CSRD is off the table (for now), but what about ESG?

Our whitepaper investigates the influence of **Omnibus** and how companies can deal with uncertainty through designing a proper **ESG strategy** and **reporting infrastructure**

1. SETTING THE CONTEXT

The ESG compliance landscape has been rapidly evolving and there has been no more proof of that than the recently communicated Omnibus Simplification Package, which has introduced significant revisions to existing ESG regulations and the Corporate Sustainability Reporting Directive ("CSRD") in particular. These revisions include but are not limited to higher reporting scope thresholds, delayed implementation timelines, and a shift from "reasonable" to "limited assurance" as the standard for sustainability reporting. Once adopted, these revisions should reduce the regulatory burden for a significant number of companies, providing them with the flexibility to move away from rigid, one-size-fits-all compliance frameworks and instead develop a tailored ESG strategy that aligns with their sector, regulatory risk profile, and sustainability ambitions.

The CSRD and other upcoming regulations were previously imposed to force companies into providing more transparency on ESG performance, making sure that stakeholders have access to comparable and trustworthy ESG information. In addition, companies were forced to assess and report on ESG impacts, risks and opportunities so stakeholders could integrate this information in their decision-making processes. The thought was that if investors would have ESG information readily available, the flow of investments towards sustainable activities would increase over time, while unsustainable companies would be less attractive and would have to adjust their activities.

However, it has become apparent that the EU's focus on ESG regulations, with CSRD specifically, added too much administrative burden to EU companies, affecting their competitiveness position compared to other regions. The CSRD and the European Sustainability Reporting Standards (ESRS) have turned out to be overly complex for companies to adopt, requiring too much attention for companies.

This was also evidenced by the fact that a lot of companies, although subject to the CSRD and therefore forced to be "CSRD-ready" over 2025 did not even start until the end of 2024, or not even started at all yet. Even though the CSRD should be "enforced" by way of ESG assurance provided by auditors, it became quite apparent that in different regions of Europe, also, a significant number of auditors had not embraced the concept of CSRD and/or were not ready yet by the start of 2025.

In our experience in advising companies on CSRD implementation, we observed that many companies were simply not ready or not able to integrate these complicated reporting frameworks. Many companies did not have the manpower, required expertise, capabilities, and internal infrastructure to do so. In addition, ESRS was not only overly complex but often more importantly, leaving a lot of room for interpretation, causing widespread confusion. To attempt compliance, companies devoted their attention to the CSRD's reporting exercise, as if reporting is the objective to be achieved, distracting companies from the real objective of the EU which is driving sustainability and taking responsibility for ESG topics in the EU business environment.

While regulatory compliance and risk mitigation have been critical drivers of ESG adoption, we recognize that the strategic pursuit of ESG opportunities can unlock transformative value for companies. ESG opportunities encompass innovation, cost efficiency, market differentiation, and access to new revenue streams, enabling companies to future-proof their operations and align with global sustainability trends. Whether through disruptive innovation, cost-efficient practices, or brand enhancement, ESG is no longer a compliance checkbox but a catalyst for resilience and growth. By aligning their ESG strategy with targeted opportunities, companies can turn sustainability into a competitive edge while contributing to a greener economy.

Although companies may be freed from the immediate stronghold required by the CSRD, that does not mean that companies should not consider utilizing essential elements from the CSRD for their ESG strategy. Now more than ever, companies should prioritize how to navigate the current uncertainty that the Omnibus proposals have caused. In addition, it is vital to recognize that although CSRD has been the main point of focus for EU companies, the ESG regulatory and market landscape is not shaped by CSRD alone. Therefore, companies must capitalize on the freedom that the Omnibus proposals offer to determine the ESG strategy and reporting infrastructure that best fits their specific ESG maturity and circumstances.

1.1 Looking at the proposed Omnibus changes in more detail

The EU has chosen to alter its course, either due to insufficient preparedness or to acknowledge that the CSRD's requirements were indeed overly burdensome. In any case, to adjust the direction of the EU, the recent EU Competitiveness Compass sets the vision for strengthening the EU's competitiveness and making the EU's economy more prosperous.

A key item is the recalibration of EU rules in a growth-friendly manner, achieving at least 25% reduction in administrative burdens and at least 35% for SMEs. Omnibus has been presented to reduce regulatory burden on companies, adjusting CSRD, CSDDD, CBAM, and the EU Taxonomy. The most impactful proposed adjustments for CSRD are the reduction of the scope of companies affected by 80%, and a reduction in data points to be reported. It is important to note that there are various other ESG regulations that are expected to proceed as planned.

The European Council has recently adopted a position on the proposed "stop-the-clock" mechanism related to the Omnibus. On April 1st, the EU Parliament approved the urgent procedure for the proposal, and the vote on April 3rd made the implementation delay definitive:

1. A two-year delay in the application of the CSRD for companies that have not yet begun reporting, and;
2. A one-year postponement of the transposition deadline for the CSDDD.

