



A BDO Legal Guide to the

European Commission's Omnibus



#Sustainability

Contents

INTRODUCTION	04
BACKGROUND	05
SIMPLIFICATION OF ESG LEGISLATION	05
PROPOSED CHANGES TO THE CSRD	06
PROPOSED CHANGES TO THE EU TAXONOMY	08
PROPOSED CHANGES TO THE CSDDD	10
WHAT'S NEXT?	12
HOW WE CAN ASSIST	12
WHO CAN YOU CONTACT	13

The EC work plan for 2025 aims to reinforce the competitiveness of the European economy.

INTRODUCTION

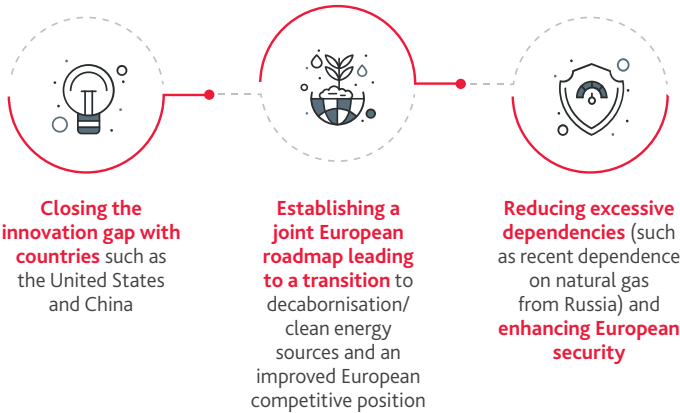
On 29 January, the European Commission ("EC") presented the so-called EU Competitive Compass ("Compass") for the EU. Part of this Compass is a proposal to simplify and streamline its ESG regulations through so-called Omnibus Simplification Packages ("Omnibus" or "Omnibus package"). The first two Omnibus packages were released by the EC on 26 February 2025, unveiling further details about the potential impacts on the Sustainability Reporting Directive ("CSRD"), the EU Taxonomy and the Corporate Sustainability Due Diligence Directive ("CSDDD"). In this Whitepaper we outline the background of the Compass, the Omnibus and the key implications for the CSRD, the EU Taxonomy and the CSDDD. Furthermore, we provide more information on the European legislative process and how we as BDO Legal can assist.

The EC released the first two Omnibus packages on 26 February, detailing potential impacts on the CSRD, EU Taxonomy, and CSDDD.

BACKGROUND

Both the Compass and the Omnibus are part of the EC work plan for 2025 that aims to reinforce the competitiveness of the European economy.

To achieve this goal, the Compass focuses on three action areas aimed at:



These three pillars are complemented by five horizontal enablers that the EC deems necessary to "reinforce competitiveness across all sectors". One of these horizontal enablers is 'simplification'.

Through simplification the EC aims to reduce compliance costs and administrative burdens for companies.

SIMPLIFICATION OF ESG LEGISLATION

The Omnibus include plans to streamline and simplify legal requirements related to sustainability reporting, sustainability due diligence and taxonomy. This includes, amongst other, the CSRD, the CSDDD and the EU Taxonomy. Through simplification, the EC aims to reduce administrative burdens for all companies by at least 25%. A reduction of at least 35% is targeted for SMEs. Additionally, a new category will be proposed for companies larger than SMEs but smaller than large enterprises, the so-called "small mid-caps". Companies in this new category are expected to benefit from a simplification of "in the same spirit as SME's". It is important to note that the proposal of the EC of 26 February 2025 are the first and second of three announced Omnibus simplification packages that the EC is expected to propose in the course of Q1 and Q2 of 2025.

The specific threshold amounts for aforementioned small mid-caps are expected to be part of the third Omnibus simplification package.



PROPOSED CHANGES TO THE CSRD

Some key changes proposed by the EC related to the CSRD (2022/2464) are:

• **Less companies in scope.** This specifically means that companies will only fall within the scope of the CSRD if that company has:

- more than 1000 employees; and
- has more than 50 million euro turnover; or
- a balance sheet of more than 25 million euro.

In all cases the company must have more than 1000 employees. In addition, one of the two remaining criteria must be met.

• **Postponement of 2 years of the obligation to prepare a sustainability report** for companies that are required to report for the first time over financial year 2025 (publication in 2026). Meaning the obligation to prepare a sustainability report will apply for the first time for these companies for financial year 2027 (publication in 2028).

