

EU Omnibus: Preparing for upcoming changes to sustainability regulations



1. Introduction

In February 2025, the European Commission introduced the EU Omnibus, its proposal to overhaul existing European sustainability regulations. The principal regulations the EU Omnibus aims to simplify and streamline are the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy, and the Carbon Border Adjustment Mechanism (CBAM).

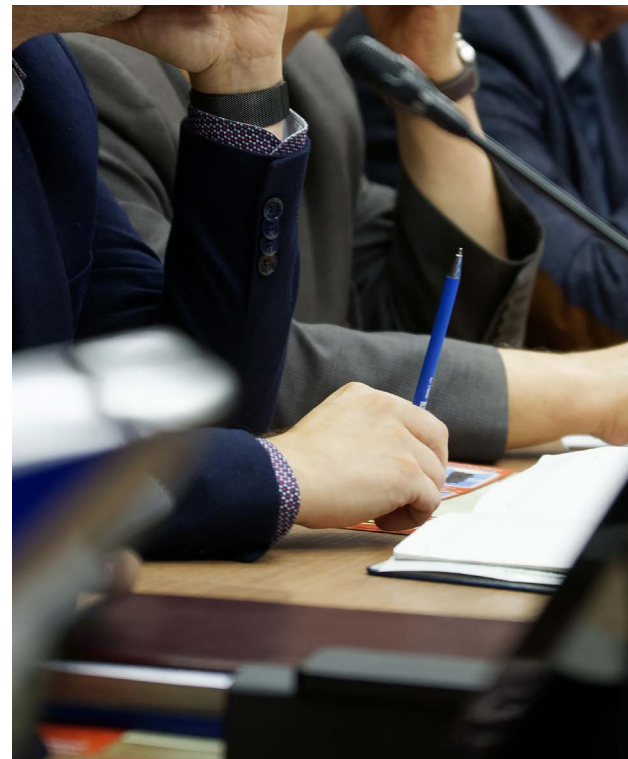
The Omnibus is part of efforts by the EU to increase European competitiveness and decrease regulatory complexity and compliance burdens. According to the Commission, the proposed rules will make sustainability reporting more effective and efficient, simplify due diligence for responsible business practices, and unlock opportunities in European investment programs.

The EU Omnibus proposal is a response to several developments. First, the corporate efforts to prepare for CSRD, CSDDD, EU Taxonomy, and CBAM have generated concerns among companies about the complexity of the regulations and the burden of compliance.

Secondly, the introduction of the EU Omnibus is linked to the findings in the recent [report](#) on European competitiveness issued by Mario Draghi, former president of the European Central Bank. The report provides recommendations for closing Europe's innovation gap with the U.S. and China and leveraging the EU's edge in decarbonization and clean tech to boost economic growth. It also echoes the critique that the current ecosystem of sustainability regulations is an impediment to reaching those goals.

Furthermore, global companies have also been lobbying for greater alignment between various international standards, especially between EU rules and guidance from the International Sustainability Standards Board (ISSB). Although European regulation is unlikely to go away, the simplification the EU Omnibus proposes does make it easier for companies to report according to both ISSB and EU regulations.

The context surrounding the Omnibus release suggests that, far from abandoning the EU's commitment to sustainability and decarbonization, the proposal aims to shift corporate efforts and resources from compliance to clean energy transition and sustainability value creation. To this end, the EU Commission also presented the [Clean Industrial Deal](#) to boost clean energy adoption, especially in energy-intensive industries. The deal includes the establishment of an Industrial Decarbonization Bank with €100 billion in available funding and will relax the rules for state aid for clean energy projects.



What is the EU Omnibus trying to solve?

In a nutshell, the criticism of existing regulations has focused on three areas: the volume of reporting requirements it places on companies all at once; the burden of compliance and the time and resources it would take; the lack of clarity in proposed roles or absence of guidance. However, the way the issues manifest themselves differs from rule to rule (see Table 1).



