

OMNIBUS NEWS FLASH: Bringing changes to EU sustainability legislation

Reforming sustainability reporting and due diligence through the EU's Omnibus proposal

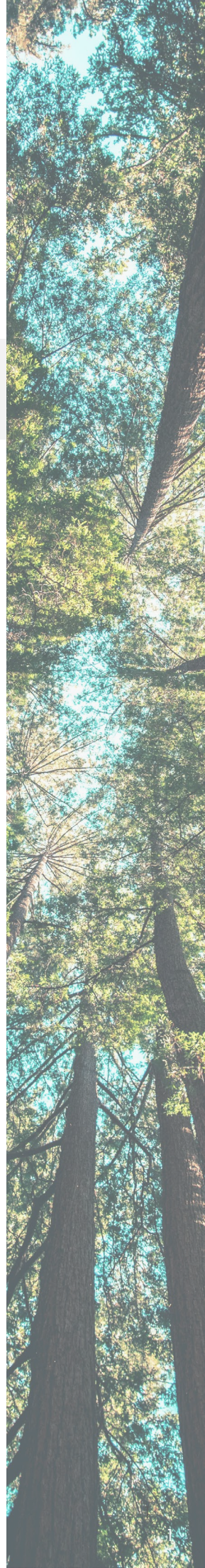
26 February 2025 marked the new tone in which the current European Commission – especially President von der Leyen and her Cabinet – is set to address corporate sustainability legislation over the next five years.

Two years after the adoption of the European Corporate Sustainability Reporting Directive (CSRD), and a few months after the publication of the Corporate Sustainability and Due Diligence Directive (CSDDD) in the Official Journal of the European Union, the Commission proposes a series of amendments aimed at **simplifying reporting requirements** and **addressing the excessive administrative burden** that these two Directives imposed on companies.

The simplification of the reporting requirements imposed by the CSRD and the CSDDD (alongside others also addressed by the Omnibus proposal, including the EU Taxonomy and the Carbon Border Adjustment Mechanism) comes in response to the very visible call issued by a large number of industries and companies across Europe and beyond. On the other hand, numerous were the corporate voices calling on the Commission to preserve the spirit of the Directives, and avoid backtracking on the agreements reached by the legislators.

The Omnibus proposal – one of the first legislative proposals issued by this College of Commissioners since last June's EU elections and the start of a new politico-institutional cycle in Brussels – marks the beginning of what promises to be a **volatile legislature**, especially on the sustainability front.

With the current global landscape marked by changing geopolitics and a confirmed shift towards industrial competitiveness as a guiding principle, debates around proposals like the Omnibus are likely to be further polarised, which in turn will dilute debates and therefore regulatory procedures.



MAIN CHANGES TO THE CSRD:

One of the most noticeable changes proposed by the Commission is the aligning of the scopes between the CSRD and the CSDDD. This means that, should the changes be kept by co-legislators, the number of undertakings subject to mandatory sustainability reporting requirements would be reduced by about 80%.

The proposal also *de facto* stops the clock on the transposition of the CSRD into national legislation, a process that is currently ongoing in many EU Member States. This means that very few regulatory advancements are to be expected until these last set of proposals is adopted.

Other key changes to the CSRD proposed by the Commission include:

- **SCOPE FOR MANDATORY REPORTING:**

Removing 80% of the undertakings in scope of the rules, taking out of scope large companies with up to 1,000 employees and listed SMEs. In turn, only companies with more than 1,000 employees and either a turnover of above EUR 50 million or a balance sheet above EUR 25 million would be required to report.

- **TIMING OF APPLICATION:**

Postponing the effective application of the Directive by two years for those not already reporting under the CSRD. Companies subject to the reporting obligations will have to report starting from the financial year 2027 (instead of 2025).

- **EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS):**

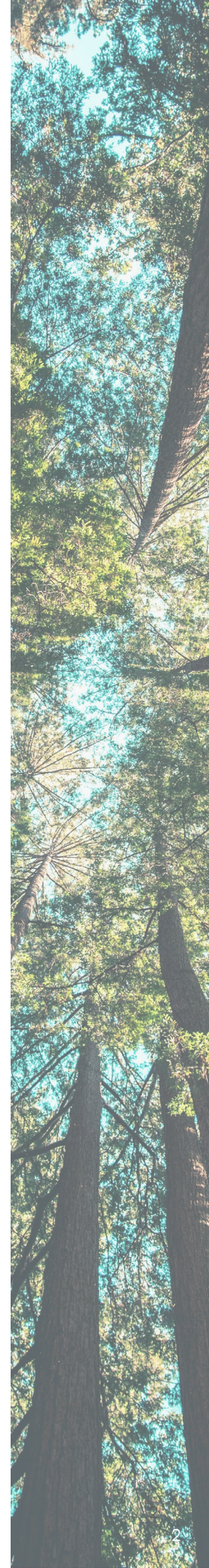
Prior to the Omnibus proposal, companies had to report under the ESRS, which define the specific disclosures and ways in which companies can report. The Commission is proposing to maintain the ESRS only for the 20% of companies remaining in scope (i.e., large companies that are considered the parent companies, and have more than 1,000 employees). The Commission will also seek to simplify and reduce the existing ESRS, removing the 'least important' mandatory ESRS datapoints, prioritising quantitative datapoints over narrative text and distinguishing between mandatory and voluntary datapoints, without prejudice to the materiality assessment principle.

