

Overview of the EU's Simplification Omnibus Package

28 February 2025

On 26 February 2025, the European Commission (the “Commission”) published its long-anticipated [Simplification Omnibus package](#) (the “Omnibus Package”). This contains proposals to simplify EU rules, boost competitiveness and unlock additional investment capacity. The Omnibus Package comprises:

- Amendments to the EU’s Corporate Sustainability Reporting Directive (“CSRD”) and Corporate Sustainability Due Diligence Directive (“CSDDD”). These changes are in two separate proposals: one to amend the corporate sustainability reporting and due diligence requirements in CSRD and CSDDD, and the other to postpone the application dates of CSRD and CSDDD;
- A draft proposal for a Delegated Act amending the EU Taxonomy Regulation (the “Taxonomy”), including by simplifying the Taxonomy’s three Delegated Acts; and
- Two separate proposals for a Regulation amending the EU’s Carbon Border Adjustment Regulation and the InvestEU Regulation.

The Omnibus Package aims to reduce administrative burdens by at least 25% for EU companies and at least 35% for small to medium enterprises (“SMEs”). This In Depth provides an overview of the most significant proposed changes to CSRD, CSDDD and the Taxonomy.

Next Steps

The Commission’s proposals will go through the EU legislative process, where they will be submitted to the European Parliament and the Council for consideration and adoption. The Commission’s proposals substantially reduce the scope of CSRD, include important changes to CSDDD and will likely be subject to extensive debate.

The Commission wishes to avoid the situation where companies come into scope of CSRD requirements, in accordance with existing law, and are then relieved of these

requirements if the proposed changes to CSRD are adopted. For this reason, in a separate proposal to the one amending the substantive requirements under CSRD and CSDDD, the Commission has proposed to postpone the application of CSRD by two years for companies due to first report in respect of their 2025 or 2026 financial years. The Commission expects that this separate proposal will be agreed and adopted quickly this year by the EU, and transposed by Member States by year end.

Transposition of CSRD in Member States

As well as having regard to the Commission's proposals, the position of a company in scope of CSRD also depends on the status of CSRD implementing law in its jurisdiction. Certain Member States have not yet implemented CSRD, including Luxembourg, Germany and the Netherlands. It is possible that those states will now pause their implementation processes, relieving all companies in those states from compliance, regardless of the status of the Commission's separate postponement proposal.

Proposed Changes to CSRD

Threshold

Unlisted EU companies are currently in scope of CSRD if they are "large undertakings" by fulfilling at least two of the following criteria: (i) more than 250 employees; (ii) net turnover exceeding €50 million; and (iii) balance sheet assets exceeding €25 million. Under the Omnibus Package, the scoping threshold for listed and unlisted companies will change to undertakings **with more than 1,000 employees** which exceed either the existing €50 million net turnover or €25 million balance sheet thresholds. As at present, the same thresholds will apply to parent undertakings on a consolidated basis. With the application of the employee test, the Commission estimates that around 80% of companies will no longer be in scope, taking some 35,000 of the 45,000 companies out of scope. From an asset manager's perspective, the amended test will take out of scope holding companies, special purpose vehicles holding real assets and securitization vehicles, because those entities do not generally have employees. However, where those vehicles have subsidiaries and determine their scoping on a consolidated basis, they may continue to be in scope.

CSRD currently requires in scope EU subsidiary undertakings to publish a sustainability report at the level of their non-EU parent undertaking, covering the worldwide group, from 2028, subject to the group as a whole generating net turnover in the EU of more than €150 million or, where the third country undertaking only has a branch in the EU,

the group generating net turnover in the EU of more than €150 million and the branch generating a net turnover of €40 million. Under the Omnibus Package, the threshold of aggregate EU turnover will be raised to €450 million and the turnover threshold for the branch will be raised to €50 million.¹

Listed Companies

Companies listed on EU-regulated markets are currently in scope of CSRD, with large undertakings with more than 500 employees coming into scope for 2024 financial years, and other large undertakings coming into scope, alongside unlisted companies, for 2025 financial years. Listed SMEs come into scope for 2026 financial years.