1.2 Structure of the whitepaper

This whitepaper provides actionable insights into the implications of the Omnibus Simplification Package for companies designing or revising their ESG strategies. While the regulatory landscape has shifted, the need for robust sustainability practices remains critical.

The Omnibus revisions reduce administrative burdens but do not eliminate the imperative for companies to address ESG risks and opportunities. Rather than treating ESG as a compliance exercise, organizations now have the freedom—and responsibility—to design strategies that balance regulatory alignment with value creation. This whitepaper bridges the gap between simplified reporting requirements and the strategic integration of ESG into core operations.

Our analysis focuses on two core objectives:

- Assessing how revisions to the Corporate Sustainability Reporting Directive (CSRD) and related regulations alter compliance requirements.
- Evaluating the direct and indirect effects of Omnibus on business models, operational priorities, strategic flexibility and reporting activities.

By the conclusion of this whitepaper, business leaders will be equipped to:

- Reassess their ESG profile and maturity considering Omnibus.
- Turn sustainability into a competitive advantage while mitigating risks.
- Align reporting practices with strategic objectives rather than regulatory mandates.

The Omnibus Simplification Package is not an endpoint but a catalyst for reimagining ESG. This whitepaper serves as a roadmap to navigate this transition with clarity and confidence.

2. BUILDING A SUSTAINABLE ESG STRATEGY

It is important to recognize that the landscape of corporate responsibility is evolving, not diminishing. Therefore, we see the Omnibus simplifications as an opportunity for companies to shape their own future. CSRD forced companies to adopt a strict framework, set up specific processes and record their steps to obtain the approval of an auditor. This led to a lack of ambition and creativity, while the compliance process often made limited business sense. The same naturally applies to ESG reporting. Without compliance requirements, companies can set up an ESG reporting infrastructure that is fitting to their own circumstances.

Without CSRD compliance and compulsory audit requirements, companies obtain the freedom to determine their own ESG journey, free from any external regulatory requirements. They can therefore develop an ESG strategy and reporting infrastructure that fits their objectives and ambitions. This way, companies can go back to engaging with ESG in a way that makes business sense, takes advantage of emerging opportunities and decreases business risks. For many companies, stakeholders such as customers, employees and investors have expectations, and other ESG regulations still apply based on products, processes or supply chain demands. In addition, opportunities for tapping into new markets, developing sustainable product lines and cost-savings remain unchanged. Also, larger companies will continue to pursue ESG, collecting data and requiring their partners within the value chain to do the same.

Although the Omnibus proposals may reduce regulatory obligations, this does not dismiss companies from the need to consider how to deal with ESG. As a matter of fact, a lot of companies have embraced and want to develop a sustainability and ESG policy but have expressed the desire to build a strategy that suits their needs in a much better way than the CSRD has been able to do. Even if companies opt to delay ESG, the latest developments in Voluntary standards for small- and medium-sized undertakings (VSME) offer a smart and efficient way to prepare for the "market pressure" in no time.

Although the EU's previously imposed "one-size fits all regulatory approach" has been simplified, the focus shifts to incentivizing proactive sustainability efforts. It is important to recognize that, besides company ambitions, there are various aspects influencing how companies should engage with ESG.

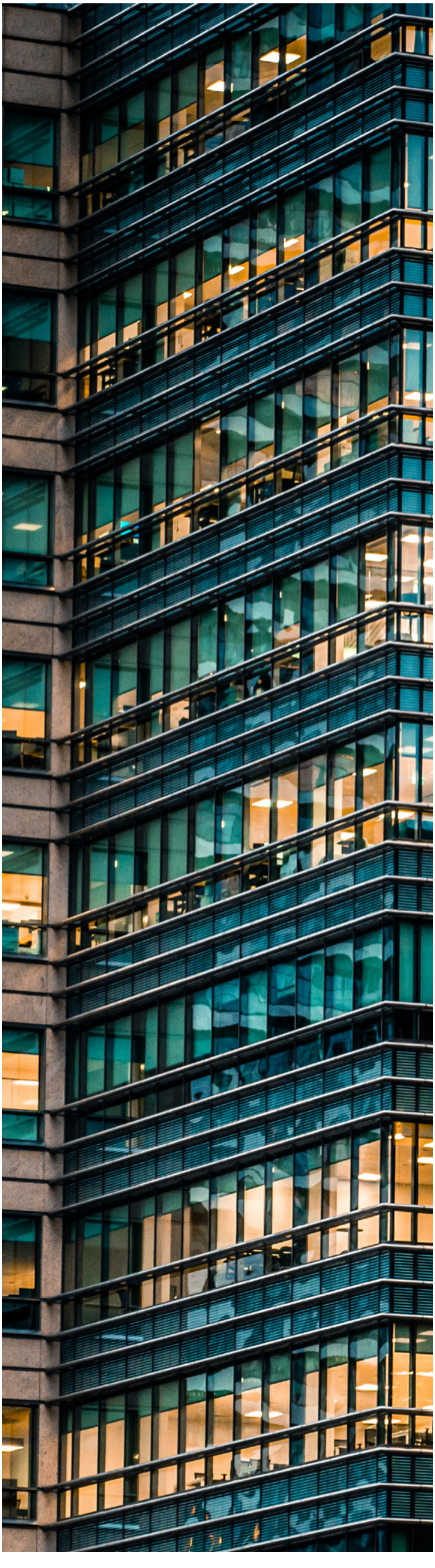
First, the omnibus proposal allows companies to go back to focusing on their stakeholders and what they expect and fulfil their expectations in a pragmatic manner. For example, they can focus on fulfilling consumer demands or investor expectations regarding ESG. Second, there are still other regulations that expect companies to make actual changes to their ESG performance through initiatives such as the EU Batteries Regulation and the Packaging and Packaging Waste Regulation (PPWR).

