Do Sustainability Reporting Regulations Affect Firm Value? Early Evidence from the Omnibus Simplification Package*

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Abstract

This paper examines stock market reactions to the European Commission's "Omnibus" package, which simplifies the CSRD by narrowing its scope and postponing implementation. The study compares returns around key announcements for firms benefiting from reduced reporting obligations with those of firms still subject to the CSRD. Results show that, on average, newly exempted firms under the Omnibus recorded cumulative three-day returns that were 0.8–1.2 percentage points higher than those of matched firms still subject to the directive across the two events. This differential corresponds to an aggregate increase in market value of approximately €2.5 billion for treated firms relative to comparable control firms. The positive effect is stronger for firms with weaker pre-Omnibus ESG scores; a ten-point lower ESG score is associated with about a 1-percentage-point larger return, consistent with the equity market perceiving net benefits for firms with weaker pre-Omnibus ESG performance.

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All remaining errors are my own.

1 Introduction

On 26 February 2025, the European Commission proposed a simplification package, referred to as the "Omnibus", marking a significant shift toward simplifying the Corporate Sustainability Reporting Directive (CSRD) in the European Union. The Omnibus proposal delays the implementation of CSRD reporting and narrows its scope to firms with more than 1,000 employees and either turnover above €50 million or a balance sheet above €25 million. This paper provides early evidence on how equity markets respond to the simplification of mandatory sustainability disclosure requirements.

Capital market regulation has generally become more stringent over time, particularly in sustainability reporting, where regulatory expansion has been especially pronounced. However, informed policymaking requires evidence on the economic effects not only of tightening regulation but also of simplifying disclosure requirements. The Omnibus package provides a useful setting for studying the impact of simplifying sustainability reporting mandates for several reasons. First, the proposal provides a setting with relatively exogenous variation to the regulatory environment, allowing us to examine how firms and investors respond to an unexpected simplification of sustainability reporting requirements. Second, the reform offers an opportunity to study regulatory simplification in the context of sustainability disclosure. Most academic studies examine the economic consequences of introducing or expanding disclosure mandates. Little is known about the effects of simplification or partial reversal. Prior evidence suggests that the market reacted negatively to the introduction of mandatory sustainability disclosure (Grewal et al., 2019; Wang et al., 2023). However, the Omnibus package relaxes and delays existing requirements rather than introducing or expanding them. Therefore, it is ex ante unclear whether markets should interpret the reform as value-enhancing or value-reducing. Third, by exempting more than 80% of firms previously subject to the CSRD, the proposal affects a large and heterogeneous set of firms, allowing us to exploit rich cross-sectional variation in firm characteristics in multivariate analyses.

The CSRD and its subsequent regulatory simplification have been controversial. By making more information public, disclosure rules can improve transparency and alleviate information asymmetry. Easley and O'Hara (2004) show that when more information is shared publicly, uninformed investors face less information risk and the firm's cost of capital falls. Information provides investors with tools to monitor managers and helps capital flow to the most promising projects (Bushman & Smith, 2001). In this context, Mahoney (1995) argues that mandatory disclosure can reduce agency costs by facilitating investor monitoring of managers and promoters. Mandatory sustainability disclosure may therefore improve the information environment by providing investors with standardized data on

firms' environmental and social activities. Consistent with these arguments, Ioannou et al. (2019) show that sustainability disclosure mandates increase reporting credibility and comparability and are associated with higher firm valuations. Mandatory disclosure can also influence firms' real decisions by creating an incentive mechanism. For example, Cicchiello et al. (2023) find that non-financial reporting requirements increase ESG performance by strengthening stakeholder monitoring incentives. Based on the above arguments, the Omnibus 2025 simplification package may lead to a reduction in the amount of information available for monitoring, thereby weakening regulatory pressure for ESG improvements and reducing investor demand for affected firms, which could lead to negative stock market reactions.

However, compulsory reporting has not been universally welcomed. Preparing sustainability reports requires collecting, verifying, and auditing non-financial information, which can generate significant compliance costs. Business groups and politicians argue that extensive reporting imposes direct compliance costs and proprietary costs (Abnett, 2025), and may expose firms to additional litigation risk and public scrutiny (Healy & Palepu, 2001; Rogers et al., 2011). Critics argue that extensive reporting puts EU firms at a competitive disadvantage compared with companies in jurisdictions with looser requirements (European Commission, 2025b). Empirical research suggests that firms incur new costs to improve corporate social responsibility (CSR), which can depress profitability (Chen et al., 2018).

Importantly, firms may also voluntarily disclose their ESG practices, balancing costs and benefits. If firms were already operating at an optimal level of disclosure prior to the regulation, imposing additional mandatory reporting requirements may generate net costs rather than benefits (Grewal et al., 2019). In such a setting, simplifying disclosure mandates can increase firm value, as it reduces compliance burdens that outweigh the informational benefits of mandatory reporting. Therefore, if investors expect firms to make optimal ESG disclosures and interpret the simplification package as reducing regulatory and administrative burdens, thereby improving firms' competitiveness, the average market reaction to Omnibus events may be positive.

This analysis relies on the standard assumption that stock prices efficiently incorporate available information about the expected costs and benefits of regulation. Therefore, we assess how the equity market anticipates the net costs and benefits associated with the Omnibus package.

We begin with a sample of 4,076 publicly listed firms headquartered and incorporated in the EU-27 countries. Within this sample, we focus on large undertakings. Among these firms, 932 (23%) were subject to the CSRD under the original framework but became exempt under the Omnibus proposal, whereas 1,290 firms (32%) remain subject to the directive.

Following the methodology of Grewal et al. (2019), we compute cumulative returns

around the first two legislative announcements related to the Omnibus package: the initial European Commission announcement on 26 February 2025 and the Council of the European Union's adoption of its negotiating mandate on the "Stop-the-Clock" mechanism on 26 March 2025. The first announcement provided information about the proposed threshold changes and simplification measures, while the second announcement signaled political progress toward implementing the Omnibus simplification package and increased the likelihood that the proposed reforms would be adopted. These events provide the earliest signals of the simplification of sustainability disclosure to the market.

A standard limitation of event studies is that stock prices may reflect contemporaneous news unrelated to the Omnibus, which cannot be fully disentangled from the effect of the Omnibus announcements. To mitigate this concern, we employ a matched treated–control design within country–sector cells, which helps ensure that both groups are exposed to similar macroeconomic and sector-wide shocks.

Returns are calculated over a three-day window centered on each event, aggregated across the two events, and then the difference between the treated and control returns is computed. The market impact of the reform is identified by comparing the returns of firms affected by the Omnibus proposal (treated firms) with those of firms that remain subject to the CSRD (control firms). Firms exempted from the CSRD experience cumulative three-day returns that are 0.8 to 1.2 percentage points higher than those of comparable control firms. For the average treated firm, this corresponds to an increase in shareholder value of approximately €3–4 million over the two-event window, and an aggregate gain of about €2.5 billion for treated firms relative to comparable control firms. These results suggest that investors interpreted the Omnibus simplification package as value-enhancing for affected firms.

We also conduct a cross-sectional analysis of the Omnibus package's effects to see which firms benefit most from the simplification. The positive market reaction to the Omnibus simplification is significantly stronger among firms with weaker pre-existing ESG performance. The interaction between treatment status and ESG scores is negative and statistically significant (approximately –0.001). Economically, a 10-point lower ESG score is associated with about a one percentage point larger cumulative return for treated firms. These results suggest that the market reaction is stronger among firms likely to have faced higher compliance costs under the original CSRD framework, consistent with a cost-based interpretation.

This paper contributes to the growing literature on disclosure regulation by providing early evidence on the effects of simplifying sustainability reporting requirements. Prior studies have primarily examined the introduction of mandatory non-financial disclosure and generally document negative market reactions to such regulation. In contrast, this study examines regulatory simplification rather than the introduction or tightening of disclosure requirements.

The positive market reaction documented in this paper is consistent with investors viewing the reduction in compliance burdens as outweighing the potential loss of information.

Our cross-sectional results also contribute to the prior literature. Grewal et al. (2019) show that firms with stronger pre-regulation ESG readiness experience less negative market reactions, consistent with weaker ESG firms facing higher expected compliance and adjustment costs. Consistent with this interpretation, we find that the positive market reaction to the Omnibus simplification package is stronger among firms with weaker pre-Omnibus ESG performance.

This study also provides policy implications. The findings suggest that efforts to reduce regulatory burdens may be rewarded by investors, particularly when reporting obligations are perceived as excessive. However, the positive average market reaction does not imply that regulatory simplification is universally beneficial. Firms with strong ESG records that have already invested in sustainability practices and disclosure systems experience smaller valuation gains from simplification. Policymakers therefore face a trade-off between improving transparency and limiting compliance costs.

2 Regulatory Background on Omnibus Package

The Corporate Sustainability Reporting Directive (CSRD) was introduced to modernize corporate disclosures and amend the Non-Financial Reporting Directive (NFRD). The CSRD was applied in four sequential waves designed to phase in reporting obligations across firms of different types and sizes. The first wave includes large public-interest entities that were previously subject to the NFRD. Second-wave firms are large undertakings that meet at least two of the three criteria: having more than 250 employees, a turnover of more than €50 million, or total assets of more than €25 million. In the third wave, listed small and medium-sized enterprises (SMEs) become subject to the directive. Finally, the fourth wave comprises non-EU companies with business in the European Union above certain thresholds (European Commission, 2025a, 2025b).

The Commission has argued that the CSRD was necessary because reporting under the NFRD often omitted information important to investors and other stakeholders. By standardizing and digitizing sustainability data, the CSRD aims to provide more comprehensive, comparable information, reduce information asymmetry, and ultimately support the EU's sustainable finance agenda.

Criticism that the CSRD's expansive scope might burden businesses, particularly SMEs, prompted a simplification agenda. In March 2023, European Commission President Ursula von der Leyen promised to lighten the reporting load on businesses. In its "Long-term

competitiveness of the EU" communication (16 March 2023), the Commission stated that it sought to "rationalize and simplify reporting requirements" and set an ambitious goal of reducing administrative burdens by about a quarter. The push for simplification gained further momentum when EU leaders met in Granada in October 2023 and emphasized the need to build a more cohesive and innovative single market and to reduce administrative burdens, especially for small and medium-sized businesses (European Council, 2023).

Progress continued in 2024. In April 2024, the Council and Parliament formally adopted Directive (EU) 2024/1306, which amends the CSRD to provide companies with more breathing room and to push back the deadline for adopting sector-specific sustainability reporting standards (European Parliament and Council of the European Union, 2024).

Subsequently, in November 2024, the Commission suggested consolidating EU sustainability regulations into a single regulation that would encompass the EU Taxonomy, the CSRD, and the CSDDD (Council of the European Union, 2025d; European Commission, 2024; Volhard et al., 2024).

