Deep dive into the first Omnibus on sustainability

Focus on proposed changes to the CSRD and EU Taxonomy

forvis mazars

Summary

1. CSRD “simplification” is launched but a lot remains unclear and the legislative process at EU level could result in significant changes to the current “Omnibus” proposals
2. Large companies with more than 1000 employees would still be subject to sustainability reporting but others would be removed
3. CSRD reporting of wave 2 and 3 companies (i.e. originally reporting from 2026 and 2027 based on FY 2025 and 2026 respectively) likely postponed by two years but attention needs to be paid to local transposition provisions
4. Companies in the scope of the future CSRD with less than €450m in revenues would be exempted from EU Taxonomy reporting
5. ESRS standards to be “simplified”, notably with a focus on quantitative datapoints and the removal of sector-specific standards
6. Reference to reasonable assurance would be removed

The first Omnibus proposals are a starting point for a long legislative process that could mark a significant shift in corporate sustainability reporting, introducing new thresholds, timelines and standards that will impact businesses across sectors. Here, we explore these possible changes in detail, helping organisations navigate the evolving regulatory landscape with confidence.

Context

On 26 February 2025, the European Commission (EC) has adopted a **package of proposals to simplify EU rules with respect to corporate sustainability reporting** (Directive (EU) 2022/2464 or CSRD, and Regulation (EU) 2020/852 on the Taxonomy), corporate sustainability due diligence (Directive (EU) 2024/1760 or CSDDD) and the carbon border adjustment mechanism (Regulation (EU) 2023/956 or CBAM). These proposals aim to contribute to the 25% reduction in administrative burdens and at least 35% for SMEs until the end of the EC's mandate (2029).

The changes envisaged by the first Omnibus package with respect to the CSRD take the form of **two draft Directives**:

- The first proposal aims to **"stop the clock"** with respect to the current "wave 2" and "wave 3" companies by postponing by two years the reporting requirements (the "Stop the clock" proposed Directive).
- The second proposal aims to **amend the content of the CSRD** (the "Content" proposed Directive) by:
  a. reducing the scope of reporting companies;
  b. limiting the information that in-scope companies can request from companies in their value chains that do not exceed 1000 employees;
  c. simplifying the ESRS (European Sustainability Reporting Standards), notably by no longer adopting sector-specific standards; and
  d. removing the possibility to move to a reasonable assurance requirement.

A starting point: these Directives will enter into force **only once the European Parliament and the Council have reached an agreement** on the proposals and after publication in the Official Journal of the EU (OJEU). Member States will then have to adopt these provisions by transposing the Directives into national law.

A two-tiered approach:

- The EC intends to move as fast as possible on the "Stop the clock" proposed Directive, using a fast-track procedure with the aim to have the text approved and transposed **by 31 December 2025 at the latest**, so that companies do not start complying with requirements that could be modified with the adoption of the second proposal.
- The "Content" proposed Directive will follow a **normal legislative process** that could take at least 9 months before being agreed and published in the OJEU. Member States would then have 12 months to transpose the adopted provisions into their national law.

Mechanically, this means that the Member States shall transpose the existing CSRD provisions but:

- once the "Stop the clock" proposed Directive is adopted and transposed, they would not be applicable to "wave 2" and "wave 3" companies before 2028 reporting, and
- once the "Content" proposed Directive is adopted and transposed, they would be applicable to companies within the new scope and in accordance with the (by then) redesigned requirements.

It should be noted that on 31 January 2025, 19 Member States[1] have transposed the CSRD and, unless differently stated by their respective governments or regulators, **in-scope companies are required to comply with their existing national laws, before the adoption and transposition of the two above-mentioned proposed Directives**. Besides, the 8 remaining Member States are due to transpose the current CSRD.

With respect to **the EU Taxonomy**, the first Omnibus package also contains a draft Delegated Act proposing amendments to current regulation. Once formally adopted after a feedback period of 4 weeks, the Delegated Act will be submitted to the European Parliament and the Council for a scrutiny period (usually 2 months) before becoming applicable. The revised Delegated Act would apply from 1 January 2026 (for fiscal year 2025).

Indicative timeline

- **Starting Q1 2025:** legislative process on the "Content" proposed Directive by the Council and the European Parliament lasting at least 9 months
- **Q2 2025:** adoption of a revised Delegated Act on the EU Taxonomy
- **Q2/Q3 2025:** adoption of the "Stop the clock" proposed Directive
- **Q3/Q4 2025:** transposition by Member States of the "Stop the clock" proposed Directive to postpone existing requirements for wave 2 and wave 3 companies
- **Q4 2025:** EC proposal to amend the SFDR (Sustainable Finance Disclosure Regulation)

Below are initial proposals of the EC that are likely to be amended in the coming months by the two co-legislators, the European Parliament and the Council, before reaching a final agreement.

[1] On 31st January 2025, 19 Member States (+ Lichtenstein and Norway): Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Sweden.

