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EU COMMISSION OMNIBUS PACKAGE

CSRD, TAXONOMY & CSDDD UPDATE

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SUMMARY

The European Commission (“the Commission”) has adopted a new package of proposals to simplify European Union ("EU") rules, boost competitiveness, and unlock additional investment capacity.

The aim of the first Omnibus package is to address overlapping, unnecessary or disproportionate rules that are creating unnecessary burden for EU businesses.

It addresses three crucial pieces of legislation over which both industry and Member States have recently expressed serious concerns:

1. The Corporate Sustainability Reporting Directive (CSRD), (EU) 2022/2464) (CSRD)

2. The Corporate Sustainability Due Diligence Directive (CSDDD) ((EU 2024/1760)) and

3. The EU Taxonomy ((EU) 2020/852).

This proposal will reduce the complexity of EU requirements for all businesses, notably SMEs and small mid-caps, focus the regulatory framework on the largest companies which are likely to have a bigger impact on the climate and the environment, while still enabling companies to access sustainable finance for their clean transition.

NEXT STEPS

The two legislative proposals – taking the form of two Directive proposals - will now be submitted to the European Parliament (the Parliament) and the European Council (the Council) for their consideration and adoption.

The Commission has asked the Parliament and the Council to “fast-track” these proposals – in particular the “stop the clock” proposal (see below for definition). It is unclear at this stage whether the co-legislators will agree to do this and even under the “fast-track” process, the overall timing is uncertain. Time is of the essence as companies in the CSRD “second wave” will be required to submit their first CSRD reports in 2026 (in respect of the 2025 financial year) unless that date is postponed (and companies in the “first wave” will have to continue reporting until any scope change which might take them out of scope is agreed).

The Parliament and the Council could suggest other amendments to the CSRD and CSDDD which would be in addition to what the Commission has proposed.

The changes will enter into force only after publication in the EU Official Journal.

In the meantime, the existing CSRD and CSDDD (as implemented in Member States national laws as well as the Taxonomy regulation and all their ancillary legislation) remains applicable.

The proposal for a Directive of the Parliament and the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 specifies the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements (Omnibus I (2025/0044) - European Commission, 26.02.2025) – known as the “stop-the-clock” proposal and the proposal for a Directive of the Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 references certain corporate sustainability reporting and due diligence requirements (Omnibus I (2025/0045) - European Commission, 26.02.2025).

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

The omnibus package will bring several changes to the Corporate Sustainability Reporting Directive (CSRD), making it more proportionate and easier to implement by companies:

REDUCTION OF THE SCOPE OF REPORTING COMPANIES

- The reporting requirements would only apply to large undertakings with more than 1000 employees (i.e. undertakings that have more than 1000 employees and either a turnover above EUR 50 million or a balance sheet total above EUR 25 million[1]). The new scope will be more closely aligned with the key scope thresholds of the CSDDD[2]. In addition, listed SMEs who were previously in-scope would now fall out of scope entirely.

- The net turnover threshold for an undertaking not established in the EU to be subject to the reporting requirements at the group level would be raised from EUR 150 million generated in the EU to EUR 450 million[3]. Furthermore, for consistency reasons, the threshold for the EU branch under Article 40a is raised from EUR 40 million to EUR 50 million and the threshold for the EU subsidiary is limited to large undertakings as defined in the Accounting Directive.

- Consequently, non-EU parent undertakings will now only be in scope if they (i) generate (on a consolidated basis) a net turnover in the EU exceeding EUR 450 million and (ii) have either:

a. a large EU subsidiary (existing definition applies without any increase in employee threshold[4]) or

b. an EU branch which generated a net turnover exceeding EUR 50 million (up from EUR 40 million). As the 1000 employee threshold does not apply to these scoping provisions, non-EU parent undertakings could now fall in scope of the CSRD (pursuant to the amended Article 40a) even if they do not have an EU subsidiary that is in-scope of CSRD in its own right (whether on an individual or consolidated basis pursuant to amended Article 19a or 29a).

VALUE CHAIN CAP

- For companies which will no longer be in the scope of the CSRD (i.e. those with up to 1,000 employees), the Commission will adopt, by delegated act, a voluntary reporting standard, based on the standard for SMEs (VSME) developed by EFRAG. This means that companies that fall within the scope of the CSRD should not seek to obtain sustainability information that goes beyond the information to be set out in a voluntary reporting standard from companies in their value chains with fewer than 1,000 employees. The standard will thus act as a shield, by limiting the information companies or banks falling into the scope of the CSRD can request from companies in their value chains with fewer than 1,000 employees[5].