2.1. Building blocks for the development of an ESG Reporting Infrastructure

The freedom for a company to design its own ESG strategy comes with great flexibility and opportunity but is also challenging. Companies need to carefully consider why they embark on this journey, what drives them and why. Certainly, post-Omnibus, it is important to either design an ESG strategy, or, when a company has already designed an ESG strategy, it may have to reconsider some of its applied principles, especially in case the CSRD is no longer leading.

Below are some key options that may be adopted. It is important to note that a strategy type can be prioritized but is often created by a combination of multiple approaches depending on the outcomes of the previous assessments.

- **Compliance-Driven Approach**: Focuses on meeting minimum regulatory and legal requirements (e.g., EU CSRD, SEC Climate Disclosure, SFDR). Best for organizations at the early stages of ESG adoption.
- **Risk-Based Approach**: Identifies material ESG risks (climate, social responsibility, governance) and integrates risk mitigation strategies. Aligns with enterprise risk management (ERM) frameworks.



- **Value-Creation Approach**: Embeds ESG into business strategy to drive long-term value, innovation, and competitive differentiation. Includes sustainable product development, circular economy principles, and impact investments.
- **Stakeholder-Centric Approach**: Prioritizes engagement with investors, employees, customers, regulators, and communities. Uses frameworks like materiality assessments to identify key ESG priorities.
- **Integrated ESG Approach**: Embeds ESG across all business functions, aligning with corporate governance, supply chain management, and operational efficiency. Often linked to sustainability-linked financing and performance incentives.

Ultimately, the design, or redesign, of an ESG strategy must be paired with a decision or at least a consideration how that strategy results in a specific ESG Reporting Infrastructure. In this respect, a 3-step process may be considered where a company considers its current ESG Maturity, connected to a renewed assessment of its ESG profile to design a (revised) ESG strategy and reporting infrastructure (potentially shifting from CSRD principles to other reporting standards such as GRI, or VSME).

Below, we have summarized this as follows:

Given the varying factors influencing ESG adoption, companies may consider to take a structured approach to determine whether, how, and to what extent they should integrate ESG into their operations. ESG is not a one-size-fits-all requirement—some companies must comply with strict regulations, while others can leverage ESG strategically for financial or market advantages.

Our approach enables companies to take these differences into account in their ESG strategy and reporting infrastructure, ensuring it fits their unique circumstances and supports their business objectives.

Step 1: ESG Maturity assessment

It is important to recognize that most large EU companies have already been preparing for the CSRD and other regulations or had strategic ESG activities and projects to align with stakeholder expectations and business objectives. In dealing with the uncertainty that Omnibus created, companies must therefore consider the current internal position and ESG maturity of the organization.

An ESG maturity assessment is a diagnostic process that measures an organization's ESG capabilities, policies, and performance across key areas. It helps identify strengths, weaknesses, and gaps. The assessment covers areas such as governance structures, ESG strategies and objectives, risk management, sustainability reporting, stakeholder engagement, and current compliance with regulatory frameworks. A maturity assessment allows companies to:

1. **Establish a Baseline:** A maturity assessment provides a clear starting point, allowing organizations to understand where they currently stand in terms of ESG performance.
2. **Identify Gaps and Opportunities:** By evaluating existing policies, practices, and performance, companies can pinpoint areas needing improvement and uncover opportunities for growth and innovation.
3. **Enhance Risk Management**: ESG-related risks, such as climate change, regulatory changes, and social responsibility concerns, can significantly impact business operations. A maturity assessment helps identify potential risk areas that are currently underdeveloped.
4. **Align with Regulatory and Market Expectations**: As ESG regulations and investor expectations evolve, a maturity assessment provides insight into the extent that organizations are compliant and competitive.
5. **Facilitate Strategic Planning**: Understanding the current level of ESG maturity allows companies to set realistic goals, allocate resources efficiently, and track progress over time.
6. **Improve Stakeholder Engagement**: Transparent ESG assessments demonstrate a company's commitment to sustainability and responsible governance, strengthening relationships with investors, employees, customers, and regulators.

A well-executed ESG maturity assessment is a critical first step in developing a robust and effective ESG strategy. By identifying a baseline, organizations take the first step in enhancing their ESG performance and drive long-term value.

Step 2: ESG profile

The strategic importance of ESG differs from company to company based on its unique circumstances and its external context, resulting in high complexity for companies to determine the best way to navigate the current uncertainties.

