

# EU Omnibus and the CSRD – Ten burning questions on the Commission’s proposals

MARCH 7, 2025

The European Commission formally adopted its proposals for amending the Corporate Sustainability Reporting Directive (“**CSRD**”) in late February 2025, as part of its highly anticipated sustainability Omnibus package. In this bulletin, we explore ten key questions on the Commission’s proposals to: (i) initially postpone the dates from which CSRD reporting requirements apply (the “**Postponement Proposal**”); and (ii) amend the substance of the CSRD (the “**Substantive Proposal**”).

The Commission’s proposals are now being examined by the Parliament and the Council, who may make (potentially significant) changes before passing an agreed version of the proposals into EU law to amend the CSRD. Without prejudice to this important caveat, this bulletin explores the implications of the Commission’s proposals.

The questions we explore in this bulletin are:

1. What legal impact do the Commission’s proposals have for CSRD reporting?
2. How might the Commission’s proposals change the timings for CSRD reporting?
3. What are the key proposed changes to the substance of the CSRD?
4. What changes to the European Sustainability Reporting Standards (“**ESRS**”) can we expect?
5. What are the key proposed changes to Taxonomy reporting requirements?
6. What are the next steps in the legislative process for amending the CSRD, and when can we expect the law to change?
7. What should wave 1 entities be particularly mindful of?
8. What should wave 2 and wave 3 entities be particularly mindful of, and why might the Postponement Proposal be a red herring?
9. How might non-EU groups and non-EU undertakings be impacted?
10. Can we really expect a simplification in CSRD reporting?

The sustainability Omnibus package also included other proposals which are not the focus of this bulletin – notably, Level 1 amendments to the Corporate Sustainability Due Diligence Directive (“**CSDDD**”) and the Carbon Border Adjustment Mechanism (“**CBAM**”) Regulation as well as amendments to Delegated Acts of the Taxonomy Regulation. For background context of what’s driving the Omnibus, see our January 2025 publication.<sup>1</sup>

<sup>1</sup> <https://www.aoshearman.com/en/insights/eu-simplification-revolution-and-the-omnibus-15-jan-2025>

# 1. What legal impact do the Commission’s proposals have for CSRD reporting?

The Commission’s proposals do not have any immediate legal impact on the CSRD or the first set of ESRS. However, the proposals reflect the Commission’s intended direction of travel for regulating sustainability reporting and will therefore appropriately influence how entities approach CSRD compliance even now.

Entities must continue to abide by the national laws that have already transposed the CSRD. In view of the likely significant Omnibus amendments to the CSRD, the Commission is likely to be more circumspect in progressing the formal actions that it initiated last year against Member States that failed to fully transpose the CSRD in time.

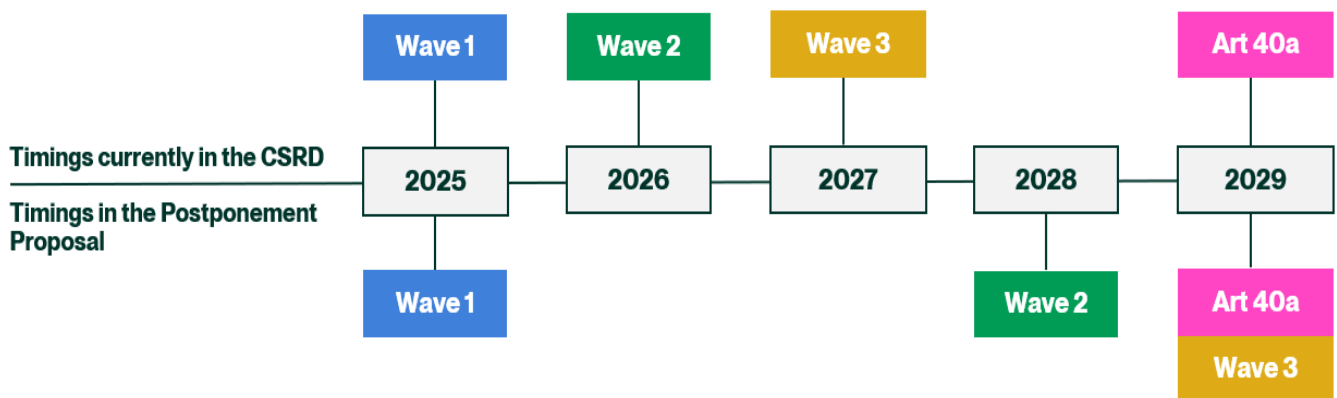
# 2. How might the Commission’s proposals change the timings for CSRD reporting?