Table 1. Overview of Rules Included in the Omnibus Proposal

Sustainability Rule	What the Rule mandates	Headline Issues that the Omnibus Aims to Address
<u>Corporate Sustainability Reporting Directive (CSRD)</u>	Requires in-scope companies to comprehensively report their sustainability impacts, risks, opportunities, and associated management strategies.	<ul style="list-style-type: none"> • Too many data points • Reporting guidance lacks clarity • Undue burden on small and medium enterprises (SMEs)
<u>Corporate Sustainability Due Diligence Directive (CSDDD)</u>	In-scope companies must identify and address adverse human rights and environmental impacts in their own operations, subsidiaries, and value chains; stakeholders can file complaints for alleged wrongdoing.	<ul style="list-style-type: none"> • Identifying and monitoring many upstream suppliers is too difficult and may not lead to change • Detractors may abuse the system and make unfounded allegations • Upstream small and medium companies may incur heavy costs when constantly audited
<u>EU Taxonomy Regulation</u>	Establishes common definitions of when economic activities are considered environmentally sustainable, with the aim to direct investment into these activities.	<ul style="list-style-type: none"> • Lack of financial materiality threshold • Alignment criteria too complex and less meaningful in an international context • Undue burden for SMEs
<u>Carbon Border Adjustment Mechanism Regulation</u>	Imposes a carbon price on imports of carbon-intensive goods, such as steel and cement, to prevent carbon leakage and ensure a level playing field for EU producers.	<ul style="list-style-type: none"> • Undue burden on small importers • Too complex and restricted authorization process • Undue verification burden

Currently, the EU Omnibus is still a proposal and will have to go through several consultations and votes involving the European Parliament and Council to take effect as an EU Directive. Once fully approved and, where required, transposed into national law of member states, the Omnibus will profoundly change the EU's sustainability regulatory ecosystem. The most significant changes include the following:

- **Most companies will get more time to prepare for compliance:** Timelines for all four regulations will be extended from one to several years.
- **The number of in-scope companies and level of detail for reporting will shrink significantly:** The EU Omnibus slashes the number of companies that will need to comply with CSRD, EU Taxonomy, and CBAM. In the case of CSRD, this number will be reduced by 80 percent. It will also reduce the number of data points – by two-thirds in the case of the EU Taxonomy – while standardizing data requirements. The number of in-scope companies for CSDDD remains unchanged.
- **Less red tape for smaller companies in the value chain:** The Omnibus introduces a “value-chain cap” that limits the amount of information larger companies can demand from small- and medium-sized direct suppliers. Companies covered by CSDDD no longer have to scrutinize indirect suppliers unless there are clear indications of harm.
- **Assurance requirements and enforcement mechanisms will be weakened:** For CSRD, the future elevation of the limited assurance requirement to reasonable assurance is off the table. The new version of the CSDDD reduces litigation exposure for companies. This will free up considerable resources for companies to refocus on their business operations and competitiveness.



2. Overview of proposed changes to individual rules

The EU Omnibus proposes substantial changes to CSRD, EU Taxonomy, CSDDD, and CBAM, ranging from compliance timelines and companies in scope to required data points for disclosure and assurance requirements. In addition to specific changes included in the proposal, the EU Commission also indicated several areas where it will be releasing updated guidance in the near future.

