Wave 2+ timelines (2028 and beyond)—should prioritize capabilities that remain valuable regardless of thresholds shifts:

- Core GHG inventory systems (Scope 1 and 2; material Scope 3 where appropriate)
- Energy, water, and resource tracking infrastructure
- Governance oversight frameworks and board-level reporting
- Internal controls and documentation processes

These are the building blocks of both regulatory readiness and investor credibility—and they don't require a fully ESRS-aligned report to be meaningful.

## Right-Size for Your Organization

Not every organization needs a full European-style sustainability report in 2026. Instead, focus on:

- A decision-useful voluntary sustainability report that covers what matters most to your stakeholders
- Material risks and investor-relevant disclosures—not a generic checklist
- Infrastructure sized appropriately for your obligations, not worst-case mandates that do not apply

Right-sizing reduces cost while preserving your strategic positioning with investors and customers.

## Use 2026–2028 as a Strategic Readiness Window

For companies potentially captured in later waves, this period should be treated as preparation time—not a pause. Delaying compresses implementation risk into a shorter window.

Recommended actions:

- Refresh or initiate your Double Materiality Assessment (DMA)
- Conduct a gap assessment against ESRS requirements
- Pilot internal data collection and reporting workflows
- Test materiality and governance oversight processes
- Evaluate assurance readiness and internal audit alignment

## Maintain Strategic Voluntary Transparency

- Voluntary reporting in a post-Omnibus environment still delivers real value by...
- Strengthening institutional investor trust
- Supporting procurement and commercial resilience
- Reducing transition and reputational risk
- Reinforcing governance maturity with boards and stakeholders

The goal is **calibrated transparency**—not maximal disclosure. And one of the most important points is companies that right-size their reporting are better positioned than those who over-invest in compliance infrastructure or pull back entirely.

## Looking Ahead

The Omnibus includes review clauses requiring reassessment of thresholds and potential sector-specific approaches by July 2031. Regulatory frameworks may continue to evolve. Organizations that build scalable, adaptable sustainability infrastructure—rather than compliance-only systems—will be best positioned to respond.

For smaller companies in particular, this is an opportunity: the Omnibus has bought time to build smart, right-sized sustainability programs without the pressure of immediate mandates. The companies that use that window wisely will be ahead when requirements tighten again.

Here's what won't change: your investors' expectations. Understanding what your specific shareholders actually prioritize—independent of what regulators require—is what separates reactive disclosure from strategic engagement.

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### **Strategic Advisory for Evolving Disclosure Expectations**

ZMH helps companies right-size sustainability reporting by aligning disclosures with what investors actually prioritize—not just regulatory mandates or peer benchmarks.

We combine **20+ years of corporate governance and sustainability advisory experience** with **AI-powered investor intelligence** that tracks your specific shareholder base in real time—their voting behavior, engagement priorities, and evolving disclosure expectations.

Wherever you are in your sustainability journey, or shareholder engagement, ZMH helps you focus on what actually matters to your investors—not just what regulations require.

Contact us at [info@zmhadvisors.com](mailto:info@zmhadvisors.com) | [www.zmhadvisors.com](http://www.zmhadvisors.com)