The Postponement Proposal prescribes an initial delay of reporting obligations by two years, except in respect of:

- wave 1 entities (including issuers caught by the Transparency Directive), which are currently required to report under Articles 19a and 29a at individual/group level starting in **2025** (for FY starting on/after 1 Jan 2024); and
- non-EU ultimate parent undertakings of EU subsidiaries/branches which are currently required to report under Article 40a starting in **2029** (for FY starting on/after 1 Jan 2028).

Crucially, as explained in sections 7 and 8 of this bulletin, the ultimate timing impact on CSRD reporting is presently unclear. The lack of clarity stems from the scoping and timing changes found in the Substantive Proposal, which pose particular challenges for wave 1 and wave 2 entities.

The following diagram illustrates the reporting timelines envisaged by the Postponement Proposal:



### 3. What are the key proposed changes to the substance of CSRD?

**Exclude c. 80% of undertakings that are currently in scope:**

REPORTING UNDER	CURRENT CSRD SCOPE (BROADLY)	COMMISSION'S PROPOSED CHANGES
Article 19a	<ul style="list-style-type: none"> <li>Large undertakings (i.e. meeting certain conditions such as an employee count exceeding 250).</li> <li>Small and medium-sized undertakings which are public interest entities.</li> </ul>	<ul style="list-style-type: none"> <li>Employee count threshold to rise from 250 to 1000.</li> <li>Small and medium-sized undertakings to be removed from scope.</li> </ul>
Article 29a	Parent undertakings of a large group (i.e. meeting certain conditions such as an employee count exceeding 250).	Employee count threshold to rise from 250 to 1000.
Article 40a	<ul style="list-style-type: none"> <li>Large subsidiaries, and small and medium-sized subsidiaries which are public interest entities, which have a non-EU ultimate parent undertaking whose EU turnover exceeds EUR 150m.</li> <li>EU branches (whose turnover exceed EUR 40m) of: (i) a non-EU undertaking which is not part of a group and has EU turnover exceeding EUR 150m; or (ii) a non-EU undertaking which is ultimately held by a non-EU undertaking with turnover at group level exceeding EUR 150m.</li> </ul>	<ul style="list-style-type: none"> <li>EU turnover thresholds to rise from EUR 150m to EUR 450m.</li> <li>Small and medium-sized undertakings to be removed from scope.</li> <li>Turnover threshold for EU branches to rise from EUR 40m to EUR 50m.</li> </ul>

**Reduce the volume of reportable data points:**

The Substantive Proposal forgoes the adoption of new sector-specific standards and provides that all sustainability reporting standards (including the first set of ESRS) shall not include disclosures that would require reporting entities to breach the “value chain cap” described below. Commission has also indicated its intent to substantially slash the number of reportable data points in the ESRS Delegated Act (see section 4 of this bulletin).

**Introduce a “value chain cap”:**

The CSRD currently requires reporting of “*information about the undertaking’s own operations and about its value chain*”. However, the Substantive Proposal prescribes that an entity reporting under Articles 19a and 29a must not ask certain value chain actors (i.e. those that “do not exceed the average number of 1000 employees during the financial year”) for information that exceeds the new voluntary sustainability reporting standards (the “**Voluntary Standards**”, which the Commission intends to introduce swiftly by way of Delegated Act– see section 6 below for timings).

This “value chain cap” is intended to minimize the “trickle-down effect” (i.e. transfer of reporting burdens to value chain actors) and alleviate some of the burdens associated with obtaining information about value chains. How well this “value chain cap” will operate alongside the similar cap proposed for chain of activity due diligence under the CSDDD bears further examination.

It also remains to be seen if the Parliament and Council will, for instance, extend the “value chain cap” to Article 40a reporting to avoid inconsistencies with the approach to artificial consolidated sustainability reporting pursuant to Article 48i.

## Draw the line at limited assurance:

The Commission will no longer be empowered to move from a requirement for 'limited assurance' to a standard of 'reasonable assurance'. It will still adopt limited assurance standards (but the original adoption deadline of October 1, 2026 will no longer apply). Before adopting the limited assurance standards by Delegated Act, the Commission intends to issue targeted assurance guidelines by 2026 to clarify the procedures that assurance providers are to perform.

