

EU Omnibus Proposals May Substantially Scale Down CSRD Reporting Obligations

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On 26 February 2025, the European Commission released *a package of proposals* (“omnibus package”) aimed at significantly scaling down several sustainability regulations in the European Union that are either in effect already or about to take effect. This is a fulfilment of commission President Ursula von der Leyen’s vow last year to reduce reporting burden for businesses by 25% (35% for small and medium entities, or SMEs).

The main regulations affected are the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the European Union Taxonomy Regulation (EU Taxonomy), the Carbon Border Adjustment Mechanism (CBAM), and InvestEU.

These are proposals, not a final regulatory decision. The proposals need to make their way through the review, comment and approval process and then be implemented as law in each of the EU member states. Companies should stay tuned to developments even as they prepare for compliance in the near term.

What Is in the Proposals?

Below are some of the most significant proposed changes related to CSRD, CSDDD, EU Taxonomy and CBAM:

Major Changes to CSRD¹

- Proposes new thresholds (see **Table 1**), resulting in approximately 80 percent of companies falling out of scope.
- Postpones deadlines for the first CSRD reports to 2027 at the earliest, which means a 2-year delay for many companies (see **Table 1**).

¹ We previously reported on the CSRD and the ESRS at <https://blog.protiviti.com/2024/02/16/eu-extends-certain-csrd-adoption-timelines-for-sector-specific-standards-and-non-eu-companies-but-read-between-the-lines/>

- Removes listed small and medium entities (SMEs) from scope.
- Commits to issue voluntary sustainability reporting standards for companies under 1,000 employees based on EFRAG’s Voluntary Sustainability Reporting Standards (VSME) for non-listed SMEs.
- Limits information requests by companies for SMEs in their value chain to reduce the trickle-down effect. Requested information should be in line with and not exceed the scope of the VSME standard or sector-typical information.
- Plans for a revision and update of the current European Sustainability Reporting Standards (ESRS), including a reduction of the number of required data points and prioritisation of quantitative data points over narrative data points.
- Retains the limited assurance requirement, but there will be no transition to reasonable assurance.
- Leaves double materiality analysis (DMA) unchanged.
- Retains the requirement to tag data through the European Single Electronic Format (ESEF) for CSRD reports but only when such rules are adopted by the EU.
- Removes the previously proposed introduction of sector-specific standards.

Table 1. Current versus proposed CSRD scope and timeline

	Current CSRD		Proposed Update	
	Companies in Scope	Timeline	Companies in Scope	Timeline
Wave 1	Companies previously under the scope of the NFRD and >500 employees	FY2024	deleted	
Wave 2	Large undertakings fulfilling 2 out of 3 criteria: >250 employees >€50M turnover >€25M total assets	FY2025	Large undertakings with >1,000 employees and either >€50M turnover or >€25M total assets	FY2027
Wave 3	SMEs of public interest (listed, insurance, etc.)	FY2026	deleted	
Wave 4	Non-EU undertakings with >€150M turnover within the EU or branches with >€40M turnover in the EU	FY2028	Non-EU undertakings with >€450M turnover within the EU or branches with >€50M turnover in the EU	FY2028

Major Changes to CSDDD²

- Delays the compliance deadline for the first companies subject to the CSDDD to July 2028 (remaining criteria for EU companies: >3,000 employees and >€900M turnover; for non-EU companies: >€900M turnover in the EU).
- Retains the July 2029 deadline for EU companies with >1,000 employees and >€450M turnover and for non-EU companies with >€450M turnover in the EU.
- Reduces the obligation to systematically conduct in-depth assessments of adverse impacts to cases when the company suspects such impacts.
- Limits the due diligence process to direct (Tier 1) business partners, but companies must assess indirect business partners if they receive “plausible” information about potential adverse impact from an indirect partner.
- Restricts information requests for business partners with fewer than 500 employees to the details specified in the voluntary standards.
- Reduces the frequency of periodic assessments of adequacy and effectiveness of due diligence measures from once a year to once every five years.
- Removes the civil liability provision at the EU level, leaving it to the discretion of individual member states to codify or not.
- Removes the duty to terminate the business relationship as a measure of last resort.
- Retains the requirement for companies to adopt a transition plan for climate change mitigation but they would no longer be required to put the transition plan into effect.

Major Changes to EU Taxonomy

- Makes taxonomy alignment reporting mandatory only for companies with >1,000 employees and >€450M in turnover. (Note that this makes it possible for some companies to be in scope for the CSRD but not the EU taxonomy.)
- Proposes to simplify certain “do no significant harm” (DNSH) criteria.