Under the Omnibus Package, a listed company is in scope only if it is a large undertaking with more than 1,000 employees, as above, meaning listed SMEs are out of scope. It is interesting to note that the Commission's proposal is out of line with steps in other jurisdictions to require all listed companies in the jurisdiction to report on their sustainability risks and opportunities under standards published by the International Sustainability Standards Board ("ISSB"). See our separate [Debevoise In Depth](#) on this topic.

The Commission is not proposing any relief for large listed or public interest companies that came into scope for 2024 financial years, because those companies are now preparing to publish their reports this year.

Introduction of Voluntary Reporting Standards

The Commission notes that more companies may now wish to report sustainability information on a voluntary basis. With that in mind, the Commission proposes to adopt voluntary reporting standards, based on the [existing proposed voluntary standards](#) for unlisted SMEs. In the short term, to address market demand, the Commission will publish a recommendation on these, prior to formally adopting the standards.

Changes to the Existing Reporting Standards

The European Sustainability Reporting Standards ("ESRS") are the standards for reporting under CSRD. Companies select the relevant reporting topics by performing a materiality assessment. The Commission accepts that the ESRS are overly detailed and intends to adopt a Delegated Act within six months of entry into force of its proposal to revise them. This will substantially reduce the number of mandatory ESRS datapoints,

¹ We should point out that the Commission's proposal refers to in scope EU subsidiary undertakings in this context by reference to the current Accounting Directive definition of a large undertaking, and not the amended concept of a large undertaking with more than 1,000 employees. We assume that this is a drafting error which will be corrected.

by removing the least important ones for “general purpose” sustainability reporting and prioritising quantitative datapoints (that is, metrics) over narrative text. The Delegated Act will also provide clear instructions on the materiality assessment, partly to reduce the risk that assurance service providers encourage companies to report unnecessary information or dedicate excessive resources to the materiality assessment process. Importantly, the Commission acknowledges that it must continue to make the revised standards inter-operable with global reporting standards such as the ISSB standards. In that respect, the ESRS climate reporting standard will presumably continue to be aligned to the ISSB climate standard.

In addition, the Commission proposes that there will be no sector-specific reporting standards, which under the current version of CSRD impose additional reporting items on particular sectors.

The Omnibus Package does not introduce changes to the concept of assessing impacts, risks and opportunities by reference to the double materiality principle, meaning that in scope companies will need to report about how sustainability risks affect their business from a financial perspective and their own impact on people and the environment.

Value Chain Reporting

Companies in scope of CSRD are required to report on information in their value chain (broadly, suppliers and distributors), as well as their own operations. That principle will remain, but the Commission is mindful of the size of information requests that in scope companies serve on their value chain. As a result, the Commission proposes a cap on the information that companies can request in their value chain, which may not exceed the information contained in the voluntary reporting standards (see above). This will apply to requests made to EU and non-EU companies that have up to 1,000 employees, with an exception for requesting information that is commonly shared between undertakings in their sector.

Addressing Concerns About Assurance Process

Companies in scope of CSRD have raised concerns about the assurance process, with different assurance providers taking different approaches, in terms of depth and scale of their review, and concerns about cost. To address these concerns, the Commission intends to issue assurance guidelines by 2026—prior to the date the Commission formally publishes assurance standards, which should confirm the basic work required in the assurance process. These will likely replace the current nonbinding [guidelines](#) on performing limited assurance on sustainability reporting, published by the Committee of European Auditing Oversight Bodies. In addition, the Commission has removed the plan to transition from the standard of limited assurance to the more in-depth standard of reasonable assurance.

Proposed Changes to CSDDD

Companies in Scope

There are no proposed changes to the types of companies in scope of CSDDD, and there is no proposed change to the application of CSDDD to non-EU companies. However, the Omnibus Package postpones the application of CSDDD to the first wave of EU companies in scope from 2027 to July 2028. The deadline for Member States to transpose CSDDD has also been delayed by one year, to July 2028.

Member State Implementation

CSDDD contains the principle of maximum harmonization, under which Member States cannot legislate further (“gold-plate”) than the Directive’s obligations, but this is limited to a small number of key due diligence obligations. Under the Omnibus Package, this principle will be extended to more provisions in CSDDD, including the duty to provide a complaints and notification mechanism and to address adverse impacts that have been or should have been identified. This is to ensure more consistency in Member State implementation, although some flexibility remains for Member States to gold-plate, for instance, to address emerging risks linked to new products or services.

