HERBERT SMITH FREEHILLS KRAMER

From draft to reality

How the Omnibus alters CSRD and CSDDD

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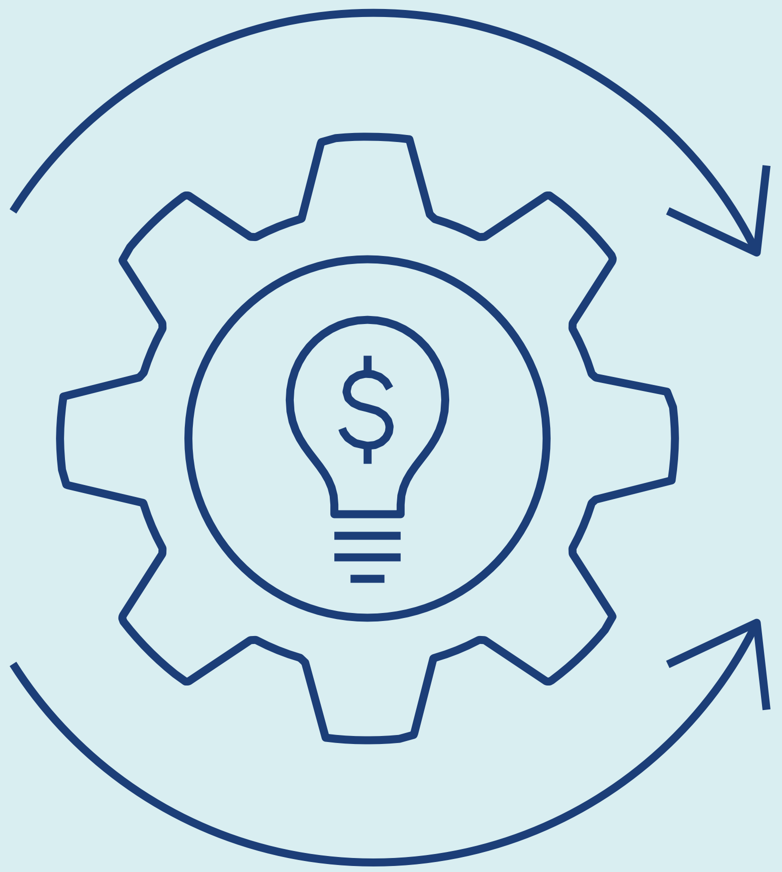
Latest update



- **Agreement on CSRD and CSDDD Amendment Directive**: On 16 December 2025, the European Parliament voted to approve the proposed ‘CSRD and CSDDD Amendment Directive’ which forms part of the Omnibus I Package (the “Omnibus”). This is the final approval needed before this Directive comes into effect as the Council had already confirmed on 10 December 2025 that it will approve the European Parliament’s position. The only steps now required for the Directive to come into force are procedural steps, including a review by the lawyer-linguists and translation into the 24 official languages and publication in the EU Official Journal. In this deck, we compare the final text of the CSRD and CSDDD Amendment Directive against the existing position under CSRD and CSDDD.
- **Deferral on additional reporting for wave 1 companies**: the ‘Quick Fix’ Delegated Regulation for wave 1 companies already reporting under CSRD was published in the EU Official Journal on 10 November 2025. This Delegated Regulation amends the current ESRS to defer additional reporting requirements that wave 1 companies under CSRD would otherwise have been required to meet for reporting on FY2025 and FY2026.
- **Simplified ESRS**: EFRAG released its Draft Simplified ESRS on 3 December 2025 – for more details on the content please refer to our note here.

Catching up with the Omnibus

The Omnibus proposals, first published by the Commission in February 2025, aims to simplify the three key pillars of EU sustainability regulation – CSRD, CSDDD and the EU Taxonomy framework.[1]

These regulations are highly technical, and many organisations have struggled with implementation. As a result, regulatory simplification has been a widely supported priority within the industry. The Omnibus has therefore been broadly welcomed for its promise to improve usability and simplify regulatory burdens. But it also creates uncertainty about the future of the EU’s ambitious sustainability framework to which many companies have dedicated significant resources.