² We previously reported on the CSDDD at <https://blog.protiviti.com/2024/10/28/csddd-the-latest-sustainability-dictum-from-the-eu-takes-a-scrutinizing-look-at-supply-chains/>

- Removes the mandatory reporting on taxonomy-aligned operational expenditure while keeping reporting on taxonomy-aligned turnover and capital expenditure mandatory.
- Proposes simplification of the reporting templates.
- Allows companies to report partial EU taxonomy alignment.
- Introduces flexibility to assess taxonomy eligibility and taxonomy alignment only for activities that are financially material for the business (through introducing a *de minimis* materiality threshold of more or equal to 10 percent of the KPIs' denominators).
- Amends the green asset ratio (GAR) for banks, allowing them to exclude from calculation companies that are proposed to fall out of scope for the CSRD (those with fewer than 1,000 employees).

Major Changes to CBAM

- Exempts small importers from CBAM obligations (mostly SMEs and individuals).
- Simplifies, for those remaining in scope, the calculation and reporting.

What Happens Next, and What Should Companies Do Now?

The proposed, comprehensive changes have received positive feedback from some companies and industry organisations. But they also are causing confusion for others and raising questions from companies that are well under way with their reporting preparations — specifically those in the first wave for CSRD — about what to do with their work so far. Companies should be reminded that this is a proposal, not a final regulatory decision. *Those currently engaged in CSRD activities should continue with the portion of activities, such as emissions inventory or transition plans, that they can leverage later or use in other standards and frameworks.*

Moving forward, the proposals will be reviewed, opened for comment and negotiated by lawmakers at the EU level, and will then need to be voted on by Members of Parliament and by member states. We expect this process to take at least a few months. Companies should keep a close eye on the developments, subscribe to updates and participate in the public commenting process.

If the proposals are adopted into law without significant changes, approximately 80 percent of companies currently in scope for the CSRD would be removed from scope. Those remaining in scope will have two more years to get ready and will need to align their reporting and readiness to the new revised ESRS. Below are potential scenarios for how each category of companies as currently defined would be affected:

- **Current Wave 1 companies** would first need to confirm whether the country in which they operate has already adopted the current CSRD requirements into national law.
 - If a national law is in place, they have to report under the national law using the current ESRS until the new proposed omnibus changes are implemented and transferred into national law. They can also discuss compliance approaches with their external auditors.
 - If no national law is implemented, the companies will fall back to the law in existence prior to the CSRD adoption, i.e., they have to report under the Non-Financial Reporting Directive (NFRD).

Companies should also confirm whether they are still in scope based on the new CSRD thresholds. Most of the current Wave 1 companies will probably still be in scope, but not all. If they are in scope, they should be on the lookout for the new ESRS to report for FY 2027.

If they are not in scope anymore, they should look for the current draft of VSME as a source of orientation for the coming new voluntary standards.

- **Current Wave 2 companies** would need to confirm whether they are still in scope for CSRD under the new thresholds. If so, they will have two more years to prepare — a time we recommend they use wisely. If they are not in scope anymore, they should look for the current draft of VSME as orientation for the coming new voluntary standards.
- **Current Wave 3 companies** can also report using the voluntary standards.
- **Current Wave 4 companies** would need to confirm whether they are still in scope using the new thresholds for non-EU companies and prepare accordingly.

Our Commentary and Recommendations

The proposed changes should help organisations that currently feel overburdened with a high number of data points, unclear definitions in the ESRS, scarce resources, conflicting priorities and a short timeline. Organisations that remain in scope under the proposals would be given two more years to prepare and would be offered the use of simplified standards and a lower bar for assurance.

Companies not in scope under the proposals can and may still report voluntarily, with the rigour they choose, based on their values, market pressures and stakeholder expectations.

In the meantime, we recommend:

- Leverage what you have already developed, such as clear governance, identified material topics as a result of the DMA, and knowledge and awareness for the selected sustainability topics, such as waste management or own workforce.
- Continue sustainability reporting using existing nationally or internationally established standards and frameworks.
- Monitor for regulatory updates and developments, in particular the new updated ESRS and the new voluntary standards.
- Prepare for CSRD reporting in FY2027 (FY2028 for non-EU-companies) by establishing a data lake, implementing internal controls and due diligence, updating structures and processes, and aligning the sustainability and business strategy with any new impacts, risks and opportunities.
- It is anticipated that the updated ESRS and the new voluntary standards will emphasise climate change and GHG emissions, so ensure that you are well prepared in this topic by establishing an emissions inventory, controls over GHG data, and a science-based transition plan.

How Protiviti Can Help

Sustainability, and sustainability reporting, is a continuous journey, presenting new risks and opportunities. There are no blueprints or out-of-the-box solutions, and each company needs an individualised and holistic approach to environmental, social and governance (ESG) reporting and operations to manage its high level of complexity and position the organisation for continued, long-term success.

At Protiviti, we leverage our reporting and regulatory expertise and our strategic partnerships to help clients define and build a seamless sustainability reporting process. We assist companies with defining and aligning sustainability metrics to strategy and regulatory expectations, support the reporting process with innovative data and analytics solutions, and facilitate audit and assurance readiness so they can face a sustainable future with confidence.

About Protiviti

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