Proposals to amend the CSRD

a) Scope, dates and standards

1 – Before Omnibus proposals: current CSRD		2 – Intermediary step: "Stop the clock"
Scope	*Reporting deadline and standards*	*New deadline*
Wave 1 Large undertakings (or parents of a large group)* that are PIEs exceeding 500 employees	• Reporting on FY 2024 (in 2025) • Application of Set 1 of the ESRS (and, ultimately, sector-specific standards)	No impact
Wave 2 Other large undertakings (or parents of a large group)*: • PIEs not exceeding 500 employees • Non-PIEs	• Reporting on FY 2025 (in 2026) • Application of Set 1 of the ESRS (and, ultimately, sector-specific standards)	Reporting on FY 2027 (in 2028)**
Wave 3 Listed SMEs* (excluding micro)	• Reporting on FY 2026 (in 2027) (unless they opt for 2 years delay) • Application of the ESRS for listed SMEs	Reporting on FY 2028 (in 2029)**
Wave 4 Third-country undertakings/groups with more than €150m turnover in the EU and: • EU subsidiary (large or listed SME) or • EU branch with turnover of more than €40m	• Reporting on FY 2028 (in 2029) • Application of the "NESRS" (see EFRAG's current project) or Set 1 or equivalent standards	No impact

3 – After Omnibus proposals (incl. "Content"): new CSRD		
Scope	*Reporting deadline and standards*	
	Countries which have already transposed the current CSRD	Countries which have not yet transposed the current CSRD***
Large undertakings (or parents of a large group)* exceeding 1000 employees: • Former wave 1 undertakings (groups) but only for those with more than 1000 employees • Some former wave 2 undertakings (groups) i.e. large unlisted with more than 1000 employees	• Local existing laws prevail until amended • When new Directives are transposed, see the column on the right	• Reporting on FY 2027 (in 2028) • Application of a revised Set of ESRS (without sector-specific requirements)
Other undertakings: • Large undertakings with less than 1000 employees (PIEs or not) therefore some former wave 1 and some former wave 2 undertakings • SMEs (incl. former wave 3 undertakings) and micro	• Local existing laws prevail until amended • When new Directives are transposed, see the column on the right	• Voluntary reporting based on sustainability reporting standards for voluntary use (based on the Voluntary Standard for non-listed SMEs i.e. "VSME" issued by EFRAG in December 2024)
Third-country undertakings/groups with more than €450m turnover in the EU and: • EU subsidiary (large only) or • EU branch with turnover of more than €50m	• Reporting on FY 2028 (in 2029) • Application of the specific sustainability reporting standards for third-country undertakings or the revised ESRS or equivalent standards	

Including non-EU issuers listed on an EU regulated market
*** For countries which have already transposed the current CSRD, local existing laws prevail until amended*
**** Assuming the current CSRD is not transposed before the entry into force of the new Directives (nonetheless, the current CSRD is still enforceable until it is amended)*

To note: the Omnibus proposals do not modify the current definition of a “large company” or a “large group” according to the Accounting Directive. A large company is a company which on its balance sheet date exceeds at least two of the three following criteria: (a) balance sheet total: €25m; (b) net turnover: €50m; (c) average number of employees during the financial year: 250. Besides, the exemption regime provided by the current CSRD for certain subsidiaries is maintained.

b) Sustainability reporting requirements including the “opt-in” approach for the EU Taxonomy (proposed amendments to the Accounting Directive)

Value chain cap

The value chain cap already exists in the current CSRD, but the proposals aim to **extend and strengthen it**. First, the limit would be defined by the sustainability reporting standards for voluntary use. Second, the law would ensure that reporting companies do not seek to obtain information from companies in their value chains that do not exceed 1000 employees that goes beyond the information specified in the standards for voluntary use. The exception would be for additional sustainability information that is commonly shared between companies in the sector concerned. Third, the ESRS to be applied by companies in the scope of the CSRD would be amended to be aligned with this principle.

Optional EU Taxonomy reporting for certain companies

Large companies which exceed the average number of 1000 employees, **but which do not exceed a net turnover of €450m**, would be **exempted from the reporting requirements under the Article 8 Delegated Act**.

Such companies may either claim that their activities are associated with economic activities that:

- qualify as environmentally sustainable considering the criteria for environmentally sustainable economic activities, meaning that those activities are “aligned”, or
- fulfil only certain requirements of the Climate Delegated Act and the Environmental Delegated Act.

In both cases, only the turnover KPI and the CapEx (Capital Expenditure) KPI would have to be disclosed, the OpEx (Operating Expenditure) KPI would be voluntary.

A Delegated Act should ultimately specify the content and presentation of the information to be disclosed.

Sustainability reporting standards

Wave 1 companies are currently applying Set 1 of the ESRS as adopted by the EC in July 2023. As a reminder, this Set:

- includes 12 sector-agnostic standards covering the full spectrum of ESG (environmental, social and governance) topics, with 82 disclosure requirements and approximately 1000 datapoints (some of them being voluntary). Sector-specific standards were supposed to ultimately complement these general standards (with an adoption by the EC from June 2026);
- requires the disclosure of material information covering material impacts, risks and opportunities identified under the double materiality principle.