The momentum accelerated in early 2025. On 26 February 2025, the Commission presented the Omnibus simplification package. The Omnibus package proposes two major changes. First, it postpones implementation: large EU companies and listed SMEs that were previously due to start reporting under the CSRD in 2026 and 2027 will instead report in 2028 and 2029. Second, the Omnibus package significantly limits the scope of the CSRD, excluding almost 80% of companies. It requires mandatory reporting only for companies with more than 1,000 employees and either turnover above €50 million OR balance sheet above €25 million. (European Commission, 2025a, 2025b). The Commission argues that focusing on the largest companies would reduce administrative burdens for all companies by 25% and for SMEs by 35%, potentially saving businesses around €6.3 billion by the end of its mandate (European Commission, 2025a, 2025b).

A key legislative step toward the Omnibus package was reached on 26 March 2025, when the Council of the EU adopted its position on the "stop-the-clock" mechanism, part of the first Omnibus package intended to enhance EU competitiveness and provide greater legal certainty for businesses (Council of the European Union, 2025c). On 3 April 2025, the European Parliament approved the "stop-the-clock" proposal in the first Omnibus package, which delays the reporting deadlines for the CSRD and the CSDDD by 2 years and 1 year, respectively. The above measures to simplify the regulations have been reinforced by the Council of the EU's adoption of the "Stop-the-Clock" mechanism on 14 April 2025. The stop-the-clock directive was published on 16 April 2025 and entered into force on April 17, 2025 (Council of the European Union, 2025d).

On 23 June 2025, the Council of the European Union agreed on its negotiating position on

the Omnibus package. At the same time, the Council of the EU added a new threshold to the proposal, requiring a net turnover above EUR 450 million, thereby significantly expanding the scope of businesses subject to reporting obligations (Council of the European Union, 2025b). The Council of the EU and the European Parliament reached a provisional agreement on the Omnibus package on 9 December 2025, indicating that the CSRD will apply from the next period only to companies with more than 1,000 employees and a net turnover above EUR 450 million (Council of the European Union, 2025a). The European Parliament officially adopted the "Omnibus I" package on 16 December 2025 (European Parliament, 2025).

3 Literature Review and Hypothesis Development

3.1 Literature Review

Mandatory sustainability reporting has emerged as a policy instrument to improve the transparency and comparability of firms' environmental, social, and governance (ESG) practices. A recent cross-country study by Krueger et al. (2024) compiles data on ESG disclosure mandates across 65 countries and finds that such mandates have beneficial capital-market effects. Specifically, mandatory ESG disclosure reduces bid–ask spreads and improves stock liquidity. The effects are strongest when disclosure mandates are implemented by government institutions rather than stock exchanges, when disclosure requirements are based on full compliance rather than "comply or explain" rules, and when enforcement is stronger. Firms with weaker information environments benefit the most. These findings support the view that mandatory ESG disclosure improves the information environment and generates beneficial capital-market effects. However, the net impact of mandatory reporting depends on the balance between disclosure-related benefits and compliance and proprietary costs.

Christensen et al. (2021) provide an economic framework for analyzing CSR and sustainability reporting mandates. They argue that improved disclosure can reduce information asymmetry, enhance stock-market liquidity, and potentially lower firms' cost of capital. At the same time, mandatory reporting can impose substantial costs, including direct compliance costs as well as proprietary and political costs, implying that the net effects depend on the design and enforcement of the reporting regime. Christensen et al. (2021) argue that the effects of mandatory CSR reporting depend on firms' pre-existing disclosure practices. When firms already provide substantial voluntary sustainability disclosures, the incremental benefits of mandatory reporting may primarily arise through greater standardization and comparability across firms. In contrast, when firms disclose little CSR-related information voluntarily, mandatory reporting can force the release of new information, potentially

improving transparency, enhancing liquidity, lowering the cost of capital, and benefiting investors and other stakeholders. Consistent with this framework, event studies examining specific sustainability disclosure regulations document heterogeneous market reactions across firms.

Zhang (2007) examines market reactions to key events related to the Sarbanes–Oxley Act (SOX), a U.S. law enacted in 2002 to improve corporate governance and financial reporting. She finds that SOX is associated with negative abnormal returns around major legislative events. This evidence suggests that investors expected the regulation to impose net private costs on firms, including compliance burdens, governance constraints, and other indirect costs associated with the new regulatory requirements.

Grewal et al. (2019) analyze the EU's Directive 2014/95/EU, which introduced mandatory nonfinancial disclosure for firms listed or operating in the EU. They document an average negative stock market reaction around key announcement events, suggesting that investors anticipated net costs from the mandate. The reaction is heterogeneous: firms with higher pre-directive nonfinancial performance or more extensive pre-directive disclosure experience less negative, and in some cases positive, returns. The negative reaction is concentrated among firms with weak pre-regulation ESG performance and disclosure, whereas firms with strong disclosure/performance see a positive return. This pattern implies a cost-based mechanism in which the regulation disproportionately burdens less prepared firms, or those facing higher proprietary and political costs.

Evidence from other jurisdictions is consistent with this cost-based interpretation. Wang et al. (2023) study market reactions to the U.S. Environmental, Social and Governance Disclosure Simplification Act of 2021. Using an event-study design, they find a significantly negative reaction across all firms that does not revert within five days. Carbon-intensive firms and industries experience more pronounced negative reactions, while the reaction attenuates among firms with higher ESG scores. These findings suggest that investors perceive the costs of standardized ESG reporting to be higher for firms with greater environmental risk exposure and lower ESG performance.

Taken together, the literature suggests that mandatory sustainability reporting can improve the information environment and capital market outcomes, but it imposes direct and indirect costs. Positive effects are more likely when disclosure reduces information asymmetry—particularly for firms in weak information environments or at high risk—while negative reactions occur when the expected compliance and proprietary costs exceed informational benefits. The cross-sectional patterns in market reactions indicate that firms with stronger pre-mandate ESG performance and disclosure face smaller (or even positive) reactions to disclosure regulation. In contrast, those with weaker performance incur greater costs. The

design and enforcement of regulation also matter: government-mandated and strongly enforced disclosure regimes appear to generate stronger liquidity and information-environment benefits.

3.2 Hypothesis Development

This study examines the economic consequences of the European Union's Corporate Sustainability Reporting Directive (CSRD) Omnibus amendments, which simplify reporting requirements by delaying or reducing the scope of the original CSRD mandates. Following the literature, the stock market response is expected to depend on the trade-off between disclosure benefits and compliance costs. Mandatory sustainability reporting can enhance transparency, reduce information asymmetry, and improve investors' ability to assess firm performance, thereby lowering the cost of capital and improving liquidity. Disclosure requirements may also encourage improvements in operational efficiency and stakeholder relations (Grewal et al., 2019). These benefits suggest that stricter reporting could enhance firm value. At the same time, mandatory reporting imposes direct compliance and assurance costs and may entail political costs and the exposure of proprietary information. For the Omnibus simplification to reduce firm value, firms must have been either insufficiently informed about the benefits of sustainability disclosure or constrained from acting in a value-maximizing manner before the mandate. If firms had already adopted efficient voluntary disclosure practices, additional mandated disclosure may impose net costs without generating commensurate informational benefits. In this case, regulatory simplification can be value-enhancing by removing disclosure obligations whose costs exceed their informational benefits.

Building on the evidence that market reactions to mandatory disclosure depend on pre-regulation ESG performance and voluntary disclosure, and that simplification reduces compliance burdens, two related effects are anticipated.

First, if mandatory reporting imposes net costs on average, then easing the scope or delaying the CSRD requirements should increase firm value; consequently, the stock market reaction to events announcing the Omnibus simplification is expected to be positive. This reasoning leads to the following hypothesis:

H1: Firms affected by the Omnibus simplification experience positive stock price reactions around Omnibus-related announcements.

Second, firms with weaker pre-Omnibus ESG performance are likely to incur higher adjustment and compliance costs under the stringent CSRD reporting requirements. These firms should therefore experience larger positive reactions when reporting requirements are

simplified. In contrast, firms with strong ESG performance and disclosure may derive more informational benefits from mandatory reporting and thus exhibit smaller, or even negative, reactions to simplification. Therefore, the next hypothesis is:

H2: Stock price reactions to CSRD Omnibus announcements are more positive for firms with weaker pre-Omnibus ESG performance.

4 Sample Description and Summary Statistics

4.1 Sample and Key Variables

To study investor responses to the European Commission's 2025 Omnibus announcements, we begin by constructing a comprehensive sample of publicly traded European firms. We retrieve accounting data from the Compustat database for the fiscal year 2023 and convert all items to euros (EUR) using the European Central Bank's daily reference exchange rates (European Central Bank, 2025). We restrict the sample to firms incorporated and headquartered in one of the EU-27 member states.

The Omnibus proposal delays the implementation of CSRD reporting and narrows its scope to firms with more than 1,000 employees and either turnover above €50 million or a balance sheet above €25 million. Consequently, many mid-sized firms that previously fell under the Directive would become exempt.

We classify firms whose expected sustainability reporting obligations are relaxed by the Omnibus proposals as treated firms. Specifically, a firm is assigned to the treated group if its number of employees does not exceed 1,000 and meets at least two of the three original CSRD large-undertaking thresholds: net turnover exceeding €50 million, total assets exceeding €25 million, and more than 250 employees. These firms were in scope under the original CSRD but are no longer covered under the Omnibus. In contrast, the control group comprises firms that are clearly above the new thresholds (more than 1,000 employees and turnover or total assets above the respective limits), for which reporting obligations remain unchanged.

The initial sample consists of 932 treated firms and 1,290 control firms. We exclude firms in the financial and utility sectors because these sectors operate under distinct regulatory frameworks and have reporting incentives that differ from those of other firms. After applying these exclusions, the final sample comprises 830 treated firms and 1,091 control firms before matching. Details on the construction of the final sample are reported in Appendix Table A1. We match each treated firm to the nearest control firm within the same country–sector cell, using the logarithm of market capitalization and the price-to-book ratio, following the

nearest-neighbor procedure described in Grewal et al. (2019). Matching with replacement yields 775 matched pairs; matching without replacement yields 610 matched pairs. The reduction in sample size arises from the absence of suitable control firms within the same country–sector cells for some treated firms. Panel A (Panel B) of Table 1, reports the distribution of observations by country (sector) for the matched samples with and without replacement.

Table 1 shows that the treated and control firms are drawn from a broad set of EU countries and sectors, rather than being concentrated in specific institutional or economic environments.

Table 1 also provides evidence on the effectiveness of the matching method. Before matching, the treated and control firms show significant differences in their distribution across countries and sectors. However, after matching, these distributions become significantly more aligned, indicating that the matching method improves comparability between treated and control firms. As shown in Table 1, after matching, the number of treated and control firms in each country and sector becomes equal, making it easier to compare their returns.

[Table 1]

We obtain daily stock prices from Compustat and convert them to euros using the same ECB reference rates. Total returns are computed from this euro-adjusted price series and winsorized at the 0.1% and 99.9% percentiles to mitigate the influence of outliers.