The CSRD and CSDDD Amendment Directive has now been agreed by all three EU institutions – the Commission, the Council of the EU and the European Parliament, and we expect it will be published in the EU Official Journal and to come into force in early Q1 2026.

1. This publication does not cover the amended Regulation to simplify and strengthen the Carbon Border Adjustment Mechanism (“CBAM”).

Key proposals in the Omnibus

Proposal 1 'Stop-the-Clock Directive'	Proposal 2 'CSRD and CSDDD Amendment Directive'	Proposal 3 'EU Taxonomy Delegated Act'
To postpone the deadlines of CSRD reporting, applicability and transposition for wave 2 companies until 2028 and wave 3 companies until 2029, and delay CSDDD by one year to 2028*.	To make substantive amendments to CSRD and CSDDD including to their scope, limiting trickle-down effects for smaller companies in the value chain and limiting due diligence under CSDDD to tier 1 business partners.	Further amendments to the EU Taxonomy framework, including materiality thresholds, simplified reporting templates, Green Asset Ratio and 'Do No Significant Harm' criteria.
Approved and published – 16 April 2025	Approved Expect to be published in early Q1 2026	Within scrutiny period

* The CSRD and CSDDD Amendment Directive delays CSDDD to 2029

Next steps

- The CSRD and CSDDD Amendment Directive will now be reviewed by the lawyer-linguists and translated into the 24 official languages, signed by the Presidents of the European Parliament and the Council, and published in the EU Official Journal. Publication in the EU Official Journal is expected in early Q1 2026. The Directive will enter into force on the date falling 20 days after publication in the EU Official Journal. EU Member State must then transpose the changes to CSRD into national law within 12 months after entry into force (ie by Q1 2027) and transpose changes to CSDDD by 26 July 2028.
- EFRAG's final draft of the revised ESRS marks a significant shift towards simplification, reducing mandatory datapoints and enhancing interoperability with ISSB standards. EFRAG is expected to publish the Basis for Conclusions, Explanatory Note and Cost-Benefit Analysis for the revised ESRS by the end of December 2025, providing further insight into the changes proposed in the final draft of the revised ESRS. The Commission will use EFRAG's advice as the basis for a Delegated Act amending the existing ESRS, with adoption targeted for mid-2026. For more detailed insights on the latest published versions of the final ESRS draft, refer to our note here.

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Current status of proposals

Proposal 1 – 'Stop-the-Clock Directive'

- On 16 April 2025, the 'Stop-the-Clock' Directive was published in the EU Official Journal, delaying the application of CSRD for wave 2 companies until 2028 and wave 3 companies until 2029 and delaying the transposition deadline and application of CSDDD for wave 1 companies by one year. EU Member States are required to transpose the Directive by 31 December 2025. See our tracker here for progress on the transposition.
- On 10 November 2025, a Commission Delegated Regulation of 'quick fix' amendments to the current ESRS for wave 1 companies who are already required to start reporting under CSRD was published in the EU Official Journal and applies retrospectively from 1 January 2025.
- These amendments to the ESRS allow wave 1 companies to continue taking advantage of various phase-in provisions and transitional relief measures for 2025 and 2026.
- This means wave 1 companies will not be required to report additional information in 2025 and 2026 beyond what was included in their 2024 reports, to alleviate some of the burden of reporting as these wave 1 companies are not caught by the 'Stop-the-Clock Directive'.

Proposal 2 – 'CSRD and CSDDD Amendment Directive'

- The proposed Directive has been agreed by all three of the EU institutions, the Commission, the Council of the EU and the European Parliament.
- Key milestones:
  - The Commission's Omnibus proposal was published on 26 February 2025.
  - The Council of the EU adopted its 'negotiating position' on the proposal on 23 June 2025.
  - The European Parliament adopted its 'negotiating position' on the proposal on 13 November 2025.
  - The co-legislators reached a provisional agreement on the compromise text on 10 December 2025 which was officially adopted by the European Parliament on 16 December 2025.
  - The proposed Directive is expected to be published in the EU Official Journal in early Q1 2026.
  - EU Member States have 12 months after the Directive enters into force to transpose the changes to CSRD and until 26 July 2028 to transpose the changes to CSDDD.