- **SECTOR-SPECIFIC STANDARDS:**

No longer adopting reporting standards for specific sectors, which was originally scheduled for 2026.

- **SUSTAINABILITY ASSURANCE:**

Scrapping the Commission's obligation to produce sustainability assurance standards by 2026. It will instead issue sustainability assurance guidelines, with a view to addressing emerging issues more quickly and avoiding additional requirements. The possibility to move from a requirement of 'limited assurance' to 'reasonable assurance' is also removed to streamline rules and avoid added burden.



MAIN CHANGES TO THE CSDDD:

The Corporate Sustainability and Due Diligence Directive has been a controversial legislative figure since its conception. Although many EU Member States already had stringent national legislation in place, the CSDDD faced opposition during a polarised legislative procedure, and it was adopted *in extremis* (including some last-minute changes), shortly before the EU elections of 2024.

The Commission responds to a number of concerns from industry about the burdensome and complex compliance with the CSDDD by proposing changes:

- **TIMING OF APPLICATION:**

Postponing application of the CSDDD obligations by one year for all companies in scope. In practice, this means that companies with more than 3,000 employees and generated net global turnover of more than EUR 900 million must comply by July 2028 (instead of 2027), for financial years starting after 1 January 2029. The proposal removes companies with more than 5,000 employees and a net turnover of EUR 1.5 billion, allowing all companies above 3,000 employees to report simultaneously by 2028. Third-country companies with a net turnover of more than EUR 900 million must also comply by July 2028, for financial years starting after 1 January 2029; all other companies in the scope must comply by 26 July 2029, for financial years starting 1 January 2030.

- **DEFINITION OF 'STAKEHOLDERS' AND RELEVANT ENGAGEMENT:**

Limiting the definition of 'stakeholder' to include workers and their representatives, as well as individuals and communities that are 'directly' affected by the operations of a company, its subsidiaries and its partners. This removes consumers and civil society organisations from the notion of 'stakeholders' as originally stated. In addition, the proposal removes the obligation for meaningful stakeholder engagement, only requiring companies to engage with stakeholders as 'relevant'.

- **PENALTIES:**

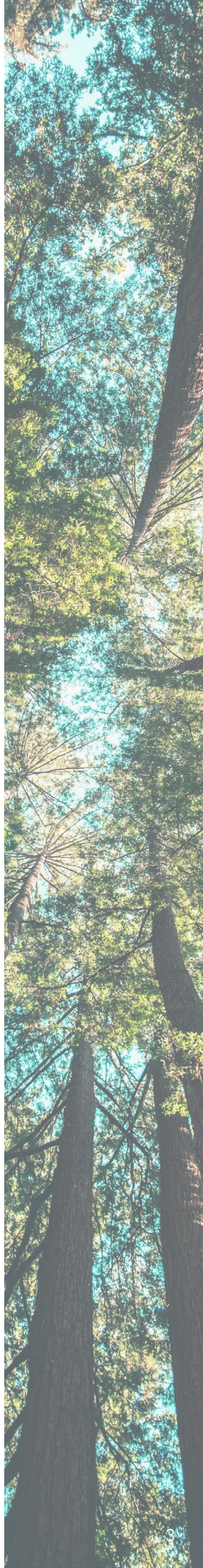
Removing the obligation for Member States to set pecuniary penalties of minimum 5% of the company's net worldwide turnover. Instead, it proposes setting up fining guidelines for Member States, to ensure proportionality on fines imposed. The proposal also prohibits Member States from setting a fines cap, and removes the obligation for the fine to be commensurate to the company's net turnover.

- **CIVIL LIABILITY:**

Removing the civil liability rule, although the CSDDD maintains the requirement for effective access to justice and the right to full compensation.

- **LIMITATION ON MEMBER STATES GOING ABOVE THE CSDDD:**

Member States cannot go beyond what is in place in the CSDDD regarding the core due diligence processes (i.e., identification duty, duty to address adverse impacts, duty to provide for complaints and notification mechanism). However, the proposal allows Member States to go beyond CSDDD obligations regarding the above by specifying the objective or field covered in specific products/services/situations.



Is that it?

IN SHORT, NO. WHAT HAPPENS NEXT?

Despite its intentions to fast-track the adoption of some parts of its Omnibus proposal, the European Commission has now to transmit it to the European Parliament and to the Council of the EU. Both co-legislating institutions will debate and amend the proposals, in view of reaching an agreement on the final text.

While timings and procedural milestones remain uncertain, one certainty is that the Commission's proposals will spark vivid debate in the European Parliament and among Member States – a polarisation that rarely reconciles itself with speedy institutional procedures.

One key question remaining is whether the Parliament will limit its ability to amend legislation to the specific changes that the Commission proposed, or whether its Members will try to imprint wider changes to the Directives that were not originally considered in the Omnibus proposal.

Another question mark will be around the effect of these proposals on the rest of the legislature. As the first meaningful legislative proposal put forward by the second von der Leyen Commission, does the Omnibus proposal confirm the prevalence of competitiveness and economic efficiencies over sustainability principles? Do changes to very recent legislation allow for regulatory stability?

These are all questions that only time will tell. One thing is clear: the Omnibus proposal will bring significant changes for companies. Taking proactive steps now will ensure you stay informed and prepared. **In the meantime, our consultants are here to support you at every stage, from [policy guidance](#), to [reporting](#), to [activating your sustainability communications](#) across all channels.**

GET IN TOUCH WITH OUR EXPERTS



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