Due Diligence Obligations on Business Partners

CSDDD requires in scope companies to conduct due diligence in their own operations and chains of activities, including in relation to indirect business partners—which are business partners in second, third and further layers of the supply or distribution chain. Under the Omnibus Package, companies will now only have to conduct due diligence at the level of their direct business partners (generally meaning contractual counterparties) and not their entire chain of activities. This is a significant reduction in scope of a company’s responsibilities. However, the Commission has introduced the qualification that companies may not ignore adverse impacts at the level of an indirect business partner, where the company has “plausible information” that suggests an impact (such as through credible media reports or service providers assessing reputational and other sustainability risks) and has carried out an in-depth assessment. There is also a provision designed to stop companies from using this limitation for circumvention, for example, where a company enters into a business relationship to remove a supplier with harmful activities from having a direct relationship with the company.

Under the Omnibus Package, companies will still need to obtain contractual assurances from direct business partners to ensure that indirect business partners comply with the company’s code of conduct. To address the “trickle-down” effect of information requests on business partners, a company must generally limit its information requests to

business partners with fewer than 500 employees, to the information contained in the voluntary CSRD reporting standards (see “Value Chain Reporting” above).

Termination of Business Relationships

CSDDD currently contains, as a last resort, an obligation on companies to terminate a relationship with a business partner, where the company cannot address the adverse impact. This has always been a controversial obligation. Under the Omnibus Package, where a company cannot address an impact caused by a business partner, the company will, as a last resort, need to suspend the relationship (where the governing law of the contract allows) and, if possible, use its leverage through the suspension to address the impacts. Suspension is only required where the adverse impacts from the suspension are not expected to be more severe than the adverse impact that could not be prevented or mitigated.

Stakeholder Engagement

As part of the process of identifying and addressing adverse impacts, companies under CSDDD are required to consult with stakeholders. Under the Omnibus Package, there is a more limited list of groups of stakeholders which companies should engage with, including employees, business partners’ employees, trade unions, and individuals or communities whose rights or interests are directly affected by the company. This removes consumers and national human rights, environmental and civil society institutions from the list. Also, stakeholder engagement will now only be required for certain parts of the due diligence process, for example, when designing remediation measures.

Monitoring

The Commission proposes to change the requirement for companies to re-assess the adequacy and effectiveness of their due diligence measures from once a year to every five years, with the caveat that companies should also re-assess whenever there are reasonable grounds to believe that the measures are no longer adequate or effective.

Civil Liability and Penalties

As a significant proposal, there will no longer be a pan-EU civil liability regime under CSDDD, which would have allowed victims of adverse impacts, or organisations on their behalf, to bring a claim against a company. Instead, recourse to the company will be on the basis of existing Member State law, giving precedence to existing national rules of recourse, including causality and fault. There will be no pan-EU principle to allow organisations, such as charities, to bring actions on behalf of victims of adverse impacts. Member States will be required to allow natural or legal persons to take action against a company for damage caused by a failure to comply with their due diligence

obligations. Some of the provisions that over- lay national implementing law to ensure access to justice, for instance, that national rules on limitation periods do not unduly hamper actions, continue. The Omnibus Package also deletes the requirement for financial penalties to be commensurate to the company's net worldwide turnover, and deletes the original requirement that, where a Member State decides to impose a maximum cap on penalties for companies, this cap should be equivalent to at least 5% of a company's net annual worldwide turnover.

Exemption for the Financial Sector

Under CSDDD, the services sector in general, including the financial sector, has limited obligations to perform due diligence in its downstream chain of activities. The Commission proposes to remove the review clause in CSDDD that requires the Commission to consider specific due diligence rules tailored to the financial sector, essentially making the exemption for financial services permanent.

Transition Plan

CSDDD contains a requirement for in scope companies to adopt and put into effect a transition plan for climate change mitigation to ensure that the company's business strategy is compatible with the Paris Agreement's global warming target. The wording of this provision has changed, so that it is expressed as an obligation for companies to adopt but not to put into effect a transition plan. The explanation given for this change is to align the language of the obligation more closely to the obligation in CSRD for companies to report on their transition plan, if they have one in place. In its commentary, the Commission does not indicate any change to the substantive obligation in CSDDD to adopt a transition plan, and it is an open question whether this provides any relief from the obligation to achieve the Paris Agreement target.