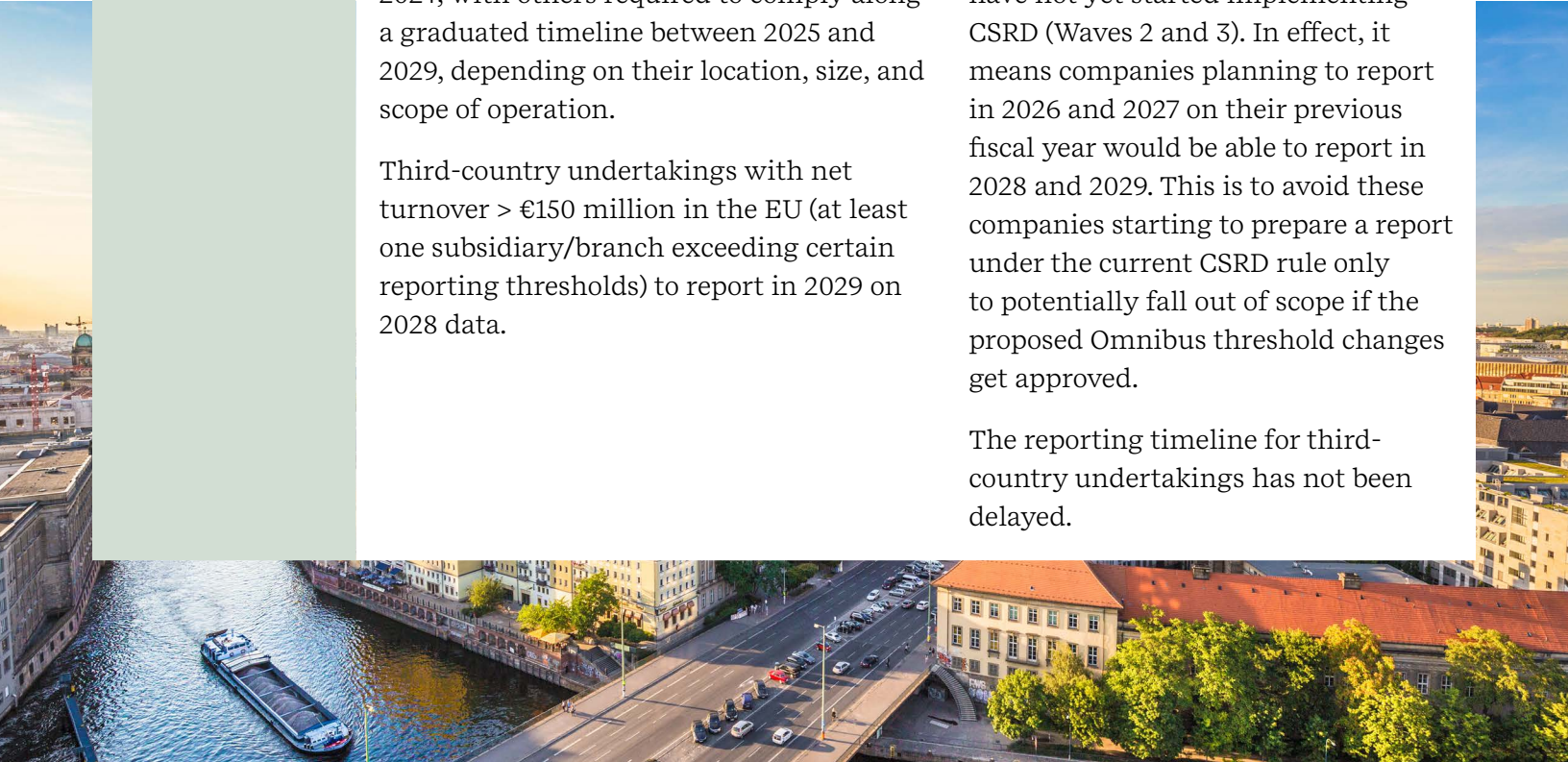
CSRD

If the Omnibus proposal is approved, the CSRD will go through the most substantial changes. The EU Omnibus will reduce the number of companies that fall within scope by 80 percent, lower the volume of reported data, and push out compliance timelines. However, the frequently discussed double materiality assessment is still part of the EU Omnibus.