This could be due to various factors such as stakeholder pressure, investor expectations or regulatory exposure. To determine a suitable ESG strategy, it therefore is important for a company to understand its internal and external characteristics.

RSM has developed an assessment of the ESG profile based on a set of standardized criteria: company size, financial stance, regulatory exposure, sector, activities and supply chain, and customer demands. Since these variables are often interconnected, their effect on the importance of ESG integration can exponentially if various variables are combined. For example, a large EU-based company, that is producing highly visible consumer products with complex supply chains faces more stakeholder expectations compared to a small-scale US-based local service provider. By assessing these criteria, companies understand why they should create an ESG strategy and which components the strategy should cover. Therefore, this approach enables companies to build the foundation for an ESG strategy that satisfies stakeholder demands, contributing to its business objectives and performance.

The decision matrix below contains examples of various high-level outcomes of an ESG profile which could result into a multitude of company specific combinations. The following sub-chapters outline these variables in more detail.

	Variables	High Exposure	Mid Exposure	Low Exposure
2.3.1	Company size and location	Large, multinational, or public EU-based company with existing ESG reporting structures.	Mid-sized US-based company with some ESG practices but not yet fully aligned.	Small or early-stage Asian business with limited ESG experience.
2.3.2	Financial Stance	Strong ESG financing incentives, green bonds, investor pressure. ESG risks impact credit ratings.	Some financial risks related to ESG (e.g., lending conditions, investor & customer expectations). ESG-linked financing opportunities exist.	No immediate financial pressure to adopt ESG. No clear cost-benefit for ESG investment.
2.3.3	Regulatory Exposure	Directly in scope for CSRD, CSDDD, EU Taxonomy, or industry-specific ESG regulations (e.g., CBAM, deforestation, New Battery Regulation).	Partially in scope for specific regulations or indirectly impacted via suppliers and clients.	Not in scope for ESG regulations, but voluntary alignment may offer long-term strategic benefits.
2.3.4	Sector, activities and supply chain impact	High-risk industries (energy, mining, agriculture, finance, supply chain-heavy sectors). High regulatory pressure, reputational risk, and financial exposure.	Moderate-risk industries (retail, automotive, tech). ESG regulations apply selectively, and consumer awareness is rising.	Low-risk industries (consulting, software, marketing). ESG impact is mostly voluntary or operationally minor.
2.3.5	Customer demand	Strong ESG-driven purchasing behavior (fashion, food, personal care, electronics). Consumers expect full transparency.	Moderate consumer interest. ESG differentiation can provide competitive advantage.	Low consumer demand for ESG. B2B-focused companies with limited pressure from end consumers.

2.3.1 Company size and location

Company size is the first high-level variable indicating the importance of ESG integration to business performance. As large companies are more visible and have more resources available, expectations on ESG performance and reporting are generally higher compared to smaller organizations. In addition, large companies generally have a larger impact on ESG topics because of the extent of their operations and the number of employees employed. If companies do not meet expectations on ESG, large companies generally get more scrutiny from stakeholders, including NGO's and regulatory authorities. Also, they are expected to meet higher standards from their clients regarding the extent of ESG information that can be provided and overall professionalism on ESG. \

Many current and upcoming ESG regulations apply to companies based on size criteria, including the requirements affected by the Omnibus package such as the CSRD. Smaller companies face lower expectations in general and are protected by the Omnibus proposal in terms of information they are expected to share with larger value chain partners. In the table below, we have provided a short outline of advised options for various company sizes in relation to ensuring CSRD compliance.

Company size	Approach
fewer than 250 employees	· Simplified standards could be applied. Although they are not required to comply with CSRD, they may adopt VSME standards for stakeholder reporting. · These companies can leverage sustainability initiatives as a tool for long-term business value without regulatory pressure.
Around 250 employees	· Companies will likely fall outside the new CSRD scope due to recent regulatory changes. Therefore, they are advised to consider a temporary pause in CSRD compliance efforts, while still recognizing the value of completing a Double Materiality Assessment (DMA). · Understanding sustainability impact and building resilience remains beneficial, even if immediate reporting obligations do not apply.
Around 500 employees	· CSRD obligations remain uncertain and depend on whether they fall under the "mid-cap" classification. In this case, companies are advised to continue with their ESG efforts but potentially at a potentially slower pace. · Key recommendations include conducting a DMA to assess sustainability risks, integrating ESG into their business model, and considering compliance with CSDDD (Corporate Sustainability Due Diligence Directive), particularly for B2B companies.
Around or over 1,000 employees	· Reporting obligations are expected to remain in place, and these companies are advised to proceed with full compliance. These organizations should conduct a gap analysis based on the first DMA results, optimize their processes, implement climate transition measures, and integrate risk and opportunity assessments. · Additionally, they must prepare for upcoming CSDDD and EU Taxonomy requirements to ensure full alignment with sustainability regulations.

Once expected applicability has been determined as described above, companies that are still in scope can identify how their ESG compliance burden and timeline should be adjusted.