THE COMMISSION'S COMMITMENT TO REVISE THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

- The Commission will revise the delegated act establishing the ESRS, with the aim of substantially reducing the number of data points, clarifying provisions deemed unclear and improving consistency with other pieces of legislation.

VOLUNTARY TAXONOMY REPORTING[6]

- The proposed provisions in CSRD also create a derogation for companies with more than 1,000 employees and a turnover below EUR 450 million by making the reporting of Taxonomy voluntary. This strengthens the emphasis on transition finance by introducing the option of reporting on partial Taxonomy-alignment.

DELETION OF SECTOR-SPECIFIC STANDARDS REQUIREMENT

- The Commission intends to revise the existing ESRS to substantially reduce the number of data points, clarify provisions deemed unclear and improve consistency with other pieces of legislation. These changes are due to be adopted as soon as possible and, in any event, within six months after the proposals have come into force.

- The proposal will also remove the Commission's ability to adopt sector-specific standards. There is no current indication that the requirement for entity-specific disclosures will be removed. Therefore, companies will still need to consider whether their material impacts, risks or opportunities are covered in sufficient detail by the ESRS, and if not, they may need to include additional disclosures.

REMOVING THE REASONABLE ASSURANCE STANDARD

- The proposal will remove the option for the Commission to propose moving from a limited assurance requirement to a reasonable assurance requirement.

POSTPONEMENT OF REPORTING REQUIREMENTS[7]

- The package, outlined on 26 February 2025, proposes postponing by two years, entry into application of the reporting requirements for large companies which have not started implementing the CSRD (companies are required to report as of 2026 or 2027) and for listed SMEs (second and third wave) in order to allow the co-legislators time to agree to the Commission's proposed substantive changes.

- Third country parent undertakings, which are due to report in 2029, will continue pursuant to Article 40.A.

- We have not seen any change to the "artificial" consolidation option under Article 48i.

- There is no delay envisaged for those currently reporting in 2025 (although scoping changes envisaged by the "reporting and due diligence" proposal could mean that once transposed some of these companies will fall out of scope entirely, and those that remain may technically not have further reporting requirement until 2028. It is unclear whether this is the Commission's intention.

Note the omnibus proposal does not change the "double materiality perspective"', meaning companies remaining in scope will have to report on how sustainability risks affect their business and impact on people and the environment.

TAXONOMY

The Commission is also publishing for consultation, draft amendments to the Taxonomy Disclosures Delegated Act and the Taxonomy Climate and Environmental Delegated Acts (*Commission Delegated Regulation (EU) 2021/2139*) and *Commission Delegated Regulation (EU) 2023/2486))*.

The proposal introduces an "opt-in" regime where large undertakings with more than 1000 employees and with a net turnover not exceeding EUR 450 million which claim that their activities are aligned or partially aligned with the EU Taxonomy shall disclose, pursuant to Article 8 of the Regulation, their turnover and CapEx KPIs and may choose to disclose their OpEx KPI[8].

The proposals also place a heavier emphasis on transition finance, with a new option to allow companies to report on partial Taxonomy-alignment. The Commission will also introduce amendments aimed at reducing data points required by the Taxonomy templates by nearly 70%, and exempting companies from assessing Taxonomy-eligibility and alignment of their economic activities that are not financially material for their business.

Provisions of the draft Delegated Regulation also includes:

INTRODUCTION OF A 10% DE *MINIMIS COMPLIANCE* THRESHOLD

- This would exempt large undertakings with a wide variety of activities from assessing compliance with the technical screening criteria of non-material economic activities. For activities classed as financially material, the Commission believes that it is appropriate to introduce a graduated approach to the materiality of the different classes of information to be reported. Since it considers information on operational expenditure to be less significant in assessing the sustainability of company activities than information on turnover or capital expenditure, non-financial undertakings will not have to report on alignment of operational expenditure if the cumulative turnover of their eligible activities does not exceed 25% of their total turnover.

SIMPLIFICATION

- The Commission proposes to simplify certain templates. The general reporting templates will be significantly shortened and simplified and the specific reporting templates relating to performance and exposures to fossil gas and nuclear activities will be significantly reduced and no longer duplicate elements that are covered by general reporting templates.