## 4. What changes to the first set of ESRS can we expect?

At present, the ESRS Delegated Act (which entered into force in December 2023) includes 161 data points that are mandatory irrespective of the materiality assessment, a further 622 data points that are subject to the materiality assessment, additional data points which are to be reported in certain circumstances, and 269 voluntary data points marked as 'may disclose' (source: EFRAG).

In the accompanying materials to the Substantive Proposal, the Commission stated an intent to revise the ESRS Delegated Act to, amongst other things, "*substantially reduce the number of ESRS data points*". The revised general ESRS should become available by the end of 2027 for use in 2028 (see the flowchart in section 6 below).

Changes anticipated to apply from 2028 include: (i) removing data points that are deemed least important; (ii) improving consistency with other pieces of EU legislation; (iii) incorporating the "value chain cap", which will reduce/simplify the requests that reporting entities can make of certain value chain actors; (iv) simplifying the structure and presentation of the standards; and (v) clarifying provisions that are deemed to be unclear and make "*any other modifications that may be considered necessary considering the experience of the first application of the ESRS*".

Notably, the Commission has indicated that it will provide clearer instructions on how to apply the materiality principle. In the meantime, the ambiguity surrounding the double materiality assessment places entities at risk of pouring excessive resources into the process to discern what impacts, risks and opportunities to report. If entities end up disclosing unnecessary information, the comparability and usability of reports will, unfortunately, be hindered.

The Commission's revisions to the ESRS Delegated Act will enter into force if the Commission and Parliament have expressed no objection (in a process that is separate from the ordinary legislative process for amending the CSRD).

Until then, entities which are required to report prior to 2028 must use the existing ESRS and should consider how to build in flexibility to adapt to future changes.

## 5. What are the key proposed changes to Taxonomy reporting requirements?

Presently, an undertaking which is obliged to publish non-financial information pursuant to Articles 19a or 29a is required to report, under Article 8 of the Taxonomy Regulation, on how and to what extent its activities are associated with economic activities that qualify as "environmentally sustainable". To qualify as "environmentally sustainable", the activity must meet specific requirements, including technical screening criteria which many find challenging to meet.

To alleviate the reporting burden, the Substantive Proposal provides that undertakings and parent undertakings that are in scope of Articles 19a and 29a whose net turnover figures do not exceed EUR 450m should no longer be subject to mandatory taxonomy reporting requirements under Article 8 of the Taxonomy Regulation.

If those undertakings choose to voluntarily report, the Substantive Proposal provides that they will be able to report on activities that fulfil only some of the “environmentally sustainable” requirements – this is intended to encourage Taxonomy reporting that is increasingly useful for scaling transition finance.

For the largest undertakings that remain subject to mandatory taxonomy reporting requirements (i.e. those whose net turnover exceed EUR 450m), the Commission has not proposed to offer the option of reporting on partial Taxonomy-alignment.

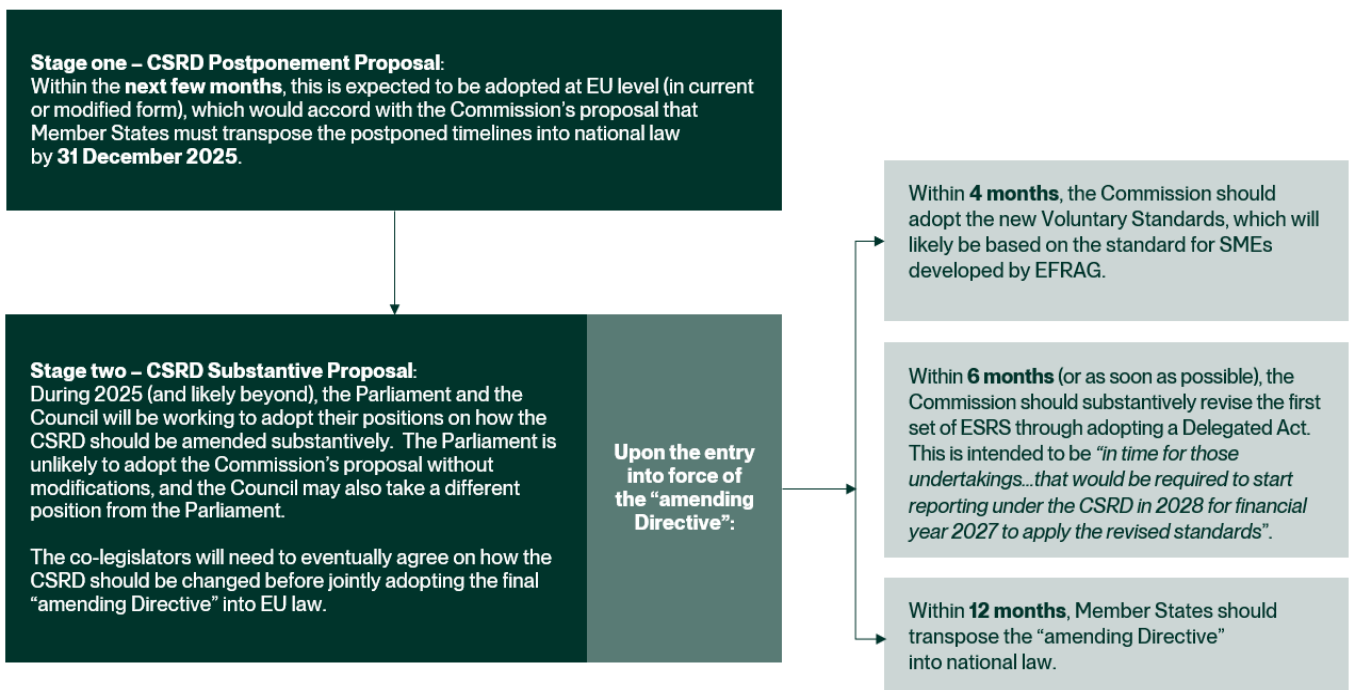
However, several amendments to the Disclosures Delegated Act, the Climate Delegated Act and the Environmental Delegated Act are expected to apply from January 1, 2026, subject to public consultation. The changes proposed in the consultation (which closes on March 26, 2025) include: the introduction of de minimis thresholds; simplification of reporting templates; and postponement of application of KPIs deemed to have limited relevance and decision-usefulness.