Table 2. Overview of Proposed Changes to the CSRD

Aspect	Current Approach	Change Proposed
Companies in scope	<p>Large undertakings that are also public interest entities (therefore previously subject to NFRD) have to report in 2025 on 2024 data.</p> <p>All large companies and legal entities in the EU that meet at least two out of three of the following must report in 2026 for 2025 data:</p> <ul style="list-style-type: none"> • More than 250 employees; and/or • More than €50 million turnover; and/or • Total assets of €25 million. <p>These companies are also responsible for assessing the information applicable to their subsidiaries.</p> <p>Also, listed small and medium enterprises with more than 10 employees, €900,000 turnover, €450,000 balance sheet (if they meet two of these three criteria).</p> <p>Third-country undertakings/parents: In scope, if they have >€150 million in turnover across the EU that have an EU-based subsidiary that is a large undertaking or a listed SME as per the above OR have an EU-based branch with >€40 million in turnover.</p>	<p>Definition of large undertakings is revised to companies with >1000 employees (raised from 250 employees) AND EITHER turnover > €50 million OR balance sheet >€25 million.</p> <p>Listed SMEs will be out of scope.</p> <p>The threshold for non-EU parent companies reporting has been <u>raised</u> from €150 million to €450 million in EU turnover, and they either need to have a large (250 employees/€50 million turnover/ €25 million balance sheet) EU-based subsidiary or an EU-based branch with >50 million turnover.</p> <p>Companies in the value chain of CSRD-regulated companies will be encouraged to leverage voluntary guidance based on EFRAG's published standards for SMEs.</p>

<p>Reporting scope and criteria</p>	<p>The CSRD mandates that companies submit an annual sustainability report alongside their financial reporting to their member state. Reporting must comply with ESRS 1 and ESRS 2 guidelines.</p> <p>Companies must determine which of the ten topical disclosure standards across ESG criteria are material to their business by conducting a double materiality assessment. For each topic deemed material, companies must collect data and disclose all relevant data points within those standards.</p>	<p>A substantial reduction in the number of disclosure requirements will be announced in the coming months.</p> <p>Sector-specific standards will be eliminated.</p> <p>Principle of double materiality will be maintained (previous versions suggested this may go away).</p>
<p>Assurance level</p>	<p>Progressive assurance requirement, beginning with limited assurance and eventually moving to reasonable assurance by 2028.</p>	<p>The Commission will publish targeted assurance guidance.</p> <p>The proposal to move to reasonable assurance by October 2028 has been removed, keeping review to limited assurance.</p>
<p>Timeline</p>	<p>Companies currently subject to the NFRD will need to comply with CSRD requirements in 2025 for the financial year 2024, with others required to comply along a graduated timeline between 2025 and 2029, depending on their location, size, and scope of operation.</p> <p>Third-country undertakings with net turnover > €150 million in the EU (at least one subsidiary/branch exceeding certain reporting thresholds) to report in 2029 on 2028 data.</p>	<p>‘Stop the clock’: The Commission proposes a 2-year delay for large undertakings and for listed SMEs that have not yet started implementing CSRD (Waves 2 and 3). In effect, it means companies planning to report in 2026 and 2027 on their previous fiscal year would be able to report in 2028 and 2029. This is to avoid these companies starting to prepare a report under the current CSRD rule only to potentially fall out of scope if the proposed Omnibus threshold changes get approved.</p> <p>The reporting timeline for third-country undertakings has not been delayed.</p>



CSDDD

The number of companies in scope for CSDDD remains unchanged. However, the changes decisively shift the focus to large suppliers and stakeholders companies are most directly involved with. This relieves the compliance burden for companies and their indirect and small suppliers.

Table 3. Overview of Proposed Changes to the CSDDD

Aspect	Current Approach	Change Proposed
Companies in scope	<p>Group 1: EU companies with over 1,000 workers and over €450 million in turnover globally.</p> <p>Group 2: Third-country companies with over €450 million in turnover in the EU.</p> <p>Group 3: Franchised companies (EU and non-EU); franchised companies in the EU with over 1,000 workers, over €80 million in turnover, and €22.5 million in royalties.</p>	<p>No change in the proposed number of companies. Estimated to impact over 6,000 large firms with more than 1,000 workers and over €450 million in turnover in the EU.</p> <p>However, the bill removes the intention to introduce full due diligence requirements for financial undertakings in the near future.</p>
Assessment frequency	Annually	The frequency of assessing the effectiveness of the due diligence system is proposed to be reduced to every 5 years instead of annually.
Indirect suppliers	Companies will be required to conduct due diligence on both direct and indirect suppliers throughout the entire value chain (both upstream and downstream).	The requirement to scrutinize all indirect suppliers has been removed unless there is a clear indication of harm. Instead, companies can focus on their own operations, subsidiaries, and direct suppliers.
“Shield” for smaller suppliers	Companies will be required to map their own operations, those of their subsidiaries, and, where related to their chains of activities, those of their business partners in order to identify general areas where adverse impacts are most likely to occur and to be most severe.	Direct business partners with < 500 employees can’t be asked to provide information on sustainability performance beyond voluntary reporting standards to be adopted by the EU.