Proposal 3 – 'EU Taxonomy Amendment'

- On 4 July 2025 the Commission adopted a Delegated Act amending certain delegated acts (ie level 2 legislation) under the EU Taxonomy framework.
- The Delegated Act is now subject to a scrutiny period by both the European Parliament and the Council of the EU. While the initial scrutiny period was set to expire on 5 November 2025, the European Parliament requested - and was granted - a two-month extension. The scrutiny period will now conclude on 5 January 2026.
- Given the current timeline, it is likely that the Delegated Act will not be published in time for companies to apply its provisions to their 2026 reporting on financial year 2025.

Proposed changes to CSRD

1) *'Stop-the-Clock' Directive*

Previous position

- Wave 1: First sustainability reporting for large listed companies for FY2024
- Wave 2: First sustainability reporting for other large companies for FY2025
- Wave 3: First sustainability reporting for listed SMEs for FY2026
- Wave 4: First sustainability reporting for third-country undertakings for FY2028

2025 | 2026 | 2027 | 2028 | 2029

Stop-the-Clock Directive

Approved

- Wave 1: First sustainability reporting for large listed companies for FY2024[1]
- Two-year delay for large companies
- Wave 2: First sustainability reporting for other large companies for FY2027
- Wave 3[2]: First sustainability reporting for third-country undertakings for FY2028[2]

1. A Commission Delegated Regulation of quick fix amendments to the current ESRS was published on 10 November 2025, including deferring additional reporting for wave 1 companies.
2. Under the agreed 'CSRD and CSDDD Amendment Directive' Listed SMEs will no longer fall in scope of CSRD or CSDDD.

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
1. Scope	
a) Large undertakings which are public interest entities • Average number of employees: **500** *Plus one of the following two thresholds:* • Balance sheet total: **€25 million** • Net turnover: **€50 million**	**a) + b) Large undertakings and large groups (including large undertakings which are public interest entities)** *New Scope:* • **Average number of employees** during a financial year **>1000 <u>plus</u> net turnover >€450 million**. • Applies to both **large undertakings** and **large groups** on a consolidated basis. • Commission shall review every five years the net turnover thresholds to adjust for the effects of inflation. *Key changes:* • Removal of separate thresholds for public interest entities. • Removal of balance sheet thresholds. • Companies that began reporting for financial year 2024 but will no longer be in scope under the new thresholds are permitted to stop their CSRD reporting. • Introduces a subsidiary exemption for listed entities whose parent entity report under full ESRS. • Introduces an exemption from compliance with CSRD for financial holdings undertakings whose subsidiaries and/or branches have independent business models and operations, from requirements to publish a consolidated sustainability report. • For recently acquired subsidiaries not subject to consolidated management reporting requirements, the parent undertaking has 12 months to include them in its consolidated sustainability report.
b) Large undertakings and large groups *Two of the following three thresholds:* • Average number of employees: **250** • Balance sheet total: **€25 million** • Net turnover: **€50 million**	
c) Listed SMES *Two of the following three thresholds:* • Average number of employees: **50** • Balance sheet total: **€5 million** • Net turnover: **€10 million**	**c) Listed SMES** • Removed from scope of the amended CSRD.
d) Third-country undertakings • Generates **€150 million** in the EU for each of the last two years; and either has an in-scope EU branch (generating annual turnover **€40 million**) or a large in-scope EU subsidiary.	**d) Third-country undertakings** *New scope:* • Generates **€450 million in the EU** for each of the last two years **<u>plus</u>** either has an **EU branch or an EU subsidiary** generating worldwide annual **turnover** of **€200 million**. • No thresholds relating to employee numbers.