• **To adopt the voluntary sustainability standards** as a delegated act. These voluntary standards will be based on the voluntary SME standards ("VSME") developed by the EFRAG.

- These standards will also form the basis for information requests in the value chain. In this way, the EC aims to limit the amount of information request in the value chain for companies that are not in scope of the CSRD.
- The EC intends to issue a recommendation on voluntary sustainability reporting as soon as possible, based on aforementioned VSME standard.

• **Not issuing sector-specific standards.**

• **Removal of the possibility of moving from a requirement** for limited assurance to a requirement for reasonable assurance. Additionally, the commission will issue targeted assurance guidelines by 2026.

• **Revision of the first set of ESRS.** The revision will reduce the number of datapoints. The materiality assessment stays mandatory. However, the revision will provide clearer instructions on this.

• **Increasing the net turnover threshold** for the third-country undertakings that have business in the territory of the European Union from 150 million euro generated in the EU to 450 million euro and increasing the net turnover threshold for a branch from 40 million euro to 50 million euro.

The Omnibus may have implications for companies falling within the scope of the CSRD, the CSDDD and the EU Taxonomy.



PROPOSED CHANGES TO THE EU TAXONOMY

With regard to the EU Taxonomy Directive (2020/852/EU) and the CSRD, the EC proposes:

- **Introducing an "opt-in" for large undertakings with more than 1000 employees** and with a net turnover not exceeding 450 million euro who claim that their activities are aligned or partially aligned with the EU Taxonomy Directive shall disclose their turnover and CapEx KPI's and may choose to disclose their OpEx KPI's. In addition, these undertakings have the flexibility to report on activities that meet certain Taxonomy technical screening criteria without meeting all of them.

- **In addition, amendments to the framework of Taxonomy Regulation are proposed.** This includes amendments to the Taxonomy Disclosure Delegated Act, Climate Delegated Act, and the Taxonomy Environmental Delegated Act. These amendments are part of a draft Delegated Act (DDA) that is open for feedback (until 26 March 2025, midnight Brussels time). The amendments to the DDA ("DDA") are, according to the EC, intended to ensure that:

It is permissible not to assess compliance with the EU taxonomy of activities that are not financially material for a company's business. As a general rule, lack of materiality will be assumed if the cumulative value of activities is below 10% (the so called 10% de minimis threshold).

- This rule would allow certain financial undertakings subject to several KPIs, such as credit institutions, not to report certain KPIs capturing activities that are not material for their business.
- Non-financial undertakings will be allowed not to report on alignment of operational expenditure if the cumulative turnover of their eligible activities does not exceed 25% of their total turnover.

To exclude the exposures of financial institutions to undertakings -other than large undertakings- that, on their balance sheet dates, exceed an average of 1000 employees during the financial year from the denominator of the applicable KPIs until the Commission's review of the Disclosures Delegated Act is finalised.

- To postpone the Trading Book KPI and Fees and Commission KPI for certain financial institutions until 2027.

The general reporting templates are significantly shortened and simplified. The specific reporting templates relating to performance and exposures to fossil gas and nuclear activities are significantly reduced and focused on elements that are not duplicative with the general reporting templates.

- For non-financial undertakings, the DDA introduces one static template for summary information, which will merge in one template instead of three, the summary KPIs presented according to current rules in "per activity information".
- For Taxonomy-aligned activities, the DDA introduces the reporting of one activity per row.

As BDO Legal we assist companies in staying up-to-date with laws and regulations, including ESG requirements.



PROPOSED CHANGES TO THE CSDDD

Subsequently, a number of significant changes proposed by the EC related to the CSDDD (2024/1760/EU) are:

