SQUIRE PATTON BOGGS

ESG disclosure and corporate due diligence obligations under the Omnibus Reform

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The Omnibus Reform, adopted under Directive (EU) 2026/470, significantly narrows the scope of application of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

Many companies will no longer be subject to the reporting and due diligence obligations under these directives in the future or will only be subject to them later. At the same time, additional requirements regarding products, packaging, supply chains and sustainability advertising will apply. Regulatory relief must therefore always be assessed in the context of these separate reporting obligations. It should be noted that information on environmental, social and governance (ESG) issues remains important for companies. Banks, investors and business partners may continue to request such information based on their own regulatory requirements, risk management practices or contractual obligations. The need for this information therefore persists even if a company's own sustainability reporting obligation no longer applies.

An overview of the key ESG frameworks

Regulatory framework	Stakeholders affected	Purpose of the regulation	Practical Implications
Sustainable Finance Disclosure Regulation (SFDR) Regulation (EU) 2019/2088	Financial market participants and financial advisors.	Transparency regarding sustainability risks and sustainability characteristics of financial products.	ESG data from companies in which investments are made may be relevant for disclosures and risk assessments.
CSRD Directive (EU) 2022/2464	Under the Omnibus Reform, generally EU companies with an average of more than 1,000 employees and more than €450 million in net revenue.	Standardised sustainability reporting in accordance with the European Sustainability Reporting Standards (ESRS).	Covered companies must collect and disclose sustainability information.
EU Taxonomy Regulation Regulation (EU) 2020/852	Certain reporting entities and financial market participants.	Criteria for determining environmentally sustainable economic activities.	Covered nonfinancial companies generally report on the taxonomy-eligible and taxonomy-compliant portions of their revenue, capital expenditures and operating expenses. Different metrics apply to financial companies.
CSDDD Directive (EU) 2024/1760	Generally, EU companies with an average of more than 5,000 employees and more than €1.5 billion in global net revenue, as well as non-EU companies with more than €1.5 billion in net revenue within the EU; generally effective as of July 26, 2029.	Human rights and environmental due diligence obligations.	Risk-based identification and assessment of actual and potential adverse impacts, as well as necessary preventive and remedial measures, with respect to the company's own activities, subsidiaries and business partners in the value chain.

The overview describes general use cases. In particular, group-wide policies, exemptions, special circumstances and transitional provisions must also be reviewed. Under the CSRD, both aforementioned thresholds must be exceeded, and separate requirements apply to companies from third countries.

Changes in reporting, ratings, and corporate governance

The changes affect reporting standards, corporate due diligence obligations and the activities of ESG rating providers:

- **CSRD and reporting standards –** The restriction on the CSRD's scope of application is supplemented by changes to the reporting standards. On July 3, 2026, the European Commission adopted Delegated Regulation (EU) 2026/1563 on the revised ESRS and Delegated Regulation (EU) 2026/1560 on the voluntary reporting standard. The revised ESRS will enter into force on November 10, 2026, and will generally apply to fiscal years beginning on or after January 1, 2027. The voluntary standard is intended to facilitate the provision of information by smaller companies and to limit certain data requests within the value chain.

- **CSDDD –** The national implementation deadline for the CSDDD is July 26, 2028. The obligations are generally set to apply starting July 26, 2029; for reporting under Article 16, the measures apply only to fiscal years beginning on or after January 1, 2030. In addition, the requirement for a climate transition plan provided for in the CSDDD has been removed. The implications for the German Supply Chain Due Diligence Act must be assessed separately in the context of national implementation.

- **ESG Ratings Regulation –** Regulation (EU) 2024/3005 has been in effect for ESG rating providers since July 2, 2026. It establishes authorisation, organisational and transparency requirements. Existing providers subject to the standard transitional arrangements were required to notify the European Securities and Markets Authority (ESMA) of their intention to continue operations by August 2, 2026. They must submit their application for authorisation or recognition no later than November 2, 2026. A special transitional arrangement applies to small providers.

- **EU Deforestation Regulation (EUDR) –** The EU Deforestation Regulation (EU) 2023/1115 applies to certain products derived from cattle, cocoa, coffee, oil palm, rubber, soy and wood. The determining factor is whether the product in question is listed in Annex I. For large and medium-sized market participants, the key requirements generally apply as of December 30, 2026; for micro and small market participants, they generally apply as of June 30, 2027. The earlier deadline also applies to micro and small market participants already covered by the EU Timber Trade Regulation. Companies should identify their affected products and their role and prepare the necessary proofs of origin and due diligence processes. Separate transition periods apply to certain newly covered products.

- **EU Forced Labor Regulation –** The EU Forced Labor Regulation (EU) 2024/3015 prohibits effective December 14, 2027, the placing on the market, making available or exporting from the EU of products manufactured using forced labour. The ban applies regardless of origin, industry or company size. The regulation does not introduce any standalone general due diligence or reporting obligations. Nevertheless, a transparent assessment of supply chain risks remains advisable: If violations are detected, penalties may include marketing and export bans, as well as orders to remove affected products from the market.

In addition to reporting and due diligence obligations, requirements for packaging and products are becoming increasingly important. The respective regulations will take effect at different times.

- **EU Packaging Regulation (PPWR) –** Regulation (EU) 2025/40 generally takes effect on August 12, 2026. In Germany, it is supplemented by the Packaging Law Implementation Act. Among other things, limit values for Per- and polyfluoroalkyl substances (PFAS) in food contact packaging are already in effect. Other requirements, such as specific guidelines on minimising packaging and limiting empty space, will not take effect until later. The specific obligations depend on the company's role in the value chain.