<p>Guidance schedule</p>	<p>The guidance on due diligence for companies will be released in two batches, the first in 2026 and the second in 2027.</p>	<p>Companies will have access to guidance on due diligence in July 2026 to support preparedness for impact assessment and management.</p>
<p>Stakeholder definition</p>	<p>Stakeholders include any individuals, groups, or entities whose rights or interests could be affected by a company’s operations, products, or services.</p>	<p>Stakeholder engagement is limited to affected persons and their representatives. Only ‘relevant’ stakeholders need to be engaged in key due diligence steps.</p>
<p>Timeline</p>	<p>The transposition of CSDDD into national law will occur in 2026, and the first wave of companies that need to comply will be in 2027.</p>	<p>The transposition of CSDDD into national law is delayed until July 2027, and the first wave of companies that need to comply will be in July 2028.</p>
<p>Enforcement</p>	<p>Individuals, trade unions, and civil society organizations can submit civil liability claims for at least 5 years. Under these claims, they will have the right to full compensation where they have been adversely impacted by a company’s failure to meet specific requirements of the Directive.</p>	<p>To avoid a fragmented regulatory landscape, EU countries will not be allowed to go beyond the Directive on certain aspects of due diligence. However, the original harmonization of national liability regimes regarding penalties has been dropped.</p>



EU Taxonomy

The Omnibus also proposes significant changes to the EU Taxonomy. Only CSRD-regulated companies with more than 1,000 employees and €450 million in turnover will have to report in accordance with the EU Taxonomy. Companies not meeting the thresholds may opt in for Taxonomy reporting. Disclosure tables will be substantially simplified. The EU also published [draft amendments](#) to the EU Taxonomy and is seeking feedback until the end of March.

Table 4. Overview of Proposed Changes to the EU Taxonomy

Aspect	Current Approach	Change Proposed
Companies in scope	All companies within scope of CSRD (see CSRD table above).	All companies within scope of CSRD (over 1,000 employees) but with additional requirement of over €450 million in turnover.
Reporting scope and criteria	<p>Full-scope disclosure tables (one each for turnover, CapEx, and OpEx, plus separate tables for fossil fuel and nuclear exposure).</p> <p>No financial materiality threshold.</p> <p>Reporting on partial alignment is not impossible but is not done in practice.</p>	<p>The required disclosure tables will be reduced in complexity by about two-thirds for non-financial entities and even more for financial entities.</p> <p>Introduction of a 10% materiality threshold for non-financial entities (no need to assess alignment) and financial institutions (no need to assess eligibility and alignment).</p> <p>Introduction of a reporting materiality threshold for OpEx, tied to eligible turnover being above 25% of total turnover.</p> <p>OpEx reporting fully voluntary for companies opting in to report on Taxonomy (i.e., below the €450 million turnover threshold).</p> <p>Reporting on partial alignment allowed and encouraged.</p> <p>Proposed changes to Do No Significant Harm criteria for Pollution Prevention and Control and announcement of further simplification of alignment criteria (details not yet known).</p>

Assurance level	Companies must follow the same assurance requirements they do for CSRD.	Companies must follow the same assurance requirements they do for CSRD.
Timeline	<p>The CSRD requires disclosure and assurance aligned with the EU Taxonomy’s guidelines; as such, a company’s EU Taxonomy timeline will match its CSRD disclosure timeline.</p> <p>Companies in scope are required to report their EU Taxonomy turnover, CapEx, and OpEx KPIs on an annual basis.</p>	<p>Companies affected by the two-year ‘stop the clock’ on CSRD would also not need to report on Taxonomy.</p> <p>Two-year suspension of certain KPIs for financial institutions and exclusion of companies no longer in scope of CSRD (as per suggested Omnibus changes) from the denominator in KPIs.</p>

CBAM

The Omnibus also aims to simplify the implementation of CBAM, including calculation approaches and compliance and reporting elements of the scheme. This was informed by a combination of experience during the transition phase and consultations, highlighting the complexity and lack of early reporting. If implemented, the number of companies in scope would go down by 90 percent, while the remaining companies would encounter a drastically simplified process.