- **Expanding the scope of maximum harmonisation.** This includes in particular the identification duty, to address adverse impacts that have been or should have been identified, and the duty to provide for a complaints and notification mechanism.
- **Targeting due diligence to direct business partners.** The due diligence measures will, as a general rule, be limited to the companies' own operations, and those of their direct business partners. An in-depth assessment at the level of direct business partners is required.
- **Information requests in the value chain will be limited** in the same way as mentioned above in the CSRD.
- **Removing the duty to terminate the business relationship** as a measure of last resort.
- **Removing the "minimum cap" for fines.** EU member states are prohibited for setting a fines cap that would prevent supervisory authorities from imposing penalties under certain circumstances.
 - The proposal deletes the requirements for the fine to be commensurate to the company's net worldwide turnover.
- **Removing aspects of the civil liability clause and the rules regarding representative actions.** The proposal maintains the requirements for effective access to justice, including the right to full compensation in case a company is held liable for a failure to comply with the due diligence requirements under the CSDDD in accordance with national law and where such failure caused damage, while also protecting companies from over-compensation.
- **Changing the provisions of the implementation of climate transition plans.** The proposal introduces a modification regarding the requirement to put into effect the transition plan for climate change mitigation. The plan should include implementation actions planned and taken.
 - The adoption of the plan and its initial and updated design remains subject to administrative supervision.
- **Deleting the review clause regarding financial services.** The EC is required to submit "no later than 26 July 2026" a report to the European Parliament and to the Council on the necessity of laying down additional sustainability due diligence requirements tailored to regulate due diligence for financial undertakings. It is proposed to delete this review clause as it does not leave any time to take into account the experience with the due diligence framework.
- **Bringing forward the adoption of the first set** of (general) implementing guidelines by the European Commission to 26 July 2026.
- **Postponing the CSDDD for the first group of companies that should comply with the CSDDD with one year** (to 26 July 2028).
- **Reducing the required frequency of assessing** the adequacy and effectiveness of due diligence measures from one year to five years.
- **Clarifying and targeting the scope of stakeholder management** by limiting it to workers and their representatives, and to individuals and communities whose rights or interest are (in case of actual adverse impacts) or could be (in case of potential adverse impacts) "directly" affected by the products, services and operations of the company, its subsidiaries and its business partners.

What's next?

The EC is responsible for drawing up and submitting proposals for new European legislation. The European Parliament still needs to debate the proposal and may suggest amendments. Subsequently, agreement must be reached between the European Parliament and the European Council. Therefore, it is currently unclear when simplification will actually be implemented if at all (although changes are expected). The publication of the first two Omnibus packages is therefore just the starting signal of the European legislative process for the proposals included therein.

It is important to note that the CSRD has already been implemented into the national law of several European member states. Therefore, it is important to assess whether and, if so, what the implication of the Omnibus are in the different EU member states / in the European Economic Area ("EEA") . **This is especially relevant when a company has multiple subsidiaries within the scope of the CSRD in different member states/in the EEA.**



How we can assist

The Omnibus may have implications for companies falling within the scope of the CSRD, the CSDDD and the EU Taxonomy. As the first proposal marks the beginning of the European legislative process and with another Omnibus packages to follow, it is important to monitor the European developments closely. **As BDO Legal we assist companies in staying up-to-date with laws and regulations** (across multiple jurisdictions), **including ESG requirements**. This helps you stay well-informed, adapt quickly to changes, and remain compliant.

Want to know more or need assistance? Feel free to contact us.



Who can you contact?



Author

MARINKA VAN FALIER
BDO Legal | Netherlands

marinka.van.falier@bdo.nl



Author

LEEN LEFEVRE
BDO Legal | Belgium

leen.lefevere@bdo.be



IGOR VONDŘÁŠEK
BDO Legal | Czech Republic

igor.vondrasek@bdolegal.cz



EMILIE DUCORPS
BDO Legal | France

emilie.ducorpsprouvost@avocats-bdo.fr



MARCEL FRICKE
BDO Legal | Germany

marcel.fricke@bdolegal.de



PETER CSABA
BDO Legal | Hungary

csaba.peter@bdolegal.hu



CAMILLI ROBERTO
BDO Legal | Italy

roberto.camilli@bdo.it



RAIVIS LEIMANIS
BDO Legal | Latvia

raivis.leimanis@bdo.lv



OYVIND HARTVIGSEN
BDO Legal | Norway

oyvind.hartvigsen@bdo.no



ROXANA TUDOR
BDO Legal | Romania

roxana.tudor@tudor-andrei.ro



PAVEL POLIAK
BDO Legal | Slovakia

poliak@bdoslovakia.com



PABLO GARCÍA-MANZANO
BDO Legal | Spain

pablo.garcia-manzano@bdo.es



NICOLAS DUC
BDO Legal | Switzerland

nicolas.duc@bdo.ch

FOR MORE INFORMATION:



CAROLINE MACDONALD
COORDINATOR | LEGAL SERVICES
BDO GLOBAL OFFICE

+34 686 339 922

caroline.macdonald@bdo.global

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