ESG exposure also depends on the company's location and geographic footprint. This not only includes the locations of company activities, but also how the company is legally structured internationally. In case of European (intermediate) parent companies with many (non-EU) subsidiaries, exposure to ESG regulations is generally much higher compared to other regions.

2.3.2 Financial stance

ESG considerations directly impact investment attractiveness, loan access, and credit risk. The Sustainable Finance Framework enables companies committed to ESG principles to access green credits, funds, and investment opportunities. Financial institutions, insurers, and credit rating agencies increasingly integrate climate-related and ESG risks into their assessments. Companies failing to prioritize ESG risk management may face higher insurance premiums, limited credit access, and potential investor skepticism.

A research paper from the EU Commission's Joint Research Centre (JRC) found that banks with high exposure to carbon-intensive industries face substantial financial losses in climate stress scenarios. If climate risks materialize under a business-as-usual scenario, unprepared banks could suffer system-wide losses exceeding €400 billion, leading to tighter lending policies for companies without ESG risk strategies.

The European Central Bank (ECB) has emphasized the importance of integrating climate and environmental risks into financial institutions' governance and risk management frameworks. A thematic review found that 85% of banks have basic ESG risk management practices, but most lack advanced strategies. Companies that fail to align with these expectations may struggle to attract investment and secure loans.

On the other hand, companies that incorporate climate resilience strategies, such as transitioning to renewable energy and implementing circular economy models, often secure favorable financing conditions. For example, Ørsted, a Danish energy leader, successfully transitioned from fossil fuels to renewables, earning preferential financing terms due to its sustainability commitments. Companies must evaluate their financial exposure to ESG risks and consider how sustainability integration could lower costs and improve access to capital.

The financial benefits of integrating ESG into corporate strategies are reflected in a growing body of research that links strong ESG performance to improved financial outcomes. For example, Aydogmus et al. (2022) observed a positive correlation between ESG scores and firm value, profitability, and market performance. Similarly, studies by Ernst and Wothe (2024) indicate that companies with higher ESG ratings tend to have lower equity costs and reduced debt levels. This is important for banks, as they are often the primary lenders to companies, and better financial health at the corporate level translates into more reliable loan repayments and stronger credit ratings. Furthermore, Whelan et al. (2021) found that in more than half of the studies they reviewed, companies with better ESG practices saw a positive impact on financial performance, which highlights the long-term value of adopting sustainable practices. This evidence underscores the notion that ESG is not just a compliance issue but a key driver of financial performance.

In addition to environmental factors, social and governance aspects also positively impact a company's cost efficiency, resilience, and revenue generation. Numerous studies have shown that companies investing in employee well-being, diversity, and inclusion achieve higher employee satisfaction and retention, ultimately boosting productivity. Furthermore, organizations that prioritize transparent corporate governance, ethical leadership, and anti-corruption policies tend to achieve higher return on assets (ROA) and return on equity (ROE).

In this context, companies must determine where they stand in terms of financial exposure to ESG risks and opportunities. Companies that proactively integrate ESG into their financial strategy gain access to better financing, mitigate long-term risks, and enhance their market positioning. The dependency of companies on financial market participants including banks or other investors, and whether companies are stock listed are key determinants for their vulnerability to financial risks. For organizations still evaluating ESG adoption, understanding the financial impact of sustainability measures will be key to making an informed decision about the level of ESG integration that aligns with their business model and growth objectives.

2.3.3 Regulatory exposure

Regulatory exposure remains a critical factor in shaping a company's ESG strategy, even as the Omnibus Simplification Package reduces reporting burdens for some companies.

While the EU has delayed or adjusted certain requirements under the CSRD and CSDDD, other ESG-related regulations continue to apply, requiring companies to assess their obligations carefully.

Regulatory exposure varies significantly depending on the company's activities and geographic footprint, and understanding this exposure is essential to avoiding penalties, maintaining market access, and building stakeholder trust.

Examples of key Regulations impacting companies' post-omnibus

- **CSRD & CSDDD**: While the CSRD's scope has been narrowed (e.g., delayed timelines for non-reporting companies), organizations already in scope must still comply. The Corporate Sustainability Due Diligence Directive (CSDDD) also imposes obligations on larger companies to address human rights and environmental risks in their value chains.
- **EU Taxonomy**: Companies subject to the Taxonomy must continue disclosing how their activities align with EU sustainability objectives, particularly if they operate in sectors like energy, transportation, or manufacturing.
- **Carbon Border Adjustment Mechanism (CBAM)**: Targets importers of carbon-intensive goods (e.g., steel, cement), requiring emissions reporting and eventual carbon cost payments.
- **Deforestation Regulation**: Mandates due diligence for companies dealing with cattle, cocoa, coffee, palm oil, soy, and timber to ensure deforestation-free supply chains.

2.3.4 Sector and business activities

While financial incentives are a key driver of ESG adoption, industry-specific considerations also play a crucial role in shaping how companies engage with sustainability. Some sectors, such as electronics, automotive, packaging, batteries, palm oil or textiles (fashion) have a higher environmental or social impact, caused by the materials, processes and labor intensiveness of the products. This may also simply depend on the general image and number of media-covered incidents in the sector. This leads to increased stakeholder scrutiny and sector-specific ESG regulations.