Table 5. Overview of Proposed Changes to CBAM

Aspect	Current Approach	Change Proposed
Thresholds	€150 per individual consignment of CBAM Goods.	<p>Annual threshold of 50 tonnes of CBAM goods.</p> <p>The revised rules will cover 99% of emissions whilst exempting ~90% of importers.</p>
Downstream processes in steel and aluminium	All processes between upstream production and importation must be accounted for and relevant emissions allocated to CBAM goods.	<p>Downstream processing of steel no longer needs to account for its own emissions.</p> <p>Reporting will be based on upstream emissions and material consumed per tonne product produced.</p>

<p>Exemption of precursors produced in the EU</p>	<p>All relevant input materials are accounted for, and net carbon pricing is applied overall.</p>	<p>Because EU production already includes EU ETS pricing, these products would be attributed zero embedded emissions with origin and quantities tracked.</p>
<p>Default values and Benchmarks</p>	<p>Default values currently based on 10% worst performing installations in EU.</p>	<p>Defaults based on the average of 10 worst-performing countries, allowing sectoral expansion.</p> <p>Benchmark development aligned to Combined Nomenclature (CN) codes underway.</p> <p>Possible third-country default carbon prices.</p>
<p>Verification</p>	<p>All CBAM data will require verification.</p>	<p>Exemption of verification requirements for reporting using default values only.</p>
<p>Authorisation of declarants</p>	<p>CBAM declarants are importers or indirect customs representatives only.</p>	<p>Introduction of a new post of “CBAM Representative” appointed by the declarant.</p> <p>Like an EU ETS consultant, allowed to carry out technical and reporting functions on behalf of importer (who retains responsibility).</p>
<p>Reporting deadlines</p>	<p>Report submission and certificate surrender by 31st May each year.</p>	<p>Closer alignment to EU ETS with reporting and surrender by 31st August each year.</p>
<p>CBAM registry access</p>		<p>Accredited Verifiers to be given access to the CBAM registry to ease the verification process and provide access to verification reports.</p>
<p>CBAM certificate purchases</p>	<p>Mandatory holding of certificates for 80% of total embedded emissions imported that year by the end of each quarter.</p> <p>Certificate purchases starting from Q1 2026.</p>	<p>Reduction to 50% holding requirements and removal of repurchase limit for unused certificates.</p> <p>Purchases to start from 2027, for surrender against embedded emissions reported in 2026.</p>

3. Next steps: Recommended actions for companies

While the changes suggested by the new Omnibus may seem overwhelming, companies should keep in mind that the EU's commitment to sustainability and reaching net zero by 2050 has not changed. Companies should continue to prepare for comprehensive and verifiable reporting and due diligence and advance integration of sustainability and decarbonization deeper into their operations. This section highlights the broad principles underlying recommended corporate response and offers suggestions for actions companies should prioritize in the short term for each of the four main parts of the EU Omnibus.

General principles: From compliance to value creation

- **Direction of travel will remain unchanged:** The most crucial takeaway from the EU Omnibus is that the simplification and reduced company scope of regulations should not be mistaken for a reduction of the EU's commitment to sustainability and decarbonization. This means that companies should continue improving their data collection, accelerating integration of sustainability and decarbonization initiatives in core business operations, and improving sustainability performance. However, the EU Omnibus, in combination with the Clean Industrial Deal and a new ambitious emission reduction target for 2040, does represent a notable shift from a broad sustainability approach to a focus on climate.
- **Do not hit “pause”:** Large EU and non-EU companies should not be tempted to slow down preparations for CSRD, Taxonomy, and CSDDD compliance now that the start of compliance for many of them has been postponed to a later date. Preparing for compliance and change management takes time. Also, many stakeholders will still want to see transparent proof of company progress on due diligence and disclosure preparedness. Efficient risk-based due diligence systems and high-quality data are crucial to reassure investors and employees and secure market advantage.
- **Prioritize value creation:** The decreased complexity and number of data points of the EU Omnibus give companies more space to shift time and energy from a compliance-driven mindset to investing in value creation and securing internal buy-in. Preparing for CSRD, CSDDD, and EU Taxonomy can



help companies create a blueprint of their biggest risks and commercial opportunities around sustainability, ranging from social acceptance to decarbonization to green products and markets. This can serve as the foundation of robust transition plans and building future-proof business strategies.