- **Ban on the destruction of unsold textiles and shoes –** The Ecodesign Regulation (EU) 2024/1781 has generally prohibited large companies from destroying certain unsold clothing, clothing accessories and shoes since July 19, 2026. For medium-sized enterprises, the ban takes effect on July 19, 2030; micro and small enterprises are exempt. Legal exceptions must still be observed. Recycling is not a generally permissible alternative, as it may also be considered destruction.

- **Right to repair –** Directive (EU) 2024/1799 was to be transposed by July 31, 2026; national regulations are to apply as of that date. The manufacturer's obligation to repair applies to the product groups listed in Annex II that are subject to Union-level repairability requirements. In addition, the directive provides for a one-time extension of the statutory warranty period by 12 months if consumers opt for repair instead of replacement under the statutory warranty. The extension applies to sales contracts concluded on or after July 31, 2026.

- **EU Battery Regulation –** Regulation (EU) 2023/1542 gradually introduces labelling and information requirements. The symbol for separate collection has been mandatory since August 18, 2025. For other labelling requirements under Article 13, in addition to the earliest date of August 18, 2026, a deadline of 18 months after the entry into force of the relevant implementing act applies; the later date is decisive. The QR code is generally mandatory as of February 18, 2027. As of that date, electric vehicle batteries, batteries for light-duty vehicles and industrial batteries with a capacity exceeding 2 kWh must also have a digital battery passport. The battery-related due diligence obligations have been postponed to August 18, 2027.

- **EmpCo Directive (EU) 2024/825 –** At the same time, the provisions of the EmpCo Directive (EU) 2024/825, which take effect on September 27, 2026, tighten the requirements for advertising to consumers that include environmental claims and sustainability labels. Claims regarding future environmental performance must, in particular, be supported by verifiable commitments and a detailed, realistic implementation plan. Progress must be regularly reviewed by an independent expert. Such advertising claims have already been the subject of complaints in the past.

Planned revision of the SFDR

At the same time, the SFDR is being revised, and the European Commission presented a reform proposal in November 2025. One reason for this is that the classification of financial products under Articles 6, 8 and 9 of the SFDR is sometimes interpreted in practice as a sustainability label, even though the regulation primarily establishes transparency requirements. The commission's proposal therefore provides for:

- The product categories "Sustainable," "Transition" and "ESG Basics"
- Simplified disclosure requirements
- Clearer requirements for sustainability claim to counteract greenwashing

The legislative process is not yet complete. The proposed categories are therefore not yet applicable, and their final content may still change.

Relationship between the SFDR and the CSRD

Sustainability reporting is also intended to meet the information needs of financial market participants. If fewer companies publish standardised reports, this may reduce the availability of relevant data. However, banks and investors can still request information directly from companies, for example, in the context of lending, financing rounds, equity investments or due diligence reviews. At the same time, the Omnibus Reform limits certain requests for CSRD reporting from protected companies with no more than 1,000 employees in the value chain. The specification of the upper limit in Article 3 of Delegated Regulation (EU) 2026/1560 applies to fiscal years beginning on or after January 1, 2027. Different requirements apply to requests made for other purposes, such as assessing credit risks.

Implications for a company with 900 employees in Germany

A company headquartered in Germany with an average of 900 employees falls below the CSRD's new general employee threshold. However, this does not automatically mean that an existing reporting obligation is waived. The decisive factors are the national implementation of the adopted reform, the transitional provisions and any group-wide considerations. Under Section 289b of the German Commercial Code (HGB), large capital market-oriented corporations with an average of more than 500 employees, in particular, may still be subject to nonfinancial reporting obligations unless an exemption applies. Special regulations also apply to credit institutions and insurance companies. Even without a specific sustainability reporting obligation, the provision of ESG data may be contractually required or economically sensible, for example:

- To banks in the context of credit reviews, financing, or ESG risk assessments
- To investors in connection with equity investments, financing rounds or due diligence reviews
- To customers or suppliers for their own reporting or due diligence processes

In such cases, the applicable limits on data requests must be observed. The demand for ESG data can thus also affect companies that are not directly subject to reporting requirements.

The ongoing relevance of ESG data

Depending on the financial product, the purpose of the audit and the business relationship, the following information may be particularly relevant:

- Greenhouse gas emissions from Scope 1 and 2, as well as Scope 3 where applicable
- Governance and compliance structures
- Climate and other sustainability risks
- Sustainability-related corporate strategies
- Taxonomy eligibility and taxonomy compliance of economic activities

This list describes potential information needs; it is not a mandatory data catalogue for all companies. Even for payment service providers and fintech companies, the direct applicability of SFDR depends on their specific activities as financial market participants or financial advisors. Simply belonging to the industry is not sufficient.

Regardless, there are separate obligations related to products, supply chains and sustainability advertising. Simplifications in reporting therefore do not necessarily lead to an exemption from other sustainability-related requirements.

Conclusion

The Omnibus Reform eases the burden on numerous companies regarding sustainability reporting and EU-level due diligence obligations. However, ESG data remains relevant for financing and business relationships. In addition, there are separate requirements pertaining to products, supply chains and advertising. Companies should therefore, in addition to their own reporting obligations, specifically assess which requirements apply to their products, their role in the supply chain and their sustainability communications. A coordinated approach to data collection, product documentation and advertising enables companies to reliably fulfil their respective obligations and reuse existing information in multiple contexts.

Contact



Dr. Andreas Fillmann
Partner, Frankfurt
T +49 69 17392 423
andreas.fillmann@squirepb.com

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