The importance of ESG integration also depends on the position in (international) supply chains and their visibility.

For example, retailers, producers of consumer products, and financial institutions are often well-known and are generally quite visible to consumers and other stakeholder compared to upstream component manufacturers.

Although the Omnibus Proposal simplifies ESG reporting for certain companies, sector-specific regulations remain unchanged, requiring continued compliance. Industries involved in high-carbon production, resource extraction, and global supply chains are particularly affected by stringent environmental and trade regulations, including:

- **Forced Labour Regulation**: Requires companies to eliminate forced labor from supply chains.
- **Conflict Minerals Regulation**: Mandates ethical sourcing for tin, tantalum, tungsten, and gold (3TG).
- **Batteries Regulation**: Imposes sustainability standards on battery production and supply chain practices.
- **Packaging and Packaging Waste Regulation (PPWR)**: Establishes a new set of requirements in line with Europe's waste rules that cover the entire packaging life cycle – from product design to waste handling.
- **Ecodesign for Sustainable Products Regulation (ESPR)**: Aims to significantly improve the sustainability of products placed on the EU market by improving their circularity, energy performance, recyclability and durability. Priority is given to products with many unsustainable characteristics.

There are also activity and material specific opportunities in different areas. The circular economy, which emphasizes recycling, reuse, and resource efficiency, is transforming how companies operate by reducing waste, lowering costs, and creating new revenue streams.

Unlike the traditional linear economy ("take, make, dispose"), a circular model focuses on extending the lifecycle of materials, minimizing environmental impact, and improving supply chain resilience. This shift not only benefits the environment but also enhances financial performance and risk management for companies that adopt it.

Companies across industries are integrating circularity into their operations to reduce waste, enhance profitability, and align with sustainability goals:

- **Retail & Consumer Goods**: IKEA has embedded circular principles by designing repairable, resellable, and recyclable furniture. Through its buy-back program, customers return used items for store credit, reducing waste, strengthening brand loyalty, and creating a profitable secondary market. Similarly, Patagonia's Worn Wear program repairs and resells used clothing, lowering production costs and reinforcing its reputation among eco-conscious consumers.
- **Automotive**: Renault operates a remanufacturing plant, refurbishing used car parts at 80% lower material costs than producing new components. This not only cuts emissions but also improves supply chain stability, especially during raw material shortages.
- **Technology**: Apple has committed to using 100% recycled aluminum in its MacBooks, reducing reliance on environmentally harmful mining while ensuring a stable and cost-efficient supply of materials.

Beyond operational improvements, recent EU initiatives reward companies that actively contribute to sustainability. The EU Competitiveness Compass Initiative provides financial incentives and preferential market positioning to companies investing in clean technologies, circular economy solutions, and low-carbon infrastructure. Additionally, companies that align their ESG strategies effectively can access state and EU funding, further enhancing their financial and market position.

By identifying sector-specific risks and opportunities, companies can strategically align ESG initiatives not just for compliance, but for long-term competitive advantage, financial resilience, and investor confidence.

2.3.5 Customer demand

Beyond compliance, ESG is a powerful tool for brand positioning and customer loyalty. Increasingly, consumers favor brands that align with their values, with Gen Z and Millennials leading this shift. Research from the Harvard Business Review found that brands perceived as ethical and socially responsible see higher spending rates and stronger brand loyalty. When younger consumers rate a brand highly for its humanity and sustainability efforts, they are 15% more likely to choose that brand over competitors.

A study from Consumer Goods Technology Magazine revealed that 82% of shoppers prefer brands whose values align with their own, and 75% have walked away from brands due to value misalignment. This underscores the growing importance of values-driven branding, where consumers actively reward companies committed to sustainability, ethical labor practices, and environmental responsibility.

However, companies must be cautious of greenwashing, as skepticism around exaggerated sustainability claims is rising. Surveys indicate that 72% of consumers believe companies overstate their ESG efforts, emphasizing the importance of genuine commitment rather than mere marketing strategies. This trend is recognized by the EU, leading to the Green Claims Directive which forces companies to substantiate their environmental claims and forcing stronger verification for labels and certifications. Having said that, the importance of ESG-driven branding varies by industry.