Control variables include the logarithm of market capitalization, the price-to-book ratio, the logarithm of employment, return on assets (ROA), tangibility, and leverage. We include these controls to account for differences in firm characteristics that may affect market reactions to sustainability reporting reforms (e.g., Grewal et al., 2019; Christensen et al., 2021). Larger and more operationally complex firms may face different compliance costs and investor expectations regarding sustainability reporting requirements. At the same time, profitability, leverage, and valuation characteristics may affect firms' sensitivity to regulatory changes. Employment is included because organizational workforce sizes are related to CSRD reporting thresholds and the Omnibus Simplification Package proposal. Therefore, the number of employees may affect firms' expected compliance costs and exposure to sustainability reporting obligations. We also control for tangibility, because firms with different asset structures may face different reporting incentives, information environments, and compliance burdens associated with sustainability disclosure requirements. Therefore, it may affect both expected compliance costs and investor responses to sustainability reporting reforms. Detailed definitions of all variables are provided in Appendix Table A2.

ESG scores used in the cross-sectional analyses are obtained from Refinitiv and MSCI for 2023, and we limit the sample to firms with available ESG data when estimating interactions between treatment status and sustainability performance.

For the textual analysis, we collect firms' annual reports for fiscal year 2023 from FinancialReports.eu (2025). We process these annual reports and construct a firm-level proxy for CSRD-related reporting preparedness based on annual-report text. After extracting and cleaning the annual report text, we split the content into sentences using a multilingual natural language processing model. We then identify sentences related to sustainability reporting regulation and implementation using a multilingual dictionary covering CSRD, ESRS, double materiality, sustainability assurance, EFRAG guidance, and related disclosure terminology. Firms with more extensive discussion of these concepts are interpreted as more prepared for sustainability reporting requirements.

4.2 Methodology

We examine the stock-market response to regulatory simplification under the Omnibus package. The analysis focuses on the first two legislative announcements that conveyed meaningful incremental information of the Omnibus package: (i) 26 February 2025, when the European Commission introduced Omnibus I, including the "Stop-the-Clock" mechanism, and (ii) 26 March 2025, when the Council (COREPER) agreed on its negotiating mandate for the Stop-the-Clock proposal, signaling progress toward implementation of the Omnibus simplification package.

We exclude announcements in April because these dates coincided with major U.S. tariff-related announcements by President Trump that triggered substantial global market volatility unrelated to the Omnibus initiative (Kollewe, 2025; Wearden & Livingstone, 2025). These events therefore coincide with substantial confounding macroeconomic and trade-policy developments, making it difficult to isolate the market reaction attributable to the Omnibus proposal.

We also exclude the June 23 announcement and subsequent events because the Council introduced a new net-turnover threshold of over €450 million, substantially altering the scope of firms subject to the reporting requirements (Council of the European Union, 2025b). As a result, these later events are not directly comparable to the earlier Omnibus announcements.

After excluding later announcements affected by major confounding macroeconomic developments and subsequent legislative changes that materially altered the scope of the proposal, the announcements on 26 February and 26 March 2025 remain the two relatively clean and comparable legislative events for identifying market reactions to the Omnibus

simplification package.

Following Grewal et al. (2019), we compute cumulative raw stock returns over the $(-1, +1)$ window around each announcement and aggregate returns across the two events to construct the main outcome variable, 3DayRet_2Events_i. Treated firms are those whose expected mandatory sustainability-reporting obligations are relaxed under the Omnibus reform, whereas control firms remain subject to the reporting requirements. The market impact is inferred from differences in returns between treated and control firms. The identification is based on the assumption that, in the absence of Omnibus announcements, treated and control firms would have experienced similar short-term stock returns around the event dates.

To improve comparability between treated and control firms, we implement nearest-neighbor matching within country-sector cells using pre-event market capitalization and price-to-book ratios. This matching approach helps ensure that the treated and control firms are exposed to similar macroeconomic, institutional, and sector-specific shocks and aligns treated and controls on key firm-level characteristics that may affect stock-market reactions. Narrow event windows and placebo tests further reduce concerns that the estimated effects are driven by unrelated contemporaneous developments. Matching is implemented both with and without replacement.

We first estimate treatment effects using differences in mean cumulative returns between treated and control firms before and after matching. We then estimate the following regression specification:

$$3\text{DayRet\_2Events}_i = \alpha + \beta\, \text{Treatment}_i + \gamma X_i + \varepsilon_i, \tag{1}$$

where Treatment_i is an indicator equal to one for firms affected by the Omnibus reform. X_i includes control variables.

For the cross-sectional analysis, we restrict the sample to firms with available ESG data and estimate regressions that include interactions between the treatment indicator and pre-event ESG performance. ESG scores are obtained from Refinitiv and MSCI and measured for the year 2023. ESG scores from Refinitiv range from 0 to 100, whereas MSCI scores range from 0 to 10. For better comparison across the two databases, MSCI ESG scores are scaled up accordingly.

For the analysis in Equation (1), we follow Grewal et al. (2019) and cluster standard errors at the country level to account for correlated shocks within countries, such as macroeconomic conditions that may jointly affect firms' returns.

To examine cross-sectional heterogeneity in market reactions, we estimate the following

interaction specification:

$$\text{3DayRet\_2Events}_i = \alpha + \beta_1 \,\text{Treatment}_i + \beta_2 \, Z_i + \beta_3 \,(\text{Treatment}_i \times Z_i) + \gamma X_i + \varepsilon_i, \quad (2)$$

where Z_i represents firm-level ESG or CSRD preparedness measures, and X_i includes the logarithm of market capitalization, price-to-book ratio, logarithm of employment, return on assets (ROA), and leverage.

For the cross-sectional analysis, we include industry fixed effects and cluster standard errors at the country level in the full (unmatched) sample. In the matched sample, we include matched-pair fixed effects (*pair_id*) and cluster standard errors at the firm (ISIN) level to account for within-firm dependence arising from the matching-with-replacement procedure.

Tangibility is excluded from the ESG interaction specifications because including it substantially reduces the sample size due to missing observations.

4.3 Sample Summary Statistics

Panel A of Table 2 presents a side-by-side comparison of firms that were exempted from the CSRD by the omnibus proposal (treated group) and those that remained subject to the CSRD after the proposal (control group). Panel B presents pairwise correlations among the variables used in our analysis. The sample sizes differ across variables because some observations lack specific data. The treated sample comprises 830–796 observations for most financial variables, while the control sample includes 1091–1073 observations. ESG-related measures have fewer observations due to data availability (172–114 treated, 755–615 control). The dependent variable, the cumulative three-day stock return around the two Omnibus announcements, has a mean of 0.2% for treated firms and -0.4% for control firms. This difference suggests that firms expected to benefit from the regulatory simplification experienced more favorable market reactions.

[Table 2]

It can be seen from Table 2 that control firms are considerably larger than treated firms. The number of employees is 18,349 for control firms compared to 467 for treated firms, with a similarly pronounced difference at the median (4,363 vs. 434). However, the distribution of firm size among control firms is right-skewed, indicating that the mean is influenced by a small number of very large firms. A similar pattern is observed for market capitalization: the mean market capitalization of control firms substantially exceeds that of treated firms.

Financial characteristics are otherwise broadly comparable across the two groups. Control firms exhibit slightly higher average return on assets (ROA of 0.068 versus 0.052) and somewhat higher leverage (0.588 versus 0.521), although both groups display considerable variation. Some firms report negative ROA and leverage ratios above one. Control firms also exhibit somewhat higher price-to-book ratios (3.564 versus 2.770) and tangibility (0.259 versus 0.236), although variation is substantial in both groups.

Panel A also reports ESG measures obtained from Refinitiv and MSCI. Refinitiv scores range from 0 to 100, while MSCI scores range from 0 to 10. As expected, ESG data coverage is more limited for treated firms because these firms are generally smaller and less likely to be rated by ESG data providers. The average Refinitiv ESG score is approximately 60 for controls, compared with 43.6 for treated firms. MSCI-based measures show similar patterns: the mean carbon emissions score (higher values indicate lower emissions risk) is 8.688 vs. 7.518; the climate-change theme score is 7.957 vs. 7.189; and the MSCI ESG score is 5.525 vs. 5.073. The environmental, social, and governance pillar scores are also higher for control firms, with differences most pronounced in the environmental dimension. These differences may reflect that larger firms or those still subject to CSRD have more mature sustainability practices or face stronger investor scrutiny.

According to Panel B of Table 2, firm size is positively correlated with ESG scores and employment, consistent with larger firms receiving greater ESG coverage. Most correlations are relatively modest, suggesting that multicollinearity is unlikely to be a major concern. As expected, ESG-related variables are positively correlated with one another.

In general, descriptive statistics indicate that firms that remain subject to the CSRD after the omnibus proposal are larger, more levered, and achieve higher sustainability scores than exempted firms (treated). At the same time, short-term market reactions around the events show only small average differences and weak correlations with firm characteristics.

We additionally construct disclosure-based proxies for firms' CSRD preparedness using multilingual keyword searches applied to firms' 2023 annual-report narrative text. These measures capture references to CSRD-related reporting concepts, implementation terminology, and sustainability reporting standards. The full keyword dictionary is reported in Appendix Table A3. Summary statistics for the CSRD preparedness variables are presented in Appendix Table A4.

5 Empirical Results

5.1 Full Sample

To examine how treated and control firms reacted to the Omnibus simplification package, we first match treated and control firms. Following Grewal et al. (2019), we first match treated firms to control firms by country of headquarters and Global Industry Classification Standard (GICS) sector. Within each country–sector cell, we select the closest control firm based on the logarithm of market capitalization and the price-to-book ratio using nearest-neighbor matching. A total of 55 treatment firms are excluded because no control firm is present in the same country-sector pair. We additionally perform the matching procedure without replacement.

We examine the overall market reaction to the first two key Omnibus announcements (26 February 2025 and 26 March 2025). Following Grewal et al. (2019), we compute cumulative stock returns over the $(-1, +1)$ event window, where day 0 corresponds to the announcement date, and then aggregate the three-day returns across both events.

Table 3 reports these cumulative three-day raw returns (*3DayRet_2Events*), along with firm characteristics including market capitalization and the price-to-book ratio, for treated and control firms.

[Table 3]

Panel A presents average effects, distinguishing between unmatched samples (Columns (1)–(2)) and matched samples using nearest-neighbor matching with and without replacement (Columns (3)–(8)). Panel B reports the market reaction separately for each announcement date.

Before matching, treated firms earn an average cumulative three-day return of approximately 0.2% across the two events. In contrast, control firms experience a -0.4% return, yielding a raw difference of about 0.6 percentage points. This positive difference is driven by sharp differences in firm size: before matching, treated firms have a mean market capitalization of approximately EUR 312 million, compared with EUR 7.4 billion for controls, and a lower price-to-book ratio (2.77 versus 3.56). The disparate firm characteristics suggest that pre-matching comparisons may be confounded by size and valuation effects. Consequently, we use nearest-neighbor matching within country and sector, based on log market capitalization and price-to-book ratios, to construct a more comparable control sample, following Grewal et al. (2019). Columns (3) to (5) of Table 3 display results after matching with replacement. Matching substantially improves comparability between treated and control firms, with

average market capitalizations converging from EUR 312 million versus EUR 7.41 billion before matching to EUR 351 million versus EUR 592 million after matching with replacement. Despite the improved comparability, the market reaction remains economically and statistically significant: matched treated firms earn an average three-day cumulative return of 0.3%, while matched controls exhibit −0.9%, yielding a 1.2 percentage-point differential with a t-statistic of 3.47. As a robustness check, using a two-day event window (0, 1) aggregated across the two events, the estimated effect reported in column (5) is 0.009 (t-statistic = 2.98). This result indicates a positive market response to the Omnibus reforms for affected firms, even after controlling for size and valuation.