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
2. Reach throughout value chain	

• Companies to report information on material impacts, risks and opportunities connected through their value chain.
• Reporting is limited to 'material' events.
• No relief for small companies in the value chain.
	• **Protected undertakings** have the right to refuse to provide information beyond what is specified in voluntary standards (to be drafted by the Commission at a later date) when responding to sustainability reporting requests from other companies under CSRD. Assurance providers required to respect protections for undertakings in the value chain.
	  ◦ 'Protected undertakings' – undertakings with less than an average of **1,000 employees** in a financial year (based on a self declaration by such undertakings).
	  ◦ If a reporting undertaking asks for information exceeding voluntary standards, it must inform the protected undertaking (1) which requested information goes beyond the voluntary standards; and (2) that the protected undertaking has the legal right to decline to provide such information.
	  ◦ This does not affect information requests for other purposes (e.g. compliance with EU laws or due diligence or risk management processes under CSRD).
	• Recognises that all necessary information may not always be available from undertakings in the value chain and estimates for that information can be used.
	• Allows value chain reporting on a "comply or explain" basis for a three-year transitional period from the point undertaking becomes required to report under CSRD.

3. ESRS	
• EU-incorporated companies in scope of CSRD are to report under ESRS, published in December 2023. • Non-EU parent companies in scope have option to report under less burdensome set of requirements for non-EU companies. These standards have been delayed until October 2027. • By 30 June 2026: the Commission to publish additional sector specific reporting standards.	• Commission required to adopt a delegated regulation to revise the existing ESRS within 6 months of the Directive coming into force. • The revised ESRS required to: (1) remove datapoints considered least important for general-purpose sustainability reporting; (2) prioritise quantitative datapoints over narrative text wherever possible; (3) further distinguish between mandatory and voluntary datapoints; (4) provide clear instructions on applying the materiality principle to avoid unnecessary reporting and excessive resource use (including as a result of input from assurance providers); (5) improve consistency with other EU legislation; and (6) ensure maximum interoperability with global sustainability reporting standards. • Requires ESRS to take account of the difficulties that undertakings may encounter in gathering information throughout their value chain especially from smaller companies not themselves in scope or suppliers in emerging markets. • Allows the Commission to provide sector-specific guidance to help undertakings apply ESRS, including conducting double materiality assessments to identify relevant sustainability issues. Such guidance should involve stakeholder consultations and, where appropriate, consider international standards. • Undertakings permitted to omit information: (1) where disclosure seriously prejudice their commercial position; (2) IP, know-how, technological information which would qualify as trade secrets; (3) protected from unauthorised access or disclosure under EU or national law; and (4) prejudicial to privacy of natural persons or security of natural or legal persons.

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
4. Assurance	
• Limited assurance required from first reporting. • By 1 October 2028: the Commission to adopt standards requiring reasonable assurance. • No current guidance on auditing information from company's value chain.	• Commission to adopt limited assurance standards by 1 July 2027, after having obtained an opinion from EFRAG. • Removes the requirement to adopt reasonable assurance standards. • Simplified registration conditions and a supervision exemption for non-EU auditors from 1 January 2025 until 31 December 2030.
5. Optional Taxonomy	
• Companies that are required to publish non-financial information pursuant to Article 19a or 29a of the Accounting Directive must include information on how and to what extent their economic activities qualify as Taxonomy-aligned using turnover, capital expenditure and operating expenditure as KPIs. • Under Article 8 of the Taxonomy Regulation, companies must disclose the proportion of turnover, CapEx and OpEx associated with economic activities that are aligned with the Taxonomy. There is no option to report on partial Taxonomy-alignment.	• Removes the provisions on optional Taxonomy reporting which had been introduced in the Commission proposal and the option to report partial taxonomy alignment (in line with the proposed change to the scope of CSRD).