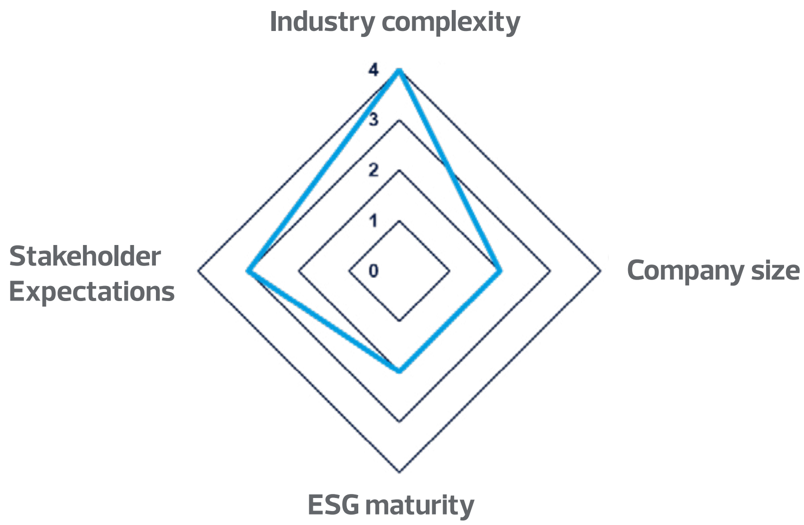
While B2C companies benefit significantly from sustainability-aligned branding, the impact on B2B companies is often more nuanced, depending on sector-specific market conditions and client expectations. As a result, there is no one-size-fits-all approach to ESG adoption—companies must assess their sector dynamics and consumer expectations to determine the most effective ESG strategy for their brand.

Step 3: Design of an ESG Reporting Infrastructure

An ESG strategy is designed to help companies manage risks, drive sustainable growth, and create long-term value by integrating ESG principles into their operations and decision-making. It creates clarity and provides direction, which is highly necessary given the current uncertainty in the EU. An effective ESG strategy ensures that a company not only meets compliance requirements but also drives innovation, resilience, and long-term success in a responsible way.

The need for and the importance of this strategy as well as its composition can be determined by the company's ESG maturity and its ESG profile as described in the previous sections. These assessments therefore provide the foundation to develop a strategy that fits a company's specific position and circumstances.

When determining an ESG Reporting Infrastructure, organizations have several approaches depending on their maturity level, industry requirements, stakeholder expectations, and regulatory landscape. This may be visualized as follows.



Through reporting activities, companies offer transparency to their stakeholders by sharing their ESG performance, offering insight into main risks and opportunities, highlighting their strategy and tracking effectiveness of implementation. The importance and selected infrastructure depend on the strategy selected.

Companies opting for a compliance driven approach may report exclusively to fulfil any reporting obligations. However, other reporting infrastructures may evolve around voluntary reporting to inform stakeholders of their progress, benefiting from an improved reputation and attractiveness.

A proper ESG Reporting Infrastructure is essentially a selection, prioritization and organization of the various components described below. Not all components have to be equally extensive depending on your strategy but rather must be balanced to match the strategy properly.

ESG Frameworks & Standards

Depending on the strategy, companies may select an ESG reporting framework. Although reporting without a framework is possible, it is not recommended. Selecting the appropriate reporting framework ensures designing a coherent and organized report, increases consistency and comparability, decreases the risk of greenwashing, and enhances stakeholder trust. Some options are adopting ESRS (for CSRD), Voluntary standards for small- and medium-sized undertakings (VSME, voluntary ESRS-based), Global Reporting Initiative (GRI, voluntary), or ISSB (mostly used by multinational corporations outside of EU).

Materiality

Materiality in ESG reporting refers to the process of identifying and prioritizing environmental, social, and governance (ESG) issues that have the most significant impact on a company's financial performance, stakeholders, and long-term sustainability. It ensures that ESG disclosures focus on the most relevant risks and opportunities, enhancing transparency and decision-making for investors, regulators, and other stakeholders. By reporting on material ESG issues, companies can drive meaningful sustainability efforts while maintaining compliance and competitiveness in an evolving business landscape.

Data Collection & Management

For ESG reporting purposes, companies must organize data collection internally and throughout their supply chain. Data collection and management ensure ESG reporting is accurate, reliable, and transparent. By tracking key metrics like emissions, diversity, and governance practices, companies can assess risks, meet regulatory requirements, and improve sustainability efforts.