Columns (6) to (8) present results when matching is performed without replacement. Here, the sample size falls to 605 treated and 605 control firms, but the qualitative findings persist. Matched treated firms earn a mean return of 0.2%, compared with −0.6% for matched controls, giving a positive differential of 0.8 percentage points (t = 2.32). The matching algorithm does not drive the persistence of a positive result. Panel B of Table 3 separates the market reaction by event date. On 26 February, treated firms earn roughly 0.1%, while controls lose 0.1%, and the matched comparison shows a 0.6 percentage point differential that is significant at the 1% level. On 26 March, treated firms earn about 0.1%, whereas controls lose 0.3%, and the matched differential remains 0.6 percentage points. Thus, both individual announcements elicit positive, significant market reactions for treated firms relative to comparable controls. These results are consistent with Hypothesis 1.

To assess whether the observed market reaction exceeds normal return variation, we randomly draw 1,000 pairs of placebo event dates from common trading days in 2024 and 2025. To avoid contamination from the actual Omnibus announcements, dates within a ±10 trading-day window around the February 26 and March 26, 2025 events are excluded, and the two placebo event windows are required not to overlap. For each placebo draw, we compute the matched treated–control mean cumulative return differential, defined as the difference in cumulative returns between treated and control firms over the $(-1, +1)$ window aggregated across the two placebo events.

Figure A1 plots the distribution of the resulting 1,000 placebo mean cumulative return differentials. The vertical dashed line indicates the treatment effect around the February 26 and March 26, 2025 announcements, while the empirical two-sided p-value is the fraction of placebo effects whose absolute value exceeds that of the actual effect. We then compute the standard deviation of placebo return differentials and scale the observed treatment effect by this placebo standard deviation. We find a t-statistic of 1.90 for the difference of 0.012 in column (5) reported in Table 3.

As a placebo test, we repeat the same analysis using the same calendar dates in 2024

(26 February 2024 and 26 March 2024), when no Omnibus-related announcements occurred. Using the same sample and event window, we find no statistically or economically significant difference between treated and control firms (difference = 0.001, t = 0.26). This result suggests that seasonal patterns, time-specific shocks, or mechanical differences between the treated and control groups do not drive the main findings. Results are reported in Appendix Table A5.

As a robustness check, we expand the sample to include firms from the financial and utilities sectors and recompute the matched-sample difference in cumulative three-day stock returns aggregated across the two events. Including these sectors yields a treatment–control return differential of 0.0103 with a t-statistic of 3.05 in Column (5), compared with 0.012 in the baseline specification. The results remain positive and statistically significant, indicating that the main findings are not sensitive to excluding financial and utility firms.

To assess whether the results are robust to controlling for firm characteristics, we estimate cross-sectional regressions following Equation (1) that include standard firm-level controls, such as the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, ROA, leverage, and tangibility. Table 4 reports regression estimates of cumulative three-day stock returns aggregated across the two CSRD Omnibus announcements. Column (1) presents results for the full sample before matching, while Column (2) reports estimates for the matched sample. The dependent variable 3DayRet_2Events accumulates raw returns over the $(-1, +1)$ window around each event and aggregates them across the 26 February and 26 March announcements.

[Table 4]

In both models, the coefficient on the treatment indicator is positive and statistically significant, indicating that firms directly affected by the Omnibus reform experience higher short-term returns than comparable control firms after controlling for firm size, valuation, and other covariates. Before matching, treated firms earn about 1.0 percentage points higher three-day returns than controls (coefficient 0.010, t = 2.225). After matching, the estimated treatment effect increases to 2.3 percentage points (t = 4.182), suggesting that balancing the sample on observable characteristics reveals a stronger market reaction.

The control variables behave largely as expected. In the full sample, larger firms (measured by the log of market capitalization) experience smaller event returns, with a negative and statistically significant coefficient (-0.004). This size effect disappears in the matched sample. The price-to-book ratio has a small negative coefficient in both models (-0.000), significant at the 1% level. Employment size is positively related to returns before matching (coefficient 0.005), but the estimate becomes smaller and statistically insignificant after matching. The coefficient on leverage is positive and statistically significant across both the full and matched

samples, indicating that more levered firms experience stronger positive market reactions to the Omnibus announcements. This finding is consistent with a cost-based interpretation, as financially constrained firms may be more sensitive to reductions in regulatory compliance burdens. Return on assets and tangibility have positive but imprecisely estimated effects. The constant term is negative and significant in both specifications, reflecting that average returns would be negative in the absence of the treatment effect.

The regressions include between 1,488 and 1,864 firm observations, and the adjusted R^2 values are around 0.02, which is typical for short-horizon event-study regressions.

Because employment is closely related to regulatory scope and firm-size thresholds, we also estimate the model excluding Log(Employees). The treatment effect remains positive and statistically significant in the matched sample, although its magnitude declines from 0.023 to 0.015, indicating that the result is robust in sign and significance but that the estimated economic magnitude is sensitive to the inclusion of employment as an additional size control.

Overall, the results in Table 4 confirm that the positive market reaction to the CSRD Omnibus announcements is robust to controlling for observable firm characteristics and sample composition.

As a robustness check, we re-estimate the regression specification in Table 4 separately for each event date using the matched sample. The results, reported in Appendix Table A6, show that the treatment effect remains positive and statistically significant for both announcements.

We next examine whether the market reaction to the Omnibus reform varies across institutional environments. To explore this, we estimate region-specific treatment effects by interacting the treatment indicator with regional classifications. Table 5 reports region-specific estimates of the stock market reaction to the Omnibus simplification. To capture cross-country differences in institutional environments, we classify EU countries into four groups based on similarities in regulatory frameworks and economic structures. The classification of countries into regions is reported in Appendix Table A7.

[Table 5]

Across all regions, we document positive and statistically significant returns, indicating that investors perceive the regulatory simplification as value-enhancing. The estimated effects range from 1.3% in Southern Europe to 3.1% in Nordic countries, with Continental and Eastern Europe exhibiting intermediate magnitudes of approximately 2.4%.

5.2 Cross-Sectional Results

For the cross-sectional analysis, we restrict the sample to firms with ESG scores and apply the same matching procedure described earlier. We then compute three-day raw stock returns

around each Omnibus announcement and aggregate them across the two events. To test whether ESG performance moderates the market reaction, we regress these cumulative returns on a treatment indicator, ESG scores, and their interaction, controlling for firm characteristics, as in Equation (2). Cross-sectional regressions are commonly used to explore how stock price effects relate to firm attributes.

Table 6 reports regression estimates of three-day cumulative returns around the Omnibus announcement events. Across both the full sample and the matched pairs, the coefficient on the treatment indicator is positive and statistically significant, indicating that firms affected by the Omnibus reform experience higher returns than control firms. This result suggests that, on average, investors appear to perceive the Omnibus announcements as value-enhancing, consistent with expectations of reduced regulatory and compliance costs.

[Table 6]

Importantly, the interaction between the treatment indicator and firms' pre-Omnibus ESG scores, measured using Refinitiv and MSCI data, is negative and statistically significant in both models. This indicates that firms with weaker ESG performance experience larger positive market reactions to the Omnibus announcements, consistent with Hypothesis 2. The coefficient on ESG is positive, suggesting that, in the absence of treatment, firms with stronger ESG performance tend to exhibit higher returns. Taken together, these findings support a cost-based interpretation in which regulatory simplification disproportionately benefits firms that previously faced higher expected compliance and enforcement costs, consistent with the finding by Grewal et al. (2019).

Table 7 reports regression estimates of cumulative three-day stock returns aggregated across the two Omnibus announcements using the matched sample. The table examines both the average treatment effect and heterogeneity in the market reaction across ESG dimensions. Sustainability scores are obtained from MSCI. Each column interacts the treatment indicator with a distinct ESG pillar or theme score, including Environmental, Social, Governance, Carbon Emissions, and Climate Change exposure. All specifications include matched-pair fixed effects, and standard errors are clustered at the ISIN level.

[Table 7]

Across all five models, the coefficient on the treatment indicator is positive and statistically significant.

The interaction between the treatment indicator and the Environmental score is negative and statistically significant, indicating that firms with weaker environmental performance

experience larger positive returns. A similar pattern emerges for Governance and Carbon Emissions scores, where lower exposure or weaker performance is associated with a stronger market response to the Omnibus announcements.

As a robustness check, we replicate the specifications in Tables 6 and 7 separately for each event date, using only the matched sample. The results, reported in Appendix Table A8, A9, and A10 are consistent with the main findings.

We also construct a textual proxy for firms' CSRD readiness using sentence-level annual report data from fiscal year 2023. First, annual reports are cleaned and segmented into sentences using a custom multilingual text processing pipeline. The extracted sentences are then aggregated at the report level, and we search the narrative text for references to key CSRD implementation concepts, including "CSRD," "ESRS," and "double materiality," using multilingual regular expression patterns covering multiple European languages. The full list of search terms is reported in Appendix Table A3.

Based on these searches, we construct two firm-level proxy measures of CSRD-related reporting preparedness: *csrd_score* and *csrd_frequency*. The measures are derived from annual-report disclosures related to the CSRD framework and associated reporting concepts. CSRD_score is a disclosure-based preparedness proxy ranging from 0 to 3. Firms receive one point for mentioning at least one term associated with each of the following CSRD-related concept categories: CSRD, ESRS, and double materiality. CSRD_frequency captures the logarithm of the total number of references to terms from these categories within the report narrative text. Appendix Table A4 reports descriptive statistics for the CSRD preparedness measures by treatment status. Control firms display higher average CSRD-related disclosure than treated firms, consistent with their continued exposure to CSRD obligations under the Omnibus proposal.

We then examine whether market reactions to Omnibus simplification announcements differ across treated and control firms depending on prior CSRD preparedness, using fixed-effects regression models with standardized controls.

Table 8 reports regression results of aggregated three-day stock returns around two key event dates (February 26 and March 26, 2025) on treatment status, CSRD_score, and firm-level controls. Column (1) uses the full sample with industry fixed effects, while Column (2) presents results from the matched sample with pair fixed effects. The results show that treated firms experienced significantly higher positive returns around the events than control firms. However, the negative interaction between treatment and CSRD_score suggests that the positive market reaction was weaker for treated firms that had discussed CSRD-related implementation implications more extensively before the Omnibus events. These results

suggest that firms already involved in CSRD preparation and invested in CSRD before the Omnibus simplification package benefited less from the expected reduction in future reporting obligations. The results are consistent across both unmatched and matched samples.

[Table 8]

Table 9 reports similar analyses using a frequency-based measure of CSRD preparedness. This measure captures the total number of references to "CSRD," "ESRS," and "double materiality" in firms' 2023 annual report narrative text. Consistent with Table 8, treated firms experienced significantly more positive market reactions to the Omnibus announcements. At the same time, the negative interaction term suggests that firms with less extensive CSRD-related disclosure benefited more from the simplification package. The consistency of the negative interaction across both the score-based and frequency-based measures supports the interpretation that the Omnibus announcements were particularly valued by treated firms with lower prior engagement in CSRD implementation and reporting preparation.

