

European Union: Proposal of amendments to sustainability legislation (Omnibus)

EU Commission unveils its "Omnibus Simplification Package" proposal to amend the CSRD, CSDDD and EU Taxonomy

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Sustainability

ESG

ESG Reporting

CSRD

CSDDD

EU Taxonomy

EU Green Deal

SFDR

In brief

Following on from its commitment to simplify sustainability related obligations under the **Competitiveness Compass**, the EU Commission has today (26 February 2025) published a proposal for amendments to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Taxonomy Regulation (EU Taxonomy) (together, the "**Omnibus proposal**"). If adopted, the changes would postpone reporting obligations under the CSRD and delay the implementation of the CSDDD, as well as limit the number of companies subject to the rules and reduce the scope of applicable obligations.

Key takeaways

- The **CSRD** is proposed to be amended as follows:
 - **Postponement of reporting requirements:** The reporting timeline for "large undertakings" and "parent undertakings of large groups" (currently required to report for FY25) would be postponed by two years to prevent businesses from incurring significant costs and administrative burden until the final amendments are approved by the EU Parliament and Council. This means that the first obligations to report would arise in respect of FY27 for "large undertakings" and "parent undertakings of large groups" (reporting in 2028 or 2029, depending of their FY). The reporting requirements for listed SMEs would be deleted altogether. The fate of "wave 1" filers in Member States that have already transposed the CSRD is unclear.
 - **Scope of application for EU companies:** The threshold for EU companies / parent companies would be amended to require more than 1,000 employees and either EUR 50 mio. net turnover or EUR 25 mio. balance sheet assets. This is different from speculation based on leaks, which had suggested full alignment with CSDDD. According to the Commission, this is expected to reduce the number of companies in scope by 80%. Note, however, that many companies previously captured would have been – and will continue to be – included in mandatory consolidated reporting by EU parent entities meeting the increased thresholds on a consolidated basis; therefore, the reduction in scope may ultimately not result in 80% less sustainability reporting.

- **Mandatory third-country group reporting:** Mandatory third-country group reporting (Art. 40a) has been maintained, but thresholds have also been raised: the threshold for consolidated net turnover (revenues) in the EU would be increased to EUR 450 mio. (from EUR 150 mio.); in addition, mandatory reporting only kicks in if the third-country ultimate parent has at least one EU subsidiary meeting the threshold of a "large undertaking" (thresholds as per Accounting Directive) or an EU branch exceeding an increased turnover threshold of EUR 50 mio. (from EUR 40 mio. previously).
 - **Value chain cap:** This proposal would work as a "shield" to limit the sustainability information companies outside the scope of the CSRD may be requested by banks, large companies (customers) and other stakeholders. The Commission would adopt a voluntary standard through which these companies can provide sustainability information requested by third parties. These voluntary standards will be based on the voluntary standard for SMEs (VSME), developed by EFRAG and to be adopted by a delegated act.
 - **Sustainability standards:** The Commission will revise the delegated act establishing the European Sustainability Reporting Standards (ESRS). The intent is to substantially reduce the number of data points, clarify certain provisions, improve consistency with other pieces of legislation and reduce the number of data points. This delegated act is supposed to be published in time for the companies reporting under the updated timeline (FY 2027) to sufficiently prepare.
 - **Sector specific standards:** The EU Commission's empowerment to adopt sector-specific standards would be eliminated. This means that in-scope companies would only have to report against the sector-agnostic ESRS (as amended), with no additional sector-specific requirements to come.
 - **Assurance:** The assurance requirement would remain for "limited" assurance only.
 - **EU Taxonomy Opt-in:** Taxonomy reporting remains mandatory for companies with more than 1,000 employees and over EUR 450 mio. in turnover (revenues). Companies with more than 1,000 employees but a turnover of no more than EUR 450 mio. could opt into Taxonomy reporting if they wish to report Taxonomy aligned activities. Companies subject to mandatory Taxonomy reporting would be allowed to report also on activities that do not meet all Taxonomy technical screening criteria, but are only partially Taxonomy aligned. This should provide an incentive to companies to report also on progress made towards meeting Taxonomy requirements and thus enable them to tell "transition stories".
- There are no proposed changes to the principle of "double materiality" and no indication of major changes to the range of sustainability topics to be reported.
 - The **CSDDD** implementation and first application is postponed in each case by a year (i.e. implementation by 26 July 2027 and first application on 26 July 2028) and is proposed to be significantly amended with respect to the following eight elements: (1) extent of the scope of harmonization, (2) the scope of due diligence required with respect to business partners, (3) the obligation to terminate supply relationships, (4) the level of required stakeholder engagement, (5) the regular monitoring of companies' internal compliance systems, (6) administrative fines, (7) the scope of civil liability resulting from non-compliance, and (8) the review provision with respect to financial services. There are no changes to the scope of application for CSDDD. The most consequential amendments for businesses can be summarised as follows:
 - **Postponement of implementation and application:** Implementation and application is postponed in each case by one year (to 26 July 2027 with respect to implementation, and to 26 July 2028 with respect to application). In the meantime, the Commission intends to issue guidelines on implementation and compliance by July 2026.
 - **Due diligence measures:** Only to be applied with respect to own business operations and direct contractual business partners in principle; deletion of the obligation to terminate supply relationships as a means of last resort; and internal compliance systems and the due diligence measures would only be required to be internally reviewed every five years.