## 6. What are the next steps in the legislative process for amending the CSRD, and when can we expect the law to change?

The Commission’s proposed changes to the CSRD are not set in stone, in that they are likely to be amended by the Parliament and Council under the “ordinary legislative procedure”. As explained in the flowchart below, this will entail the Parliament and Council working to agree on a legislative text that they will ultimately adopt jointly.

Based on the Parliament’s statistics, the ordinary legislative procedure has taken on average **c.19 months** to complete, but the Parliament and Council have been called by the Commission to “*treat this omnibus package with priority, in particular the proposal postponing certain disclosure requirements under the CSRD and the transposition deadline under CSDDD*”.<sup>2</sup>

Presently, the proposed changes are expected to be rolled out in the two stages described below. However, in the proposals’ present form, this split would exacerbate complications and uncertainties for businesses (as explained further in sections 7 and 8 of this bulletin).



<sup>2</sup> By way of comparison, the relatively isolated amendments to the EU Deforestation Regulation last year entered into force within three months of the Commission’s proposal.

## 7. What should wave 1 entities be particularly mindful of?

The sequencing of the Postponement Proposal and the Substantive Proposal puts wave 1 entities (including issuers caught by the Transparency Directive) in a tricky position.

- The Postponement Proposal does not include amendments to the wave 1 reporting timeline, so wave 1 entities continue to have to report under Articles 19a and 29a at individual/group level this year.
- However, depending on when the Substantive Proposal enters into force, there may (oddly) be no requirement for wave 1 entities to report in 2026 and 2027. This is seeing as the Substantive Proposal, on its face, provides that reporting obligations will commence in 2028 (Articles 19a and 29a) and 2029 (Article 40a).
- The most disadvantaged entities in wave 1 would appear to be those entities with 501-1000 employees who will have reported in wave 1 but will (under the Substantive Proposal) no longer be in scope for reporting in 2028 and beyond.

Wave 1 entities will want to seek clarity and adopt a pragmatic approach to reporting this year (and in 2026 and 2027, if applicable) in view of anticipated changes in substantive reporting obligations – especially the “value chain cap” and the revisions to the first set of ESRS.

Entities seeking to undertake artificial consolidated sustainability reporting in accordance with the transitional provisions in Article 48i should weigh up the pros and cons of doing so, in view of upcoming amendments to the CSRD.

## 8. What should wave 2 and wave 3 entities be particularly mindful of, and why might the Postponement Proposal be a red herring?

If the Postponement Proposal gets transposed into national law by December 31, 2025, wave 2 entities will only need to report starting in 2028 (instead of 2026), wave 3 entities will only need to report starting in 2029 (instead of 2027) and Article 40a reporting will continue to commence in 2029.