[Table 9]

Regression results for the individual Omnibus announcement dates are reported in Appendix Table A11.

The findings remain qualitatively unchanged across alternative fixed-effects and clustering specifications. In the matched sample, the results are robust to specifications using industry fixed effects with country-level clustered standard errors, industry and country fixed effects with country-level clustering, and matched-pair fixed effects with pair-level clustering. Similarly, the full-sample results remain robust when industry and country fixed effects are included, with standard errors clustered at the country level.

To further examine whether the results depend on the construction of the CSRD preparedness measure, we expand the textual dictionary to include a broader set of implementation-related concepts related to CSRD compliance and reporting infrastructure. In addition to references to "CSRD," "ESRS," and "double materiality," the extended dictionary includes terminology related to sustainability reporting standards, EFRAG guidance, and sustainability assurance.

Table 10 reports regression results using the extended preparedness measures within the matched sample. Column (1) uses a score-based measure that captures the presence of the extended implementation-related concepts, while Column (2) uses the logarithm of the total frequency of these terms within firms' 2023 annual report narrative text.

[Table 10]

The results remain consistent with the baseline findings. Treated firms continue to experience significantly more positive market reactions to the Omnibus simplification announcements. At the same time, the negative interaction terms indicate that this positive reaction is weaker for firms with greater prior engagement in CSRD implementation and reporting preparation. These findings suggest that firms that are already more involved in preparing for CSRD compliance benefited less from the expected reduction in future reporting obligations.

Importantly, the consistency of the interaction effects across both the narrow and extended preparedness dictionaries suggests that the results are not driven solely by references to a limited set of CSRD-related terms, but instead reflect broader firm-level engagement with sustainability reporting implementation and compliance preparation.

As an additional robustness test, we impose stricter employee thresholds by restricting treated firms to those with fewer than 900 employees and control firms to those with more than 1,100 employees. We then repeat the four cross-sectional regression specifications using the restricted sample. The results are reported in Table A12 of the Appendix. This approach addresses potential treatment-classification ambiguity around the 1,000-employee cutoff, where economically similar firms may otherwise be assigned to different regulatory groups. Excluding firms close to the threshold reduces classification noise and sharpens the distinction between treated and control firms. The results remain qualitatively unchanged and become economically stronger under the stricter classification.

6 Conclusion

This paper examines how stock markets respond to regulatory simplification in sustainability reporting, drawing on the EU's CSRD Omnibus initiative. This paper compares the stock returns of large undertakings that were exempted under the Omnibus proposal with those of firms that remain subject to CSRD reporting after the Omnibus proposal. Treated and control firms are matched within the sector-country cells based on their pre-event market capitalization and price-to-book ratio. The matching procedure helps ensure that treated and control firms are exposed to similar institutional and sector-specific environments. The analysis documents a statistically significant positive return differential for firms whose expected sustainability reporting obligations are reduced, defined as the difference between the observed stock returns for our treatment firms and those for control firms matched on country, sector, market capitalization, and price-to-book ratio. The magnitude of these effects – around 0.8% to 1.2% over a three-day window, aggregated across two events – suggests that regulatory simplification generates economically meaningful increases in stock values.

The findings suggest that investors interpret the Omnibus reforms primarily through a

cost-reduction channel. Since the Omnibus proposal delays implementation and limits the scope of the CSRD, the reforms reduce the expected costs of compliance, reporting, and assurance. This interpretation is further supported by cross-sectional results showing that the positive market reaction is significantly stronger among firms with poorer ESG performance before the Omnibus. These firms are likely to face higher marginal compliance costs under strict sustainability reporting regimes and thus benefit disproportionately from regulatory relief.

Importantly, the results show that the economic consequences of sustainability reporting regulations are heterogeneous across firms. While firms with weaker ESG performance and lower prior CSRD preparedness experience significantly stronger positive market reactions, firms with stronger ESG performance and greater engagement in CSRD implementation benefit less from the Omnibus simplification package. The textual preparedness measures suggest that firms that are already investing in ESRS implementation, double materiality assessments, sustainability assurance, and related reporting infrastructure experienced lower expected gains from regulatory simplification. This asymmetry indicates that the costs of regulation depend, in part, on firms' pre-existing reporting capabilities and implementation efforts. Accordingly, market reactions appear to reflect not only the average effect of regulatory simplification, but also differences in firms' expected adjustment and compliance costs.

More broadly, this study contributes to the literature on disclosure regulation by shifting the focus from introducing regulations to reducing regulations. While previous studies have primarily examined market reactions to the introduction of mandatory sustainability disclosures, this study investigates the impact of regulatory rollback and simplification, and the results suggest that reducing such requirements can be associated with positive short-term valuation effects. Therefore, the idea that the net effect of disclosure regulations can depend on the balance between informational benefits and compliance costs is reinforced. In particular, when disclosure requirements are perceived as too burdensome or weakly aligned with firms' reporting capacities, reducing them may increase firm value.

These findings suggest that policymakers face a trade-off between disclosure benefits and regulatory burden. The positive average market response suggests that reducing administrative and reporting burdens may be viewed by investors as value-enhancing, particularly for firms less prepared for complex sustainability reporting requirements. At the same time, companies already equipped to provide high-quality sustainability disclosures may gain less from deregulation and lose out if transparency is reduced. Policymakers therefore face a fundamental trade-off between improving transparency and maintaining proportionate compliance costs, particularly when designing broad, uniform reporting frameworks for all.

Overall, this paper provides initial evidence that markets respond positively to reduced

sustainability reporting requirements, particularly for firms facing higher expected compliance costs. The results emphasize the importance of regulatory design and firm heterogeneity in shaping the economic effects of disclosure requirements.

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Table 1: Distribution of Treated and Control Firms

	(1) Treated Before matching		(2) Control Before matching		(3) With replacement After matching		(4) Without replacement After matching	
	Firms	%	Firms	%	Firms	%	Firms	%
Panel A: Frequency by country								
Austria	10	1.2	30	2.7	8	1.0	8	1.3
Belgium	8	1.0	44	4.0	7	0.9	7	1.1
Bulgaria	15	1.8	6	0.5	9	1.2	4	0.7
Cyprus	11	1.3	4	0.4	9	1.2	4	0.7
Czech Republic	3	0.4	3	0.3	2	0.3	1	0.2
Germany	104	12.5	192	17.6	103	13.3	94	15.4
Denmark	17	2.0	41	3.8	16	2.1	14	2.3
Spain	35	4.2	57	5.2	29	3.7	29	4.8
Estonia	4	0.5	4	0.4	4	0.5	1	0.2
Finland	52	6.3	55	5.0	51	6.6	44	7.2
France	91	11.0	185	17.0	91	11.7	91	14.9
Greece	30	3.6	23	2.1	29	3.7	21	3.4
Croatia	17	2.1	19	1.7	16	2.1	16	2.6
Hungary	2	0.2	9	0.8	0	0.0	0	0.0
Ireland	5	0.6	15	1.4	5	0.6	4	0.7
Italy	104	12.5	84	7.7	99	12.8	77	12.6
Lithuania	7	0.8	7	0.6	2	0.3	2	0.3
Luxembourg	4	0.5	23	2.1	4	0.5	4	0.7
Latvia	3	0.4	0	0.0	0	0.0	0	0.0
Malta	8	1.0	4	0.4	4	0.5	3	0.5
Netherlands	15	1.8	48	4.4	14	1.8	14	2.3
Poland	106	12.8	59	5.4	102	13.2	55	9.0
Portugal	7	0.8	18	1.6	6	0.8	4	0.7
Romania	26	3.1	17	1.6	23	3.0	12	2.0
Slovakia	1	0.1	1	0.1	0	0.0	0	0.0
Slovenia	6	0.7	6	0.5	4	0.5	4	0.7
Sweden	139	16.8	137	12.6	138	17.8	97	15.9
Total	830	100	1,091	100	775	100	610	100
Panel B: Frequency by sector								
Communication Services	78	9.4	79	7.2	78	10.1	46	7.5
Consumer Discretionary	144	17.3	193	17.7	136	17.5	124	20.3
Consumer Staples	68	8.2	96	8.8	66	8.5	48	7.9
Energy	19	2.3	32	2.9	15	1.9	14	2.3
Health Care	52	6.3	95	8.7	51	6.6	43	7.0
Industrials	221	26.6	344	31.5	218	28.1	182	29.8
Information Technology	150	18.1	121	11.1	145	18.7	99	16.2
Materials	47	5.7	116	10.6	46	5.9	44	7.2
Real Estate	36	4.3	14	1.3	20	2.6	10	1.6
Unclassified	15	1.8	1	0.1	0	0.0	0	0.0
Total	830	100	1,091	100	775	100	610	100

This table reports the distribution of treated and control firms across countries and sectors. Panel A presents the distribution by country and Panel B by sector. Columns (1) and (2) report the sample before matching for treated and control firms, respectively. Columns (3) and (4) report the matched samples with and without replacement. Because matching is one-to-one, the number of treated and control firms is identical in the matched samples. Percentages are calculated within each column. [Back to discussion]

Table 2: Summary Statistics and Correlations

Panel A: Summary statistics by group

	Treated						Control					
Variable	N	Mean	Median	SD	Min	Max	N	Mean	Median	SD	Min	Max
3DayRet_2Events	830	0.002	0.000	0.079	-0.572	0.815	1091	-0.004	-0.002	0.053	-0.364	0.285
Employees	830	467	434	243	18	1000	1091	18349	4363	46970	1001	684025
ROA	826	0.052	0.052	0.102	-0.400	0.991	1090	0.068	0.064	0.061	-0.141	0.331
Leverage	830	0.521	0.522	0.202	0.041	1.035	1091	0.588	0.590	0.171	0.091	1.030
Market capitalization	830	312.322	76.816	845.663	0.006	9226.846	1091	7410.880	937.475	27155.170	2.231	351440.010
Price-to-book ratio	830	2.770	1.237	7.059	0.000	115.269	1091	3.564	1.532	27.249	0.023	876.810
Tangibility	796	0.236	0.165	0.211	0.000	0.972	1073	0.259	0.221	0.185	0.001	0.938
Refinitiv												
ESG_Refinitiv	172	43.557	42.445	17.528	2.407	85.764	755	60.101	62.008	17.020	9.233	92.773
MSCI												
ESG_MSCI	114	5.073	5.000	1.024	1.500	7.900	615	5.525	5.600	0.905	2.800	8.400
Environmental pillar score	114	4.961	4.850	2.062	0.000	10.000	615	5.718	5.300	2.352	0.000	10.000
Social pillar score	114	4.615	4.500	1.740	0.000	9.200	615	5.007	5.000	1.603	0.400	10.000
Governance pillar score	114	5.930	6.200	1.156	2.500	8.400	615	6.206	6.400	1.227	1.300	8.900
Carbon emissions score	114	7.518	7.750	1.994	0.300	10.000	615	8.688	9.400	1.617	2.700	10.000
Climate change theme score	114	7.189	7.700	2.396	0.000	10.000	615	7.957	8.700	2.367	0.000	10.000