The "Content" proposed Directive **seems to confirm the double materiality principle**. It **deletes the requirement to adopt Delegated Acts covering sector-specific information**. The EC considers that companies may, where necessary, use existing international reporting standards and sectoral sustainability reporting initiatives.

Additionally, the EC has announced its intention to **revise the Set 1 of the ESRS** to simplify and streamline the current requirements:

- The number of mandatory datapoints would be significantly reduced, notably by prioritizing quantitative datapoints over narrative disclosures.
- Provisions that are deemed unclear would be clarified.
- Consistency with other pieces of EU legislation would be improved.
- Clearer instructions on how to apply the materiality principle would be provided.
- The structure and presentation of the standards would be simplified.
- Interoperability with global sustainability reporting standards would, consequently, be further enhanced.
- Any other modifications deemed necessary considering the experience of the first application of Set 1 would be considered.

The EC aims to adopt a Delegated Act as soon as possible and, at the latest, 6 months after the entry into force of the "Content" proposed Directive.

Single electronic reporting format

According to the current CSRD, companies in scope must prepare their management report in the electronic reporting format (i.e. XHTML) and mark-up their sustainability statement within the management report in accordance with the digital taxonomy to be specified by way of an amendment to the ESEF (European Single Electronic Format) Delegated Regulation (EU) 2019/815.

Consistently with what has already been indicated in FAQs on the CSRD issued in November 2024, pending the adoption by the EC of a digital taxonomy for the mark-up of the sustainability statement, the Omnibus proposals confirm that **those requirements are postponed**.

c) Assurance of sustainability reporting (proposed amendments to the Audit Directive and the Accounting Directive)

The current CSRD provides that the limited assurance of sustainability information could become in the future a requirement for reasonable assurance under certain conditions. The EC proposes to **remove the requirement to adopt reasonable assurance standards** (if reasonable assurance had been deemed feasible).

Additionally, to clarify the necessary procedures that assurance providers are to perform as part of their limited assurance engagement and to address quickly emerging issues, the EC proposes to issue **targeted assurance guidelines by 2026**. The deadline of October 2026, initially set for adopting limited assurance *standards*, would be deleted. Before the EC adopts a Standard for limited assurance by way of a Delegated Act, assurance providers should follow standards adopted by their national audit regulator (that might decide to incorporate guidelines from the EC).

Regarding assurance opinions, they should be prepared with full respect for the new obligations concerning the value chain cap (see above).

Proposals to amend EU Taxonomy Delegated Acts

The EC has released a proposed Delegated Act which would amend: i) the Article 8 Delegated Act (which defines the reporting requirements for companies under the Taxonomy Regulation scope); ii) the Climate Delegated Act and the Environmental Delegated Act (which list eligible activities and associated technical screening criteria to consider to determine which activities are sustainable).

Among the amendments proposed to Article 8 Delegated Act, the EC proposes to introduce the **concept of a materiality threshold for both non-financial and financial companies, amounting to 10% of the given KPI's denominator**. Activities under this materiality threshold would be relieved from at least part of the analysis, if the company decides to apply this concept of materiality. In such case, activities deemed as non-material would be reported separately.

Moreover, for non-financial companies, the EC proposes to add another materiality option related to the OpEx KPI according to which they may omit analysis on the OpEx linked to economic activities that overall generate less than 25% of the company's turnover.

Regarding financial companies, the EC proposes to **exclude exposures to companies not in the scope of the future CSRD if the Omnibus proposals are adopted from the denominator of the KPIs such companies disclose e.g. the Green Asset Ratio (GAR)**. Such exposures are currently excluded from the numerator but included in the denominator. Regarding credit institutions specifically, the EC proposes to postpone the application of the trading book KPI and the fees and commissions KPI to 2027. The application of these two KPIs is currently scheduled for 2026 (on the fiscal year 2025).

Additionally, simplifications and rationalization of the number of regulatory templates are proposed for both non-financial and financial companies. The EC also proposes to remove templates 2, 3 and 4 dedicated to nuclear energy and fossil gas, and presented in Annex XII of the Article 8 Delegated Act.

Regarding the amendments to the Climate and Environmental Delegated Acts, although the explanatory note exposes that technical screening criteria should undergo an in-depth revision, and that DNSH ("Do Not Significant Harm") criteria are generally considered as too burdensome, the proposed regulation focuses on the **generic DNSH to Pollution**, presented in appendix C of the Delegated Acts, as a priority. This DNSH is indeed widely considered as very difficult to operate in its current form. Therefore, the EC proposes a new version of this appendix, notably with respect to the last paragraph (f) bis.

Aside from these propositions, the EC highlights that a further revision of the Article 8 Delegated Act, the Climate Delegated Act, and the Environmental Delegated Act, should be undertaken. The timeline for this has not been set out by the EC.

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