The European Commission's First Omnibus - Key Proposed Changes to the CSRD

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Background

This publication provides a 'snapshot' of sustainability reporting developments with a focus on the first Omnibus package of proposals published by the European Commission (EC) on 26 February 2025 with the aim to simplify and streamline reporting requirements of the Corporate Sustainability Reporting Directive (CSRD or the Directive), the EU Taxonomy regulation, and Corporate Sustainability Due Diligence Directive (CSDDD) while maintaining transparency and compliance that is consistent with the European Green Deal. The proposals include changes to the scope, timing of adoption and simplifications of the CSRD, EU Taxonomy and CSDDD. The proposals have been published in two draft directives - more about this later in this publication.

Ahead of the release of the first Omnibus package of proposals, in January 2025, the EC published its Competitiveness Compass for the EU, outlining plans to strengthen EU competitiveness and prosperity over the next five years. Key elements included simplifying regulations and reducing reporting burdens, with targets to cut administrative burdens by at least 25% for all companies and by at least 35% for small and medium sized entities (SMEs) through the Omnibus Package.

EXECUTIVE SUMMARY

Key changes proposed in the Omnibus package include narrowing the scope of the CSRD to large EU undertakings with over 1000 employees and non-EU undertakings generating more than EUR 450 million in turnover within the EU, postponing the application of reporting requirements by two years for certain companies, simplifying the European Sustainability Reporting Standards (ESRS), eliminating sector-specific reporting standards, and introducing a Voluntary SME (VSME) standard to protect smaller undertakings from excessive sustainability information requests. Additionally, the EC proposes to eliminate the transition from limited to reasonable assurance and plans to issue targeted assurance guidelines by 2026.

Proposed changes in scope

The Omnibus Package introduces substantial modifications to the scope of the CSRD. Consequently, many companies will no longer be obligated to comply with the CSRD. Instead, as shown in the table below, the Directive will only apply to large EU undertakings with over 1000 employees and non-EU undertakings generating more than EUR 450 million in turnover within the EU. These adjustments will reduce the number of companies within the scope by approximately 80%, thereby aligning the CSRD more closely with the CSDDD and ensuring consistency between the two pieces of legislation. Furthermore, companies that fall outside the mandatory reporting requirements will have the option to voluntarily publish a sustainability report based on a revised version of the Voluntary SME (VSME) standard.

CURRENT CSRD	OMNIBUS PROPOSAL
▶ Companies listed on an EU regulated market, both EU and non-EU (except for micro entities[1]). ▶ All large companies, defined as those meeting two out of the following three criteria: • More than **250** employees AND either: • More than EUR 50m turnover; or • More than EUR 25m total assets. This includes subsidiaries of non-EU groups. ▶ Insurance undertakings and credit institutions regardless of their legal form (except for micro entities[1]). ▶ Non-EU groups which generate more than **EUR 150m** turnover in the EU for each of the last two consecutive financial years and which have a subsidiary or branch in the EU (if a subsidiary, either a large – as defined above – or a small or medium size public interest entity (excluding micro entities[1]) and, if a branch, one which generates more than **EUR 40m** turnover in the preceding financial year).	▶ Companies listed on an EU regulated market, both EU and non-EU (except for micro entities[1]). ▶ All large companies, defined as those meeting two out of the following three criteria: • More than **1,000** employees; AND either: • More than EUR 50 million turnover; or • More than EUR 25 million total assets. This includes subsidiaries of non-EU groups. ▶ Insurance undertakings and credit institutions regardless of their legal form (except for micro entities[1]). ▶ Non-EU groups which generate more than **EUR 450m** turnover in the EU for each of the last two consecutive financial years and which have a subsidiary or branch in the EU (if a subsidiary, either a large – meet two of the following: more than 250 employees and, more than EUR 50m turnover or more than EUR 25m total assets in the EU and, if a branch, one which generates more than **EUR 50m** turnover in the preceding financial year).

[1] Micro entities are those which do not exceed two of the following three thresholds: EUR 900,000 turnover, EUR 450,000 total assets, 10 employees.

Proposed changes in timing

The current timing according to the existing reporting requirements of the CSRD is phased in four waves as the following:

Wave One (Year ending 31 December 2024, report in 2025):	▶ Large public interest entity (PIE), defined as companies and parent companies of large group that are listed on an EU regulated market, both EU and non-EU exceeding: • 500 employees; and • EUR 25m total assets; or • EUR 50m net turnover. ▶ Large insurance entity and credit institutions regardless of legal form with more than 500 employees.
Wave Two (Year ending 31 December 2025, report in 2026):	▶ All other large entities[2] defined as those meeting two out of the following three criteria: • More than **250** employees; AND either: • More than EUR 50m turnover; or • More than EUR 25m total assets. This includes subsidiaries of non-EU groups.
Wave Three (Year ending 31 December 2026, report in 2027):	▶ SMEs listed on EU regulated market (possibility to opt out of reporting for financial years 2026 and 2027). ▶ Small and non-complex credit institutions (that are large or listed SMEs). ▶ Captive insurance and reinsurance companies (that are large or listed SMEs).
Wave Four (Year ending 31 December 2028, report in 2029):	▶ Certain non-EU companies that have business in the EU exceeding • EUR 150m turnover for each of the last two consecutive financial years; and • Large subsidiary – meet two of the following: more than 250 employees and, more than EUR 50m turnover or more than EUR 25m total assets in the EU or small or medium size public interest entity (excluding micro entities[1]); or • EU branch exceeding EUR 40m turnover in the preceding financial year.