Panel B: Correlation matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) 3DayRet_2Events	1.00													
(2) Employees	-0.01	1.00												
(3) ROA	-0.04	0.03	1.00											
(4) Leverage	0.08	0.12	-0.20	1.00										
(5) Market capitalization	-0.04	0.40	0.12	-0.00	1.00									
(6) Price-to-book ratio	-0.03	-0.01	0.05	0.09	0.03	1.00								
(7) Tangibility	0.02	-0.02	-0.01	-0.04	-0.04	0.04	1.00							
(8) ESG_Refinitiv	-0.05	0.34	0.05	0.12	0.27	0.01	-0.01	1.00						
(9) Climate change theme score	0.02	0.15	-0.01	0.10	0.13	-0.01	-0.23	0.26	1.00					
(10) Carbon emissions score	0.02	0.21	-0.01	0.21	0.15	-0.01	-0.23	0.30	0.64	1.00				
(11) ESG_MSCI	0.04	0.06	-0.03	0.12	0.14	-0.09	0.05	0.34	0.32	0.35	1.00			
(12) Environmental pillar score	0.02	0.20	0.01	0.12	0.11	-0.00	-0.00	0.23	0.45	0.29	0.44	1.00		
(13) Social pillar score	0.07	-0.03	0.01	0.01	0.10	-0.08	0.12	0.12	0.07	0.15	0.68	0.14	1.00	
(14) Governance pillar score	-0.05	-0.06	-0.06	0.05	-0.02	-0.04	-0.06	0.22	0.11	0.17	0.57	-0.02	0.05	1.00

Panel A reports summary statistics for treated and control firms. Panel B reports pairwise correlations among the main variables used in the analysis, with the lower triangle shown. ESG_Refinitiv denotes the Refinitiv ESG score, and ESG_MSCI denotes MSCI's weighted ESG score. Refinitiv ESG scores range from 0 to 100, whereas MSCI scores range from 0 to 10. [Back to discussion]

Table 3: Market Reaction to the Omnibus Simplification Package

Panel A: Average effects

	Before matching		*After matching (with replacement)*			*After matching (without replacement)*		
	Treated	Control	Treated	Control	Diff.	Treated	Control	Diff.
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)	(8)=(6)-(7)
N	830	1,091	773	773		605	605	
3DayRet_2Events	0.002	-0.004	0.003	-0.009	0.012***	0.002	-0.006	0.008**
					(3.47)			(2.32)
Market capitalization	312	7,411	351	592	-241***	374	3,773	-3,399***
					(-6.55)			(-4.65)
Price-to-book ratio	2.77	3.56	2.74	5.60	-2.86	2.53	3.65	-1.12
					(-1.41)			(-0.87)

Panel B: Market reaction to individual events

		Before matching		*After matching*		
Date	Description	Treated	Control	Treated	Control	Diff
		(1)	(2)	(3)	(4)	(5)=(3)-(4)
N		830	1,091	773	773	
26 February 2025	European Commission proposes Omnibus I, including "Stop the Clock"	0.001	-0.001	0.002	-0.004	0.006*** (2.76)
26 March 2025	Council (COREPER) agrees to the "Stop the Clock" proposal	0.001	-0.003	0.001	-0.005	0.006** (2.41)

Panel A reports average cumulative three-day stock returns aggregated across two Omnibus announcements (26 February 2025 and 26 March 2025). Columns (1)–(2) present average outcomes for treated and control firms before matching. Columns (3)–(5) report results after nearest-neighbor matching with replacement, while Columns (6)–(8) report results after matching without replacement. Panel B reports cumulative returns separately for each event date. Diff denotes Treated minus Control returns. Treated firms are matched to control firms within country and sector and also based on logarithm of market capitalization and the price-to-book ratio following Grewal et al. (2019). ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. [Back to discussion]

Table 4: Estimated Treatment Effect After Controlling for Firm Characteristics

Dependent Variable:	3DayRet_2Events	
	Full sample (Before matching)	Matched pairs (After matching)
Model:	(1)	(2)
Treatment	0.010**	0.024***
	(2.225)	(4.102)
Log(Market capitalization)	-0.004***	-0.002
	(-3.325)	(-0.630)
Price-to-book ratio	-0.000***	-0.000***
	(-4.789)	(-7.056)
Log(Employees)	0.005***	0.006
	(2.919)	(1.480)
ROA	0.017	0.034
	(0.832)	(1.380)
Leverage	0.025***	0.025**
	(3.353)	(2.186)
Tangibility	0.005	0.004
	(0.611)	(0.263)
Intercept	-0.032***	-0.062**
	(-3.252)	(-2.380)
Observations	1,864	1,488 (2×744)
R^2	0.019	0.020

This table reports OLS regressions of cumulative three-day raw stock returns aggregated across the two Omnibus announcement dates (26 February 2025 and 26 March 2025). The dependent variable, *3DayRet_2Events*, is constructed by cumulating raw returns over the $(-1, +1)$ event window around each announcement and aggregating returns across the two events. Column (1) reports results for the full sample prior to matching, while Column (2) reports results for the matched sample. t-statistics are reported in parentheses. Standard errors are clustered at the country level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table 5: Market Reaction and Regional Heterogeneity

Dependent Variable:	3DayRet_2Events	
	Full sample (Before matching)	Matched pairs (After matching)
Model:	(1)	(2)
Treatment × Nordic	0.020***	0.032***
	(2.778)	(3.372)
Treatment × Continental	0.011**	0.024***
	(2.339)	(3.534)
Treatment × Eastern	0.009**	0.023***
	(2.062)	(4.372)
Treatment × Southern	-0.001	0.013**
	(-0.140)	(2.223)
Controls	Yes	Yes
Observations	1,864	1,488 (2×744)
R^2	0.024	0.024

This table examines whether the market reaction to the Omnibus simplification package varies across European regions. Control variables include the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, return on assets (ROA), leverage, and tangibility. Standard errors are clustered at the country level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table 6: Market Reaction and ESG Heterogeneity

Dependent Variable:	3DayRet_2Events			
	Refinitiv ESG		MSCI ESG (scaled ×10)	
	Full	Matched	Full	Matched
	(1)	(2)	(3)	(4)
Treatment	0.053**	0.062**	0.050**	0.189***
	(2.424)	(2.350)	(2.099)	(3.038)
ESG	0.000	0.001	-0.000	0.001*
	(0.427)	(1.466)	(-0.274)	(1.723)
Treatment × ESG	-0.001***	-0.001**	-0.001**	-0.003***
	(-2.828)	(-2.034)	(-2.053)	(-2.910)
Controls	Yes	Yes	Yes	Yes
Fixed effects	Industry	Pair_ID	Industry	Pair_ID
Cluster	Country	ISIN	Country	ISIN
Observations	926	322 (2×161)	728	212 (2×106)
R^2	0.179	0.613	0.205	0.605

This table examines whether the market reaction to the Omnibus announcements varies with firms' ESG performance. The dependent variable is the cumulative three-day return aggregated across the two announcement events. ESG performance is measured using Refinitiv (0–100 scale) and MSCI (0–10 scale) ESG scores; MSCI scores are multiplied by 10 to ease comparability across measures. Columns (1) and (3) report results for the full sample, while Columns (2) and (4) report results for matched firm pairs. All specifications include control variables for the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, return on assets (ROA), and leverage. Fixed effects and clustering are as indicated in the table. The results remain robust to alternative fixed-effects and clustering specifications. Specifically, the matched-sample results are qualitatively unchanged when using (i) industry fixed effects with standard errors clustered at the country level, (ii) industry and country fixed effects with country-level clustering, and (iii) matched-pair fixed effects with standard errors clustered at the pair level. Similarly, the full-sample results remain robust when industry and country fixed effects are included and standard errors are clustered at the country level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table 7: Treatment-Effect Heterogeneity Across ESG Dimensions

Dependent Variable:	3DayRet_2Events				
	Environmental	Social	Governance	Carbon emission	Climate change theme
Model:	(1)	(2)	(3)	(4)	(5)
Treatment	0.077**	0.053*	0.120**	0.159**	0.105*
	(2.135)	(1.732)	(2.186)	(2.152)	(1.821)
Treatment × Environmental	-0.009*				
	(-1.718)				
Treatment × Social		-0.003			
		(-0.533)			
Treatment × Governance			-0.013*		
			(-1.750)		
Treatment × Carbon				-0.015*	
				(-1.917)	
Treatment × Climate					-0.008
					(-1.287)
Environmental pillar score	-0.002				
	(-0.564)				
Social pillar score		0.005			
		(1.256)			
Governance pillar score			0.001		
			(0.108)		
Carbon emissions score				0.005	
				(0.853)	
Climate change theme score					-0.000
					(-0.122)
Controls	Yes	Yes	Yes	Yes	Yes
Fixed effects	Pair_ID	Pair_ID	Pair_ID	Pair_ID	Pair_ID
Cluster	ISIN	ISIN	ISIN	ISIN	ISIN
Observations	212 (2×106)	212 (2×106)	212 (2×106)	212 (2×106)	212 (2×106)
R^2	0.607	0.591	0.597	0.608	0.606

This table examines whether the market reaction to the Omnibus announcements varies across different ESG dimensions. The dependent variable is the cumulative three-day return aggregated across the two announcement events. Each specification interacts the treatment indicator with a different ESG pillar or climate-related score obtained from MSCI, where scores are measured on a 0–10 scale (higher values indicate better performance). All regressions are estimated on the matched sample. All specifications include control variables for the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, return on assets (ROA), and leverage. Fixed effects and clustering are as indicated in the table. The results remain robust to alternative fixed-effects and clustering. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table 8: Market Reaction to Omnibus Simplification and CSRD Preparedness Scores

Dependent Variable:	3DayRet_2Events	
	Full sample (Before matching)	Matched pairs (After matching)
Model:	(1)	(2)
Treatment	0.026**	0.031**
	(2.652)	(2.397)
CSRD_score	-0.000	0.005
	(-0.106)	(0.988)
Treatment × CSRD_score	-0.009*	-0.013**
	(-1.897)	(-2.031)
Controls	Yes	Yes
Fixed effects	Industry	Pair_ID
Cluster	Country	ISIN
Observations	705	378 (2×189)
R^2	0.180	0.517

This table reports regressions of aggregated three-day stock returns around the two key announcement dates (February 26 and March 26, 2025) on treatment status, CSRD_score, and firm-level controls. Column (1) uses the full sample with industry fixed effects, while Column (2) presents results from the matched sample with pair fixed effects. CSRD_score is a disclosure-based proxy for CSRD preparedness constructed from firms' 2023 annual reports. Firms receive one point for disclosing at least one term related to each of the following CSRD-related concept categories: CSRD, ESRS, and double materiality, resulting in a score ranging from 0 to 3. All specifications include control variables for the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, return on assets (ROA), and leverage. The results remain robust to alternative fixed-effects and clustering specifications. Specifically, the matched-sample results are qualitatively unchanged when using (i) industry fixed effects with standard errors clustered at the country level, (ii) industry and country fixed effects with country-level clustering, and (iii) matched-pair fixed effects with standard errors clustered at the pair level. Similarly, the full-sample results remain robust when industry and country fixed effects are included, and standard errors are clustered at the country level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table 9: Market Reaction to Omnibus Simplification and CSRD Preparedness Frequency