Proposed Changes to Taxonomy

Currently, all companies in scope of CSRD must report on the Taxonomy eligibility and alignment of their activities. This entails reporting on the extent to which a company's activities are environmentally sustainable economic activities contained in the Delegated Acts to the Taxonomy ("Taxonomy eligible") and aligned with the detailed technical screening criteria for each of these activities ("Taxonomy aligned").

The Commission has proposed significant changes to this requirement.

"Opt In" Taxonomy Reporting

Under the Omnibus Package, companies in scope of CSRD with a net turnover exceeding €450 million will need to report under the Taxonomy. Other companies in scope may opt in to Taxonomy reporting, if they wish to claim that their activities are fully or partially aligned with the EU Taxonomy. This may be helpful to investors and other users of a company's reporting. If the company does not wish to claim any Taxonomy alignment, it will not need to report under the Taxonomy.

Option to Report OpEx

To further reduce the reporting burden, non-financial undertakings reporting under the Taxonomy, with net turnover under €450 million, must disclose their turnover and Capital Expenditure ("CapEx"), which is Taxonomy aligned, and may choose to report on alignment of Operating Expenditure ("OpEx").

Reporting Partial Taxonomy Alignment

Companies may also claim only partial alignment with the Taxonomy, by, for instance, describing their Taxonomy alignment but not fulfilling the 'do no significant harm' ("DNSH") criteria, to allow companies to build up to full alignment with the Taxonomy over time. The Commission will publish additional rules on this topic.

Changes to Taxonomy Delegated Acts

In a separate document, the Commission has published proposed amendments to the Taxonomy Disclosures Delegated Act and the Taxonomy Climate and Environmental Delegated Acts, including allowing companies to omit reporting on Taxonomy alignment of activities representing less than 10% of their total turnover, CapEx or OpEx.

The Commission also intends to simplify the reporting templates under the Disclosures Delegated Act, for example, by removing the requirement to report information on activities not aligned with the Taxonomy, and simplifying the technical screening criteria concerning the use and presence of chemicals in the Climate and Environmental Delegated Acts, which an activity must meet to do no significant harm to the objective of pollution prevention and control.

Simplification for Asset Managers

An asset manager reporting under the Taxonomy will report on alignment of the activities of its investee companies in its portfolio, if any of its investee companies are themselves under an obligation to report on the Taxonomy. The Omnibus Package aims to further simplify Taxonomy reporting by allowing an asset manager to omit reporting

where less than 10% of its assets by value report under the Taxonomy and removing the obligation to report on Taxonomy alignment of investee companies with less than 1,000 employees (regardless of whether the Commission's separate proposal to reduce the CSRD thresholds is adopted).

Future Simplification

The Commission has also indicated future work to simplify the technical screening criteria, including removing DNSH criteria for an environmental objective where there is no material risk from a particular activity to that objective.

* * *

Please do not hesitate to contact us with any questions.



Patricia Volhard
Partner, Paris
Frankfurt, London
+ 33 1 40 73 12 12
+49 69 2097 5150
pvolhard@debevoise.com



Jin-Hyuk Jang
Counsel, Frankfurt
+ 49 69 2097 5115
jhjang@debevoise.com



Ulysses Smith
ESG Senior Advisor, New York
+1 212 909 6038
usmith@debevoise.com



John Young
Counsel, London
+ 44 20 7786 5459
jyoung@debevoise.com



Melia Gbaguidi
Associate, Paris
+ 33 1 40 73 12 77
mgbaguidi@debevoise.com



Sameena Hussain
Associate, London
+44 20 7786 3014
skhussain@debevoise.com



Maïssane Jama
Associate, Paris
+ 33 1 40 73 12 79
mjama@debevoise.com



Harry Just
Associate, Frankfurt
+49 69 2097 5262
hjust@debevoise.com



Dimitra Karakioulaki
Associate, Frankfurt
+ 49 69 2097 5288
dkarakioulaki@debevoise.com



Keith Moshe
Associate, Frankfurt
+49 69 2097 5123
kmoshe@debevoise.com



Alfie Scott
Associate, London
+44 20 7786 5478
awscott@debevoise.com



Eike Björn Weidner
Associate, Frankfurt
+49 69 2097 5220
ebweidner@debevoise.com