The 'stop the clock' directive, which is one of the two directives proposed by the Omnibus Package, makes significant changes by postponing the application of all reporting requirements in the CSRD by two years for Wave Two and Wave Three companies that are due to report in 2026 and 2027, respectively. This is to prevent undertakings from coming into scope based on current requirements and then falling out of scope again due to the subsequent changes in thresholds, having already incurred costs to prepare a sustainability report.

[1] Micro entities are those which do not exceed two of the following three thresholds: EUR 900,000 turnover, EUR 450,000 total assets, 10 employees.

[2] Entity means a large stand-alone undertaking or a parent company of a large group.

Proposed key amendments and simplifications to the ESRS

According to the 'content' directive, which is the second of the two directives proposed by the Omnibus Package, the EC will revise the first set of the European Sustainability Reporting Standards (ESRS) to simplify and reduce reporting requirements and enhance coherence with the sustainable finance framework. The aim is to adopt the revised ESRS Delegated Act within six months of the proposed CSRD amendments. The revisions are expected to:

- Reduce the number of ESRS data points by removing those deemed least important for general-purpose sustainability reporting.
- Clarify requirements considered unclear and improve consistency with EU legislation.
- Provide clearer guidance on applying the materiality principle.
- Enhance interoperability with global standards.
- Reduce the reporting burden for all undertakings and help alleviate the trickle-down effect on SMEs and smaller large companies outside the scope of the CSRD.

	CURRENT CSRD	OMNIBUS PROPOSAL
Reporting standard	Full agnostic ESRS	Simplified ESRS (fewer data points)

Proposed key changes to the sector-specific standards

The CSRD currently requires sector-specific reporting standards to be developed and implemented to enhance comparability and provide guidance on sustainability matters within specific sectors. However, due to concerns about increased disclosure requirements and additional reporting burdens, the EC is now proposing to eliminate this mandate. This change will allow undertakings to focus on implementing the sector-agnostic ESRS and refer to existing sector-based international standards for additional guidance.

	CURRENT CSRD	OMNIBUS PROPOSAL
Sector-specific standards	Yes	No

Proposed key amendments and simplifications to the CSRD value-chain cap

Currently, SMEs, except for listed SMEs, are not within the scope of the CSRD. However, in practice, many SMEs face sustainability information requests when they are part of the value chain of companies that fall with the scope of the CSRD.

The current CSRD aims to protect smaller undertakings in supply chains from excessive reporting demands through a value-chain cap. This is achieved by ensuring that the ESRS does not include reporting requirements that would require undertakings to request more value chain information from SMEs than what is mandated to be disclosed by the listed SMEs (LSME) standard.

At the request of the EC, EFRAG has submitted a Voluntary SME (VSME) standard for voluntary use by SMEs that are not within the scope of the CSRD. According to the new proposals, the VSME standard will replace the LSME standard as the value-chain cap. This change is intended to protect undertakings with fewer than 1000 employees from excessive sustainability information requests.

	CURRENT CSRD	OMNIBUS PROPOSAL
Value-chain cap	Broad information requests	Restricted information requests (VSME)

Proposed key changes to the CSRD assurance requirements

The CSRD currently requires that undertakings publish sustainability information together with the opinion of a statutory auditor or, depending on Member State options, an independent assurance service provider. In the 'content' directive of the Omnibus Package, the EC proposes significant changes to streamline this process.

Firstly, the Commission suggests eliminating the option to transition from limited to reasonable assurance. Additionally, rather than developing a comprehensive assurance standard, the Commission plans to issue targeted assurance guidelines by 2026.

	CURRENT CSRD	OMNIBUS PROPOSAL
Assurance	Yes (limited assurance now; reasonable assurance in the future)	Yes (only limited assurance)

Current status

The 'stop-the-clock' directive of the Omnibus package

The 'stop-the-clock' directive of the Omnibus package focusing on postponing the application timelines of key sustainability directives, has been adopted by both the European Parliament and the Council of the EU. It has been published in the EU Official Journal on 16 April 2025, and entered into force the following day.

As a result, the application of the CSRD for Wave Two and Wave Three of in-scope companies is delayed by two years. Wave Two will now require companies to start reporting in accordance with the CSRD in 2028 for the financial year 2027 and Wave Three will now require companies to start reporting in accordance with the CSRD in 2029 for the financial year 2028. EU Member States must transpose these 'stop the clock' amendments into their national legislation by 31 December 2025.

The 'content' directive of the Omnibus package

The Council of the EU made the first draft of its position on the 'content' directive of the Omnibus package available in the Presidency compromise text for the meeting on 25 April 2025. Discussions are ongoing.

Next steps

The next step in the legislative process is in relation to the 'content' directive: when both the European Parliament and the Council of the EU have adopted their positions, they will enter into negotiations often in a 'trilogue' format involving officials from the EC to reach a common agreement on the final text. If a common agreement is reached, the agreed text is then formally adopted by both the European Parliament and the Council of the EU. Once adopted, the legislative act will be published in the Official Journal of the European Union and will enter into force. The entire process is expected to be potentially finalised in late 2025 or early 2026.

The EC has outlined EFRAG's specific mandate regarding the simplification of the ESRS. EFRAG is required to deliver its technical advice by 31 October 2025. Based on this deadline, EFRAG has planned an internal timeline and steps to ensure the timely delivery of the revised draft ESRS to the EC.

The European Commission aims to adopt the revised ESRS within six months after the 'content' directive is published in the Official Journal of the EU.

BDO Insight

It is important to note that the CSRD has already been transposed into national law in several European member states, though not all. Some EU member states that have transposed the CSRD are now making changes to their national legislation, such as amending the effective date. Therefore, understanding the existing legal position and the implications of the Omnibus package in different EU member states and the European Economic Area (EEA) is crucial.

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FOR MORE INFORMATION:

Sustainability Reporting Policy Committee