Dependent Variable:	3DayRet_2Events	
	Full sample (Before matching)	Matched pairs (After matching)
Model:	(1)	(2)
Treatment	0.027***	0.028**
	(3.022)	(2.211)
CSRD_frequency	0.001	0.002
	(0.547)	(0.264)
Treatment × CSRD_frequency	-0.010**	-0.011*
	(-2.499)	(-1.672)
Controls	Yes	Yes
Fixed effects	Industry	Pair_ID
Cluster	Country	ISIN
Observations	705	378 (2×189)
R^2	0.181	0.515

This table reports regressions of aggregated three-day stock returns around the two key announcement dates (February 26 and March 26, 2025) on treatment status, CSRD_frequency, and firm-level controls. Column (1) uses the full sample with industry fixed effects, while Column (2) presents results from the matched sample with pair fixed effects. CSRD_frequency captures the logarithm of the total number of references to CSRD-related terms, including "CSRD," "ESRS," and "double materiality," in firms' 2023 annual-report narrative text. All specifications include control variables for the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, return on assets (ROA), and leverage. The results remain robust to alternative fixed-effects and clustering specifications. Specifically, the matched-sample results are qualitatively unchanged when using (i) industry fixed effects with standard errors clustered at the country level, (ii) industry and country fixed effects with country-level clustering, and (iii) matched-pair fixed effects with standard errors clustered at the pair level. Similarly, the full-sample results remain robust when industry and country fixed effects are included and standard errors are clustered at the country level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table 10: Market Reaction to Omnibus Simplification and Extended CSRD Preparedness Measures

Dependent Variable:	3DayRet_2Events	
	Score	Frequency
Model:	(1)	(2)
Treatment	0.030**	0.029**
	(2.383)	(2.224)
CSRD_implementation_score	0.003	
	(0.602)	
CSRD_implementation_frequency		0.001
		(0.130)
Treatment × CSRD_implementation_score	-0.010**	
	(-2.225)	
Treatment × CSRD_implementation_frequency		-0.010*
		(-1.684)
Controls	Yes	Yes
Fixed effects	Pair_ID	Pair_ID
Cluster	ISIN	ISIN
Observations	378 (2×189)	378 (2×189)
R^2	0.518	0.516

This table reports regressions of aggregated three-day stock returns around the two key Omnibus announcement dates (February 26 and March 26, 2025) on treatment status, extended CSRD preparedness measures, and firm-level controls using the matched sample. Column (1) uses CSRD_implementation_score, a disclosure-based preparedness proxy constructed from an extended dictionary of CSRD-related implementation concepts appearing in firms' 2023 annual-report narrative text. Firms receive one point for disclosing at least one term associated with each implementation-related concept category. Column (2) uses CSRD_implementation_frequency, which measures the logarithm of the total frequency of references to these implementation-related terms. The extended preparedness dictionary includes references to "CSRD," "ESRS," "double materiality," "EFRAG," "sustainability reporting standards," "sustainability assurance," and related implementation terminology. All specifications include matched-pair fixed effects and controls for the logarithm of market capitalization, the price-to-book ratio, the logarithm of the number of employees, return on assets (ROA), and leverage. Standard errors are clustered at the ISIN level. The results remain robust when including alternative fixed-effects and clustering specifications. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Appendix

Table A1: Sample Selection Procedure

Criteria	**Treated**	**Control**	**Total**
Initial sample of EU-27 publicly listed firms			4,076
Less: firms outside Omnibus treatment/control classification			(1,854)
Firms affected by Omnibus (treatment classification)	932	1,290	2,222
Less: financial and utility sectors	(102)	(199)	(301)
Non-financial sample	830	1,091	1,921
Less: unmatched sample (no suitable match)	(55)	(316)	(371)
Matched sample (treated and control)	775	775	1,550
Less: firms with incomplete return data across event windows (2 pairs)	(2)	(2)	(4)
Final sample used in analysis	**773**	**773**	**1,546**

This table reports the sample construction process. Starting from 4,076 publicly listed EU-27 firms, we identify firms affected by the Omnibus proposal and classify them into treated and control groups. We then exclude financial and utility firms, perform nearest-neighbor matching within country–sector cells, and remove firms without suitable matches. Finally, we exclude firms with incomplete return data across the event windows, yielding the final sample used in the analysis. [Back to discussion]

Table A2: Variable Definitions and Measurement

Variable	Definition and construction
Adjusted price (local currency)	Adjusted stock price obtained from Compustat Global and adjusted for dividends and stock splits using adjustment factors and total-return factors.
Adjusted price (EUR)	Adjusted stock price converted to euros using ECB daily exchange rates.
Daily return	Daily stock return computed from adjusted euro-denominated prices. Returns are winsorized at the 0.1% and 99.9% levels to mitigate the influence of extreme observations.
3DayRet_2Events	Cumulative three-day raw stock return aggregated across the two Omnibus announcement dates (26 February 2025 and 26 March 2025). For each event, returns are accumulated over the $(-1, +1)$ event window and then aggregated across events.
Market capitalization	Market capitalization computed using adjusted stock prices and shares outstanding, measured on 21 February 2025 (or the nearest trading day).
Book equity (BE)	Book equity constructed from Compustat Global fiscal-year 2023 accounting data.
Price-to-book ratio	Ratio of market capitalization to book equity.
Firm characteristics	Total assets (AT), turnover (SALE), and number of employees (EMP) obtained from Compustat Global for fiscal year 2023 and expressed in euros where applicable.
ROA	Return on assets, defined as earnings before interest and taxes (EBIT) divided by total assets (AT).
Leverage	Ratio of total liabilities (LT) to total assets (AT).
Tangibility	Ratio of net property, plant, and equipment (PPENT) to total assets (AT).
CSRD_score	Disclosure-based proxy for CSRD preparedness constructed from firms' 2023 annual-report narrative text. Firms receive one point for mentioning at least one term associated with each of the following CSRD-related concept categories: CSRD, ESRS, and double materiality. The score ranges from 0 to 3.
CSRD_frequency	Logarithm of one plus the total frequency of references to terms associated with the CSRD, ESRS, and double-materiality categories in firms' 2023 annual-report narrative text. The measure is constructed using multilingual keyword searches.
CSRD_implementation_score	Disclosure-based measure of CSRD implementation readiness constructed from firms' 2023 annual-report narrative text. Firms receive one point for mentioning at least one term associated with each implementation-related concept category, including CSRD, ESRS, double materiality, EFRAG, sustainability reporting standards, and sustainability assurance. Higher values indicate greater pre-Omnibus CSRD implementation readiness.
CSRD_implementation_frequency	Logarithm of one plus the total frequency of references to extended CSRD implementation-related terminology in firms' 2023 annual-report narrative text. The multilingual keyword dictionary includes references to CSRD, ESRS, double materiality, EFRAG, sustainability reporting standards, sustainability assurance, and related implementation terminology.
CSRD criteria thresholds	Employees greater than 250, total assets above €25 million, and turnover above €50 million.
Control	Indicator equal to one for firms that remain subject to CSRD under the Omnibus proposal, defined as firms with more than 1,000 employees and either total assets above €25 million or turnover above €50 million.
Treatment	Indicator equal to one for firms that would have been subject to CSRD under the original thresholds but are exempted under the Omnibus proposal.

This table defines the main variables used in the analysis and describes their construction. Stock returns are computed from adjusted prices constructed using Compustat Global data and converted to euros using ECB exchange rates. The main outcome variable is the cumulative three-day return around the Omnibus announcement events. Firm characteristics and financial variables are obtained from Compustat Global for fiscal year 2023. Treatment and control indicators are defined based on firms' exposure to the CSRD thresholds and their change under the Omnibus proposal. [Back to discussion]

Table A3: CSRD Preparation and Sustainability Reporting Dictionary

Category	**Representative Keywords and Phrases**
CSRD	CSRD; Corporate Sustainability Reporting Directive; Directive on Corporate Sustainability Reporting
ESRS	European Sustainability Reporting Standards; ESRS reporting; ESRS requirements; ESRS readiness; ESRS implementation; ESRS compliance; ESRS preparation; ESRS materiality; ESRS disclosure; ESRS gap analysis
Double Materiality	double materiality; double materiality assessment
Sustainability Reporting Standards	sustainability reporting standards; sustainability disclosure standards; standards for sustainability reporting
EFRAG	EFRAG; European Financial Reporting Advisory Group
Sustainability Assurance	assurance of sustainability information; assurance over sustainability information; assurance of the sustainability statement; assurance over the sustainability statement; limited assurance for sustainability, ESG, non-financial

The table reports representative English-language keywords and phrases used to identify CSRD preparation and sustainability reporting terminology in annual reports. The full dictionary additionally includes multilingual equivalents in major European languages, including French, German, Spanish, Italian, Dutch, Swedish, Finnish, Polish, and Danish. Regular expressions are used to capture alternative spellings, grammatical variations, and contextual references related to CSRD implementation, ESRS readiness, double materiality, sustainability assurance, sustainability reporting standards, and EFRAG guidance.[Back to discussion]

Table A4: Descriptive Statistics of CSRD Preparedness Measures

		CSRD_score				CSRD_frequency			
Group	N	Mean	Median	Min	Max	Mean	Median	Min	Max
Panel A: Baseline CSRD preparedness measures									
Control	498	1.552	2	0	3	1.639	1.701	0	4.443
Treated	209	0.952	1	0	3	0.943	0.693	0	4.357
Panel B: Extended CSRD implementation-readiness measures									
Control	498	2.070	2	0	6	1.726	1.792	0	4.625
Treated	209	1.124	1	0	5	0.981	0.693	0	4.382

Panel C: Prevalence of CSRD concepts

Group	CSRD	ESRS	Double materiality	Sustainability Reporting standards	EFRAG	Sustainability Assurance
Control (%)	70.5	32.3	52.4	26.3	12.0	13.5
Treated (%)	49.8	16.7	28.7	11.0	2.9	3.3

This table reports descriptive statistics for the CSRD preparedness measures by treatment status. Panel A presents the baseline CSRD preparedness measures. CSRD_score is a disclosure-based preparedness proxy constructed from firms' 2023 annual reports. Firms receive one point for mentioning each of the following concepts at least once: "CSRD," "ESRS," and "double materiality," resulting in a score ranging from 0 to 3. CSRD_frequency is the logarithm of one plus the total frequency of references to these concepts in firms' annual-report narrative text. Panel B presents the extended CSRD implementation-readiness measures. CSRD_implementation_score expands the baseline measure by additionally incorporating references to "Sustainability Reporting standards," "EFRAG," and "sustainability assurance". CSRD_implementation_frequency is the logarithm of one plus the total frequency of references to these extended implementation-related concepts. Panel C reports the percentage of firms in each group mentioning each CSRD concept at least once in their 2023 annual-report narrative text. [Back to discussion]