The Commission is also asking for feedback on two alternative options for simplifying the most complex "Do No Significant Harm" criteria for pollution prevention and control related to the use and presence of chemicals that apply horizontally to all economic sectors under the EU Taxonomy. In the public consultation, stakeholders are invited to provide feedback to both alternative options.

CSDDD

The main modifications can be summarized as follows:

- **Giving companies more time to prepare for implementing the new framework** by postponing, the transposition deadline for a year to 26 July 2027 and the first phase of the application of the sustainability due diligence requirements, covering the largest companies to 26 July 2028. In the meantime, the necessary guidelines produced by the Commission will be advanced to

July 2026, allowing companies to build more on best practices and reduce their reliance on legal counsel and advisory services. There has been no delay for companies who were originally envisaged to come into scope from 26 July 2028 or 26 July 2029.

- **Relieving companies from the obligation to systematically conduct in-depth assessments of adverse impacts** that occur or may occur in often complex value chains at the level of indirect business partners and requiring full due diligence with respect to the value chain beyond the direct business partner. This will only happen in cases where the company has "plausible information" suggesting that adverse impacts have arisen or may arise there. Plausible information means information of an objective character that allows the company to conclude there is a reasonable likelihood that the information is true. Companies will also still be required to map their value chains to identify general areas where adverse impacts are most likely to occur and are most severe, including in relation to indirect business partners.
- **Simplify other aspects of sustainability due diligence requirements** so that large companies avoid unnecessary complexities and costs, while clarifying that a company needs to assess the implementation of its due diligence measures and update them whenever there are reasonable grounds to believe the measures are no longer adequate or effective. This can be done by streamlining the stakeholder engagement obligations and by removing the obligation to terminate the business relationship as a last resort measure.
- **Reducing the trickle-down effect further by limiting the information that companies** within scope of CSDDD may request from their SMEs and small mid-cap business partners (i.e. those with less than 500 employees) to the information specified in the CSRD voluntary sustainability reporting standards (VSME standard[9]), those of their subsidiaries and where relating to their chains of activities, those of their business partners.
- **Deferring to the various national civil liability regimes** by deleting the harmonized EU conditions for civil liability and revoking the obligation for Member States regarding representative actions by trade unions or NGOs. Furthermore, it will be left to national law of a each Member State to define whether its civil liability provisions override otherwise applicable rules of the third country where the harm occurs. Member States should be required to ensure victims of adverse impacts have effective access to justice and are guaranteed the right to an effective remedy.
- **Aligning the requirements on the adoption of transition plans** for climate mitigation with the CSRD. The clarification and better alignment with the CSRD will benefit very large companies that fall under the scope. However, the requirement to "put into effect" the transition plan has now been replaced with the requirement to include implementing actions in the transition plan. The provisions are otherwise unchanged, and there are still requirements to include time-bound targets, and to update the plan every 12 months and ensure it contains a description of the progress made towards achieving those targets.

- **Termination**: The proposals would remove the obligation to terminate business relationships making it a last resort measure but there would be a provision to retain the possibility of suspension of business relationships in certain circumstances.
- **Penalties/fines**: The proposals would remove the provision that allows for penalties to be based on net worldwide turnover and that any cap on penalties should not be less than 5% of net worldwide turnover. Instead, the Commission will be required to set guidelines for penalties.
- **Frequency of due diligence reviews:** The frequency of periodic assessments and updates would be extended from one year to five years, but a company would need to assess the implementation of its due diligence measures and update them whenever there are reasonable grounds to believe that the measures are no longer adequate or effective.

FOOTNOTES

[1] The last two criteria have remained unchanged. Changes in Articles 19.a and 29.a directly.

[2] The 1000 employee threshold is one of the main criteria used to define which undertakings are subject to the CSDDD

[3] Article 40a1, par 5 as amended

[4] Thus 250 employee threshold

[5] This limitation is subject to the caveat that sustainability information can be requested where it is information commonly shared between undertakings in the sector concerned.

[6] Article 19b and 29aa as amended;

[7] Article 5.2 of Directive 2022/2464 as amended;

[8] See also proposed amendment to Article 19b to the CSRD Directive;

[9] This limitation would apply unless a company needs additional information to carry out the mapping (for instance on impacts not covered by the standards) and they cannot obtain that information in any other reasonable way.

RELATED CAPABILITIES

- ESG Governance, Compliance and Reporting

MEET THE TEAM

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