Data Analysis & Performance Tracking

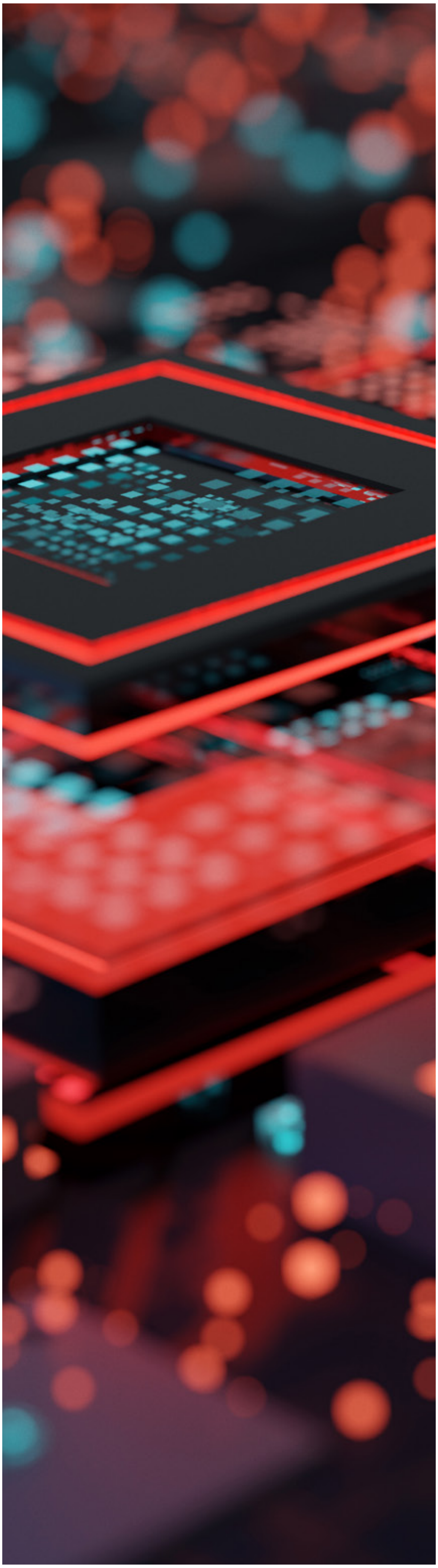
Data analysis in ESG reporting helps companies transform raw sustainability data into actionable insights. By identifying patterns, benchmarking performance, companies can make informed decisions that improve ESG outcomes and assess risks and opportunities. Strong data analytics enable proactive strategy adjustments, driving long-term sustainability and value creation.

Technology & ESG Software Platforms

Technology and ESG software platforms are useful tools for streamlining data collection, analysis, and reporting. These tools automate processes, improve data accuracy, and ensure compliance with ESG standards. By integrating ESG metrics into one centralized system, companies can efficiently track performance, generate real-time insights, and produce transparent reports. Leveraging technology enhances decision-making, reduces manual errors, and supports scalability in sustainability efforts. With increased comprehensiveness of the report and increased corporate complexity, implementing ESG data software becomes increasingly important.

Controls

Controls in ESG reporting are critical for ensuring data accuracy, integrity, and compliance. They involve establishing processes and checks to validate ESG data, prevent errors, and safeguard against misreporting. Strong controls help companies maintain transparency, meet regulatory requirements, and build stakeholder trust. By ensuring reliable and consistent reporting, controls support effective decision-making and enhance the credibility of a company's sustainability efforts. Implementing the right controls may also help companies avoid greenwashing and other misstatements.



3. CONCLUSION

The Omnibus Simplification Package represents a pivotal recalibration of ESG regulations, notably revising the Corporate Sustainability Reporting Directive (CSRD) through delayed timelines, narrowed scope, and reduced reporting obligations. These adjustments aim to alleviate administrative burdens, particularly for SMEs and mid-sized companies, while retaining core sustainability objectives. However, the regulatory landscape remains dynamic: key frameworks such as the EU Taxonomy, CSDDD, CBAM, and sector-specific regulations (e.g., Batteries Regulation, Deforestation Regulation) continue to impose compliance requirements, especially for large enterprises and high-impact sectors.

The whitepaper underscores that ESG maturity assessments are foundational to navigating this transition. By evaluating governance structures, risk exposure, and stakeholder expectations, companies can establish a baseline for strategic alignment. Post-assessment, the development of an ESG profile—factoring in company size, financial stance, sector risks, and customer demands—enables organizations to prioritize material issues and avoid a one-size-fits-all approach. Finally, the design of a tailored ESG reporting infrastructure hinges on selecting appropriate frameworks (e.g., GRI, VSME), robust data management systems, and technology-driven controls to ensure accuracy and transparency.

Critically, the Omnibus revisions do not negate the need for ESG integration but reframe it as a strategic imperative. Companies must balance compliance with value creation, leveraging sustainability to drive innovation, operational efficiency, and resilience in an increasingly stakeholder-driven market.

Now is the time to reassess, realign, and reimagine.

For companies navigating this reshaped landscape, the path forward is clear: Act now, with purpose. The Omnibus Package is not a regulatory pause but an invitation to redefine ESG as a catalyst for growth. Here's how to seize this opportunity using RSM's 3-step process:

- **Reassess ESG Maturity:** Begin with a diagnostic audit of your current capabilities. Identify gaps in governance, risk management, and stakeholder engagement. This assessment is not merely a compliance exercise—it's a chance to uncover hidden opportunities, such as cost savings through circular economy practices or innovation in sustainable product lines.
- **Define Your ESG Profile**: Align your strategy with your unique context.
- **Build a scalable ESG Reporting Infrastructure**: Adopt agile tools and frameworks that grow with your ambitions. Implement ESG software to automate data collection, ensure audit-ready controls, and generate insights for decision-making. Transparent reporting not only mitigates greenwashing risks but also enhances access to green financing and partnerships.

The window to lead is open—transform ESG from a mandate into a market advantage. RSM stands ready to guide your journey, offering tailored strategies that turn sustainability into your strongest asset. RSM is a thought leader in the field of Strategy and Sustainability. We offer frequent insights through training and sharing of thought leadership based on a detailed knowledge of industry developments and practical applications in working with our customers.

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If you have any questions as a result of this special, please contact your advisor within one of the RSM offices.

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