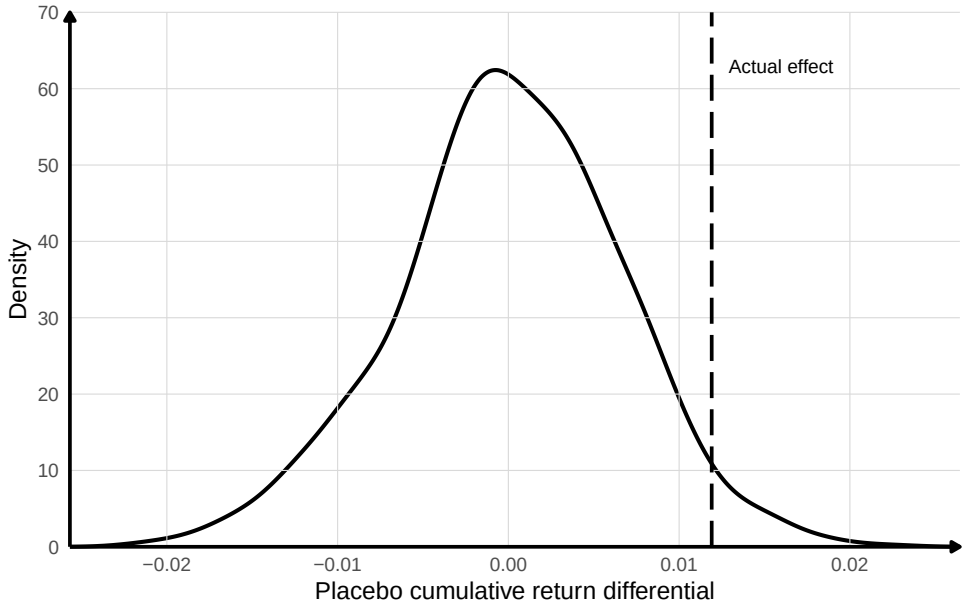

Figure A1: Placebo Distribution of Mean Cumulative Return Differentials.

This figure plots the distribution of placebo treated–control cumulative return differentials based on 1,000 randomly selected placebo event pairs from 2024–2025. The vertical dashed line indicates the observed treatment effect around the February 26 and March 26, 2025 Omnibus announcements. The empirical two-sided p-value is 0.07. [Back to discussion]

Table A5: Market Reaction to Placebo Events (26 February 2024 and 26 March 2024)

	Average effects							
	Before matching		*After matching (with replacement)*			*After matching (without replacement)*		
	Treated	Control	Treated	Control	Diff.	Treated	Control	Diff.
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)	(8)=(6)-(7)
N	817	1,078	753	753		589	589	
3DayRet_2Events	0.008	0.013	0.008	0.007	0.001	0.008	0.011	-0.003
					(0.256)			(-0.714)

This table reports average cumulative three-day stock returns aggregated across two placebo events (26 February 2024 and 26 March 2024). Columns (1)–(2) present average outcomes for treated and control firms before matching. Columns (3)–(5) report results after nearest-neighbor matching with replacement, while Columns (6)–(8) report results after matching without replacement. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. [Back to discussion]

Table A6: Market Reaction to Individual Events After Controlling for Firm Characteristics

Dependent Variable:	3DayReturn	
	26 February 2025 (After matching)	26 March 2025 (After matching)
Model:	(1)	(2)
Treatment	0.017**	0.007*
	(2.704)	(1.799)
Log(Market capitalization)	-0.000	-0.002
	(-0.144)	(-0.909)
Price-to-book ratio	-0.000**	-0.000***
	(-2.064)	(-8.239)
log(Employees)	0.005**	0.001
	(2.409)	(0.351)
ROA	0.022**	0.013
	(2.428)	(0.617)
Leverage	0.011	0.013
	(1.587)	(1.563)
Tangibility	0.013	-0.008
	(1.448)	(-0.785)
Constant	-0.054***	-0.008
	(-5.104)	(-0.358)
Observations	1,492 (2×746)	1,488 (2×161)
R^2	0.018	0.015

This table reports regression estimates of cumulative three-day stock returns around the individual Omnibus announcement dates (26 February and 26 March 2025) using the matched sample. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table A7: Classification of EU Countries by Region

Nordic	Continental	Southern	Eastern
Finland	Germany	Italy	Poland
Sweden	France	Spain	Czech Republic
Denmark	Netherlands	Portugal	Hungary
	Belgium	Greece	Romania
	Austria	Cyprus	Bulgaria
	Luxembourg	Malta	Slovakia
	Ireland		Slovenia
			Croatia
			Estonia
			Latvia
			Lithuania

This table classifies EU countries into regional groups used in the cross-sectional analysis. Countries are grouped into Nordic, Continental, Southern, and Eastern regions based on similarities in institutional environments, economic structure, and regulatory frameworks. [Back to discussion]

Table A8: Market Reaction and ESG Scores Across Event Dates and ESG Measures

Dependent Variable:	3DayReturn			
	26 February 2025		26 March 2025	
	Refinitiv	MSCI	Refinitiv	MSCI
	(1)	(2)	(3)	(4)
Treatment	0.054**	0.111**	0.008	0.078*
	(2.234)	(2.059)	(0.577)	(1.872)
ESG	0.001**	0.000	-0.000	0.001
	(2.202)	(0.517)	(-0.645)	(1.613)
Treatment × ESG	-0.001*	-0.002*	-0.000	-0.001*
	(-1.866)	(-1.718)	(-0.629)	(-1.927)
Controls	Yes	Yes	Yes	Yes
Fixed effects	Pair_ID	Pair_ID	Pair_ID	Pair_ID
Cluster	ISIN	ISIN	ISIN	ISIN
Observations	322 (2×161)	212 (2×106)	322 (2×161)	212 (2×106)
R^2	0.500	0.572	0.646	0.563

This table reports regression estimates of market reactions to individual Omnibus announcement dates, measured as cumulative three-day raw returns (-1, +1). The analysis examines heterogeneity by ESG scores. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table A9: Heterogeneity in Treatment Effects Across ESG Dimensions on 26 February 2025

Dependent Variable:	3DayReturn				
	Environmental	Social	Governance	Carbon emission	Climate change theme
Model:	(1)	(2)	(3)	(4)	(5)
Treatment	0.042**	0.027	0.118***	0.078*	0.069***
	(2.001)	(1.104)	(3.221)	(1.842)	(2.864)
Treatment × Environmental	-0.003				
	(-0.993)				
Treatment × Social		0.000			
		(0.053)			
Treatment × Governance			-0.015***		
			(-2.798)		
Treatment × Carbon				-0.006	
				(-1.288)	
Treatment × Climate					-0.007**
					(-2.184)
Controls	Yes	Yes	Yes	Yes	Yes
Fixed effects	Pair_ID	Pair_ID	Pair_ID	Pair_ID	Pair_ID
Cluster	ISIN	ISIN	ISIN	ISIN	ISIN
Observations	212 (2×106)	212 (2×106)	212 (2×106)	212 (2×106)	212 (2×106)
R^2	0.558	0.552	0.584	0.574	0.569

This table reports heterogeneity in treatment effects across ESG dimensions for the 26 February 2025 announcement using the matched sample. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table A10: Heterogeneity in Treatment Effects Across ESG Dimensions on 26 March 2025

Dependent Variable:	3DayReturn				
	Environmental	Social	Governance	Carbon emission	Climate change theme
Model:	(1)	(2)	(3)	(4)	(5)
Treatment	0.035	0.026	0.002	0.081	0.036
	(1.051)	(1.276)	(0.062)	(1.212)	(0.632)
Treatment × Environmental	-0.006				
	(-1.178)				
Treatment × Social		-0.003			
		(-0.761)			
Treatment × Governance			0.001		
			(0.282)		
Treatment × Carbon				-0.009	
				(-1.202)	
Treatment × Climate					-0.003
					(-0.412)
Controls	Yes	Yes	Yes	Yes	Yes
Fixed effects	Pair_ID	Pair_ID	Pair_ID	Pair_ID	Pair_ID
Cluster	ISIN	ISIN	ISIN	ISIN	ISIN
Observations	212 (2×106)	212 (2×106)	212 (2×106)	212 (2×106)	212 (2×106)
R^2	0.572	0.560	0.556	0.566	0.566

This table reports heterogeneity in treatment effects across ESG dimensions for the 26 March 2025 announcement using the matched sample. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table A11: Market Reaction and CSRD Preparation Disclosure Across Event Dates

Dependent Variable:	3DayReturn			
	26 February 2025		26 March 2025	
	Score	Frequency	Score	Frequency
	(1)	(2)	(3)	(4)
Treatment	0.016*	0.014	0.016*	0.014*
	(1.651)	(1.489)	(1.826)	(1.702)
CSRD	-0.001	-0.001	0.006*	0.003
	(-0.206)	(-0.278)	(1.703)	(0.771)
Treatment × CSRD	-0.003	-0.001	-0.011**	-0.010**
	(-0.501)	(-0.105)	(-2.490)	(-2.456)
Controls	Yes	Yes	Yes	Yes
Fixed effects	Pair_ID	Pair_ID	Pair_ID	Pair_ID
Cluster	ISIN	ISIN	ISIN	ISIN
Observations	378 (2×189)	378 (2×189)	378 (2×189)	378 (2×189)
R^2	0.5342	0.5331	0.5327	0.5325

This table reports regression estimates of market reactions to the Omnibus simplification package announcements on 26 February 2025 and 26 March 2025. The dependent variable is the cumulative three-day raw return (-1,+1). Columns (1) and (3) use the count-based measure of CSRD preparation disclosure, while Columns (2) and (4) use the log frequency-based measure. All regressions include control variables for profitability (ROA), leverage, log market capitalization, log employment, and price-to-book ratio. Pair fixed effects are included, and standard errors are clustered at the ISIN level. t-statistics are reported in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]

Table A12: Robustness Test: Stricter Employee Thresholds

	Refinitiv ESG	MSCI ESG	CSRD_score	CSRD_frequency
Treatment	0.095***	0.186***	0.045***	0.041***
	(2.941)	(2.782)	(3.129)	(2.837)
ESG / CSRD Prep	0.001***	0.001	0.010*	0.007
	(2.680)	(1.519)	(1.780)	(1.009)
Treatment × ESG / Prep	-0.002***	-0.003***	-0.018***	-0.015**
	(-2.620)	(-2.584)	(-2.613)	(-2.234)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Pair_ID	Pair_ID	Pair_ID	Pair_ID
Cluster	ISIN	ISIN	ISIN	ISIN
Observations	300 (2×150)	202 (2×101)	352 (2×176)	352 (2×176)
R^2	0.607	0.591	0.540	0.536

This table reports robustness tests using stricter employee thresholds to reduce ambiguity around the 1,000-employee cutoff in the Omnibus proposal. Treated firms are restricted to firms with fewer than 900 employees, while control firms are restricted to firms with more than 1,100 employees. All specifications include the full set of control variables. t-statistics are reported in parentheses. Standard errors are clustered at the firm (ISIN) level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. [Back to discussion]