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Omnibus Regulation: Significant Easing Expected in ESG Reporting Requirements

The European Commission has issued the so-called Omnibus Regulation, which significantly amends previous EU legislation governing ESG (Environmental, Social, and Governance) reporting obligations, including the EU Taxonomy Regulation. The aim of the new regulation is to reduce administrative burdens and simplify compliance, which will have an impact on businesses across the European Union, including in Hungary.

Key Changes Introduced by the Omnibus Regulation

- **Narrower Scope of Reporting Obligations:**
  - Under the new rules, only companies with more than 1,000 employees will be required to prepare ESG reports.
  - The previous, much broader scope—including a wide range of companies and their supply chains—will no longer apply. For smaller businesses, ESG reporting will now become voluntary.

- **Eased Supplier Chain Requirements:**
  - Previously, companies subject to ESG reporting obligations were also required to obtain detailed sustainability data from their suppliers.
  - The Omnibus Regulation removes this requirement, meaning suppliers are no longer obliged to provide such information.

- **Simplified Reporting Framework:**
  - Reporting formats and requirements will be streamlined to reduce administrative workload.
  - The "Do No Significant Harm" (DNSH) criteria will be simplified, making compliance easier for companies.

- **Introduction of Financial Materiality Thresholds:**
  - ESG reporting obligations will apply only to financially material ESG data.
  - The regulation aims to ensure that only relevant ESG data are included in reports, further reducing the compliance burden on businesses.

When Will the Omnibus Regulation Enter Into Force?

The Omnibus Regulation is expected to come into force **in 2025**. However, each EU Member State—including Hungary—will need to transpose it into national legislation through their respective legislative processes. In Hungary, ESG reporting is currently governed by the ESG Act, the amended Accounting Act, and the Act on Auditing. Until national law is updated, companies are still expected to comply with the existing requirements.

How Will Company Obligations Change?

- **Companies Still Required to Report:**
  - Businesses with over 1,000 employees that also meet the relevant financial thresholds:
    - Net revenue of at least €50 million, or
    - Total assets exceeding €25 million.

- **Companies Exempted from Reporting Obligations:**
  - Businesses with fewer than 1,000 employees.
  - Entities within the supply chain that were previously indirectly affected—e.g., through data provision obligations—are no longer required to comply.

What Should Companies Watch for in the Coming Period?

Hungarian legislation is expected to align with the Omnibus Regulation in the second half of 2025. Companies that remain subject to ESG reporting should begin preparing for the revised requirements and simplified reporting formats.

While the regulatory obligations are being relaxed, market and investor expectations regarding ESG performance remain strong. Voluntary ESG reporting can still provide a competitive advantage, particularly in certain sectors.

Although the changes have been adopted at the EU level, Hungary's legislative adaptation is still in progress. We will continue to keep our clients informed of any legal developments. For specific inquiries, please don’t hesitate to contact us.

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