- **Value chain cap:** Limit information requested from SMEs and small midcap business partners (i.e. companies with no more than 500 employees) to the information specified in the VSME standard, unless additional information is necessary, for instance because the standards do not cover a relevant impact, and where such information cannot reasonably be obtained in any other way.
 - **Stakeholder engagement:** Companies will only need to engage with stakeholders at specific stages of the due diligence process, reducing the overall complexity and administrative burden.
 - **Administrative and Civil Liability:** The following has been removed: the 5% minimum cap for administrative fines to be adopted by EU Member States; the explicit requirement that monetary fines must be based on companies' turnover; and EU-wide civil liability regime based on the CSDDD.
 - **Climate transition plans:** Companies are still required to adopt climate transition plans, including implementing actions. However, the separate obligation to "put into effect" the plan has been deleted, effectively aligning CSDDD and CSRD provisions in this regard and thus providing more clarity to companies that report a CSRD-aligned plan.
- Regarding the **Taxonomy Regulation**, the Commission proposes to amend the Taxonomy Disclosures Delegated Act as well as the Taxonomy Climate and Environmental Delegated Acts to reduce administrative burdens, as follows:
 - **Scope of application:** Mandatory EU Taxonomy reporting only for companies with more than 1,000 employees and net turnover (revenues) exceeding EUR 450 mio. and subject to a 10% de minimis threshold relating to the financial materiality of a company's activities; an additional 25% threshold is set for the materiality of operational expenditure information for non-financial undertakings.
 - **Data points reduction:** Reduction of the data points to be reported against by almost 70%.
 - **Simplification of "Do No Significant Harm" criteria:** The criteria for determining that an economic activity causes no significant harm (DNSH criteria) should be amended and/or clarified to reduce administrative burden for companies. Targeted amendments regarding the DNSH criteria regarding pollution prevention and control regarding the use and presence of chemicals are planned "as soon as possible".

Implementation timeline

The key amendments to CSRD and CSDDD have been proposed through Directives, requiring approval by the European Parliament and Council of the EU. We expect that the Directive relating to the postponement of reporting obligations for the CSRD and implementation of the CSDDD will be fast-tracked for approval, and the Directive relating to the substantive changes will follow. Amendments relating to the CSRD would then require a swift transposition by those Member States that had already transposed CSRD in its original version in order to avoid legal uncertainty.

Contact Information

Eva-Maria Ségur-Cabanac

Partner

Vienna

[Read my Bio](#)

eva.segurcabanac@bakermckenzie.com

Anahita Thoms LL.M.

Partner

Berlin

[Read my Bio](#)

anahita.thoms@bakermckenzie.com

Graham J. Stuart

Partner

London

Julia Digruber

Associate

Vienna

Read my Bio

graham.stuart@bakermckenzie.com

Gabrielle Galdino-Glaeser

Associate

London

Read my Bio

gabrielle.galdino@bakermckenzie.com

Read my Bio

julia.digruber@bakermckenzie.com

Dr. Alexander Ehrle LL.M. (NYU)

Associate

Berlin

Read my Bio

alexander.ehrle@bakermckenzie.com

Maritje Weydemann

Legal Consultant

Brussels

Read my Bio

maritje.veydemann@bakermckenzie.com

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