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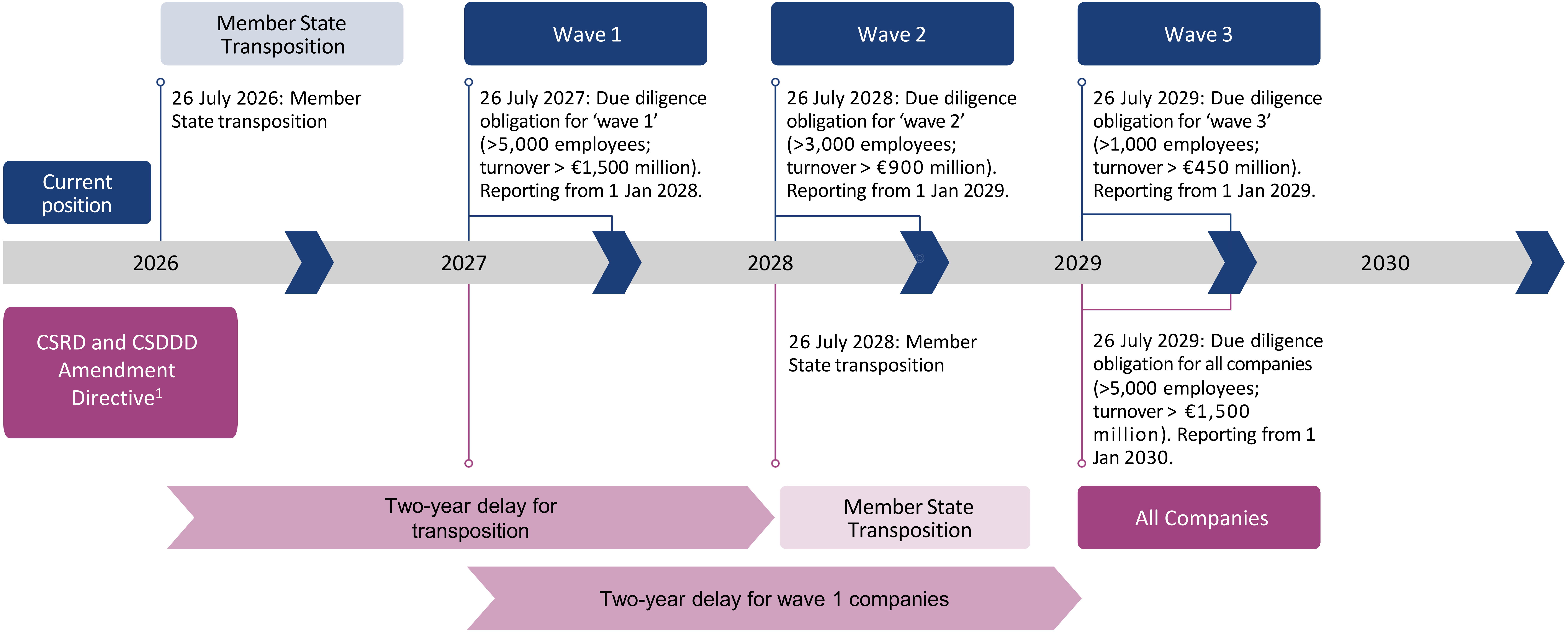
Proposed changes to CSDDD

1) *'Stop-the-Clock' Directive + 'CSRD and CSDDD Amendment Directive'*



(1) CSRD and CSDDD Amendment Directive supersedes the amendments in the 'Stop-the-Clock' Directive to delay reporting for wave 1 companies for two years to 2029

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
1. Scope	
• EU-incorporated companies with >1000 employees and a net worldwide turnover of >€450 million. • Non-EU-incorporated companies with a net turnover of > €450 million in the EU. • European Commission to review whether to extend full due diligence obligations to financial sector by 26 July 2026.	*New Scope:* • EU-incorporated companies with >**5000 employees**, and a **net worldwide turnover** of >**€1,500 million**. • Non-EU-incorporated companies with a net turnover **of >€1,500 million in the EU**. • Removes the financial sector review clause. • Obligation to review by 26 July 2031 the CSDDD scope (to assess whether companies with >**1,000 employees** on average and a net worldwide turnover of more than **€450 million** and, in addition to that, companies operating in high-impact sectors should be covered) and the effectiveness of the enforcement mechanisms under CSDDD including their protective effects on rights holders put in place at national level.
2. Reach throughout the value chain	
Companies to identify and assess actual and potential adverse impact arising from: • Own operations; • Subsidiaries; and • Business partners in chain of activities (upstream and some downstream activities relating to distribution, transport and storage).	• Companies should only request information where necessary. • Companies should not request information from direct business partners with less than 5,000 employees unless such information cannot be reasonably be obtained by other means. • Companies can use resources e.g. independent reports, digital solutions, industry and multi stakeholder initiatives. • Commission to issue voluntary model contractual clauses to seek contractual assurances from business partners (by 26 July 2027).

