

## Sustainability: Fewer Compliance Requirements and Clearer Rules for Businesses Directive (EU) 2026/470

On **26 February 2026**, the Official Journal of the European Union published Directive (EU) 2026/470 (the **Directive**), which materially reshapes the EU **sustainability framework**.

The objective is clear: **to simplify ESG reporting obligations, reduce compliance burdens for companies** – particularly SMEs, and **bolster the competitiveness** of the European economy.

The Directive amends two foundational pillars of the EU sustainability rulebook:

- the **CSRD** (Directive (EU) 2022/2464) on corporate sustainability reporting; and
- the **CSDDD** (Directive (EU) 2024/1760) on corporate sustainability due diligence in the value chain

### **CSRD: A Reduced Scope of Application**

The Directive raises the size thresholds for the application of sustainability reporting obligations, **significantly reducing the number of companies subject to the CSRD**.

### **Who remains required to prepare a sustainability report?**

The CSRD will apply exclusively to: (i) **EU companies with more than 1,000 employees** and at least **EUR 450 million in annual net turnover**; and (ii) **non-EU companies with net turnover exceeding EUR 450 million** in the European Union, as well as **their branches and subsidiaries with turnover above EUR 200 million in the EU**.

### **No changes to the timeline**

The Directive **does not modify the CSRD application timelines**, which remain those already redefined by Directive (EU) 2025/794, the so-called “*Stop the clock*.” In brief:

- **Public-interest entities** with more than 500 employees continue to apply the CSRD from 2024 (publication in 2025);
- **Other large undertakings**: reporting from the financial year starting on 1 January 2027 (first publication in 2028);
- **Listed SMEs** (excluding micro-undertakings): reporting from the financial year starting on 1 January 2028 (first publication in 2029);
- **Non-EU undertakings above the threshold**: same timeline 2028–2029.

## Simplified Reporting Requirements

To reduce the complexity of compliance activities, the Directive provides for a **thorough revision of the ESRS** (European Sustainability Reporting Standards). Within six months of the Directive's entry into force, the Commission will adopt a delegated act aimed at:

- eliminating less relevant information;
- **prioritising quantitative data** over narrative descriptions;
- clarifying more sharply the **distinction between mandatory and voluntary information**;
- **clarifying the application of the materiality principle**, so as to limit disclosures to information that is genuinely material;
- improving **interoperability with the main global standards** (e.g., GRI, ISSB).

The expected outcome is more effective, comparable and proportionate reporting.

## **CSDDD: Reduced Scope and Delayed Application**

The Directive **also lightens the sustainability due diligence regime**.

CSDDD obligations will apply only to **EU companies with more than 5,000 employees and EUR 1.5 billion in global net turnover, as well as to non-EU companies with annual turnover exceeding EUR 1.5 billion in the European Union**. The entry into operation of the obligations is also deferred to **2029** to allow for a gradual transition.

In addition, "**protected**" companies – i.e., those that do not exceed the 1,000-employee threshold – **may not be required**, within **value-chain due diligence**, to provide ESG information that exceeds what is set out in the **voluntary reporting standards** referred to below.

## **Voluntary Reporting: A New Opportunity for Non-Subject Companies**

The Directive introduces a **voluntary sustainability reporting regime**, based on the adoption, **by 19 July 2026, of simplified principles and standards inspired by the VSME** – Voluntary Standard for SMEs developed by EFRAG.

The **voluntary standards** – designed in a manner proportionate to the organisational and operational capacities of companies not subject to mandatory reporting – constitute **an EU-recognised framework for efficiently meeting the information requests** of banks, investors and major commercial counterparties.

The **voluntary standards** also enable non-in-scope companies to **communicate their sustainability commitments in a reliable and comparable manner**, facilitating access to sustainable finance and increasing transparency in economic relations with stakeholders.

## **Contact**

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