However, for many entities (particularly those in wave 2 and wave 3, including issuers caught by the Transparency Directive), the Postponement Proposal is likely to be a red herring because it is expected to be superseded by the changes in scope and timelines under the Substantive Proposal.

Assuming that the Substantive Proposal gets fast-tracked without amendment, notable categories of entities that will no longer be in scope of CSRD *even before* their postponed reporting deadlines of 2028 and 2029 come around include: (i) large undertakings outside of wave 1 with 1000 or fewer employees; (ii) parent undertakings of a large group outside of wave 1 with 1000 or fewer employees; (iii) small and medium-sized undertakings which are public interest entities; and (iv) non-EU ultimate parent undertakings with EU turnover exceeding EUR 150m but not exceeding EUR 450m.

Were they to be excluded from scope before 2028, the other substantive changes to CSRD reporting (e.g. the revised ESRS, the new Voluntary Standards and the “value chain cap”) would become minimally relevant to them except if, for example, they choose to report voluntarily or are part of the value chain of an in-scope entity.

Having said that, wave 2 entities (and, to a lesser extent, wave 3 entities) need to consider how best to manage the possibility that the Postponement Proposal may fail to be transposed by December 31, 2025. Depending on the status of CSRD transposition in a given Member State, this could mean that wave 2 entities remain subject to obligations to report in 2026 (and wave 3 entities in 2027).



## 9. How might non-EU groups and non-EU undertakings be impacted?

It will be necessary for non-EU groups/undertakings to revisit their scoping analyses.<sup>3</sup> Pursuant to the Substantive Proposal, fewer non-EU groups/undertakings will fall within scope (the changes are described in section 3 above).

Notably, the Commission has, whether intentionally or otherwise, not increased the employee count thresholds for an EU subsidiary to bring its non-EU ultimate parent undertaking into scope of Article 40a reporting. This means that the non-EU group level reporting requirement can be triggered even if none of the EU subsidiaries are individually required to report under Art 19a.

Apart from scoping changes, the Commission's proposals do not otherwise prescribe significant amendments to the CSRD that are specific to non-EU reporting.

- The timeline for Article 40a reporting remains unchanged (i.e. set to commence in 2029 for FY starting on/after 1 Jan 2028).
- Contrary to some expectations, the Commission's proposals do not indicate that it will abandon creating new sustainability reporting standards for third-country undertakings.
- Neither has the Commission proposed a "value chain cap" for Article 40a reporting (although the cap would apply to Article 48i reporting, as noted in section 3 of this bulletin).

Non-EU groups/undertakings should keep a lookout for possible changes that the Parliament and Council may introduce to reduce their reporting burdens. The complexities described in sections 7 and 8 of this bulletin in respect of wave 1, wave 2 and wave 3 entities also apply to issuers (including non-EU issuers) caught by the Transparency Directive as amended by the CSRD.

## 10. Can we really expect a simplification in CSRD reporting?

It is still too early to tell. Since November 2024, rumors of the Commission's Omnibus proposals have stirred up significant uncertainty for businesses and other stakeholders (see our [January 2025 publication](#) for context). A protracted legislative process for amending the CSRD will prolong the uncertainties faced by entities that are in scope (not least those who may later find themselves no longer in scope).

In addition, the quest to improve the CSRD's links with other EU legislation has only just begun, starting with the CSDDD. Yet, inconsistencies and unanswered questions are already apparent in the Commission's proposals to amend the CSRD and the CSDDD (e.g. value chain reporting under the CSRD vs chain of activities due diligence under the CSDDD, and persistent conceptual difficulties such as the definition of "compatibility" with the ambition of limiting global warming to 1.5C in line with the Paris Agreement).

In the immediate term, the Commission clearly sees the drastic reduction in scope as low-hanging fruit: by excluding swathes of entities, some simplification of the regime is achieved in the sense of sparing more entities from having to grapple with the challenges of mandatory CSRD reporting.

As the demand for credible, comparable and consistent sustainability information continues to grow, the Voluntary Standards will be poised to play a pivotal role in encouraging voluntary reporting of decision-useful information for transition finance to be scaled to requisite levels.

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<sup>3</sup> The scoping exercise will be complicated by national transposition (e.g. in France, net turnover threshold is assessed in respect of the European Economic Area territory (not the EU) and the French concept of 'control' needs to be factored in to determine in-scope entities/branches).

## Find out more

Should you have questions on the EU Omnibus proposals, please get in touch with the authors or your global key contacts at A&O Shearman.

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