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
3. Due Diligence Obligations	
• Companies must take appropriate measures to identify and assess actual and potential adverse impacts arising from own operations, subsidiaries and business partners in the chain of activities (including upstream and some downstream activities relating to distribution, transport and storage).	• Risk-based approach to due diligence, carrying out scoping within the undertaking's chain of activities and those of their business partners where adverse impacts are most likely to occur and to be most severe; and where, on the basis of relevant and verifiable information, the company has grounds to believe that adverse impacts have arisen or may arise, the undertaking is to carry out a further assessment only in these areas where adverse impacts were identified to be most likely to occur and to be most severe. • Stakeholder engagement only required with workers, trade unions and communities whose rights are directly affected by the products, services and operations of the company and link to a specific stage of the due diligence process. • Obligation to conduct periodic assessments relating to due diligence obligations changed from every 12 months to every 5 years. • Companies will not be sanctioned for less serious adverse impacts that they have not addressed. • Commission to issue due diligence guidelines by 26 July 2027 (two years ahead of due diligence obligations from 26 July 2029).
4. Streamlining Obligations	
• In-scope companies are required, as a last resort, to terminate a business relationship (where the law allows them to do so) if an actual or potential adverse impact is severe and could not be adequately managed.	• Requires undertakings to (1) refrain from entering into new, or extending, business relationships; and (2) suspend business relationships as a last resort until a preventative or corrective action plan is implemented that is reasonably expected to succeed. Suspension should end once the adverse impact is addressed. • No requirement to "terminate" business relations. • If there is a "reasonable expectation" that the enhanced prevention action plan will succeed, continuing to engage with the specific business partner shall not expose companies to penalties or civil liability.

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
5. Transition Planning	
• Requires companies to "adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5°C…"..	• Removes references to transition plans from CSDDD, i.e. no requirement under CSDDD to adopt and/or implement a transition plan.
6. Civil liability and penalties	
• Provides specific requirements for a civil liability regime to target companies intentionally/negligently failing to comply with CSDDD. • Limitation periods for bringing civil liability claims for damages should are at least 5 years. • Provides for full compensation of victims of adverse impacts. • Pecuniary penalties shall not be less than 5% of the net worldwide turnover of the company in the financial year preceding the penalty decision.	• Removes specific EU-wide civil liability regime and legal standing for trade unions and NGOs (subject to national laws in the Member State). • Introduces maximum **3% of net worldwide turnover** in pecuniary penalties, or for third-country undertakings, 3% of net consolidated worldwide turnover of the ultimate parent undertaking. Clarifies that worldwide net turnover is not the sole factor to be considered in the determination of penalties. • Empowers the Commission to issue guidance on the appropriate level of penalties.

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2) 'CSRD and CSDDD Amendment Directive'

Current Position	Agreed Omnibus Directive
7. Gold-plating	

• EU Member States cannot introduce national obligations, or more stringent obligations relating to:
  • Articles 8(1) and 8(2): Mapping, identification and assessment of adverse impacts.
  • Articles 10(1) and 11(1): taking appropriate measures to prevent, mitigate and bring an end to adverse impacts
	• Gold-plating provisions under CSDDD are extended to Articles 9 (prioritisation), 15 (monitoring) and 16 (communicating).
	• Proposes to establish a digital reporting portal for companies to enhance the accessibility and usability of sustainability-related information. It would provide free access to templates and information relating to all reporting requirements under EU law. The Commission must submit a report on technological solutions and initiatives that enable undertakings to collect, process and exchange data in a secure, seamless and automated manner, which shall include uniform, structured data formats (e.g., e-invoices and digital VSME reports) within 24 months.

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Contact us

The HSF team is actively monitoring developments in this area. Please do get in touch with us if it would be helpful to discuss.

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