- **Voluntary reporting will play an important role:** The thousands of small and medium-sized companies that are no longer covered by the CSRD and the EU Taxonomy, or non-CSRD suppliers that are no longer required to respond to information requests on their sustainability practices, should maintain adherence to robust voluntary reporting standards. Mandatory regulation may have ended for them, but employees, investors, consumers, and larger companies they want to do business with will still demand transparency and accountability.
- **Communication is paramount:** Whether or not your business remains within the scope of CSRD or moves (back) to voluntary reporting, companies should remember that considerable added value is generated by the way the data – and the broader corporate decarbonization story – is communicated. The greatest value-creation lever is turning disclosures and reports into two-way communication to engage and influence stakeholders, using language, media formats, and mechanisms that are most relevant to them.
- **Consider your actions if the ‘stop-the-clock’ directive fails to get fast approval:** Companies, especially in Wave 2 (which includes in-scope EU subsidiaries of foreign companies) and Wave 3 of CSRD and large companies in-scope for CSDDD, will need to weigh the risks of complying with the existing CSRD, Taxonomy and/or CSDDD reporting timelines for 2026 and 2027, versus waiting for the approval of the new timeline. The ‘stop-the-clock’ proposal aims to pause the reporting obligations for CSRD by two years and CSDDD reporting by one year. This would give the EU legislators more time to go through the legislative steps on the remaining parts of the Omnibus and for member countries to transpose those into national law. However, if the ‘stop-the-clock’ proposal itself fails to get approval within 10 months, the timing and reporting obligations of the existing CSRD and CSDDD remain in place.



Preparing for CSRD and EU Taxonomy compliance

The proposed changes to the CSRD will significantly alter the disclosure landscape for almost all companies. The changes in the EU Taxonomy closely follow the CSRD modifications in the scope of proposed changes. Table 6 summarizes recommended actions for companies depending on the Wave.

Table 6. Recommendations regarding CSRD and EU Taxonomy

Wave	ERM's recommendations to clients
All Waves	Revisit the scoping exercise according to newly proposed thresholds considering legal entities, geographies, etc.
<p><u>Wave 1</u> Large EU companies formerly covered by NFRD (was 2025, stays 2025)</p>	<p>Continue reporting as the 'stop-the-clock' proposal does not affect Wave 1 companies, in particular:</p> <ul style="list-style-type: none"> • Continue CSRD implementation with a focus on quantitative data as these are likely to undergo fewer changes than qualitative data when the Omnibus takes effect (EU Omnibus aims to cut the reporting burden by 25 percent). • Monitor the development of the Delegated Act revising ESRS guidance, which will potentially take effect in 2026 or later. For now, continue reporting according to current ESRS standards. • Monitor how alignment criteria will be revised in the EU Taxonomy Climate and Environmental Delegated Acts. • Continue EU Taxonomy reporting. Internally, keep using alignment criteria as a sustainability performance checklist for sizeable eligible activities. Explore the new partial alignment option suggested in the EU Omnibus and how it might help you sharpen your transition narrative. Prepare for implementation of materiality thresholds. <p>If a company is below updated thresholds (500-1000 employees):</p> <ul style="list-style-type: none"> • Review your future reporting approach, taking into account the company's growth trajectory and impacts on thresholds, the option to switch to voluntary reporting under the simplified SME standards (see Wave 3), as well as the efforts made to date on reporting infrastructure and data availability improvements. Some companies might find it valuable to continue reporting under the current standards, even if they might fall out of scope.

Wave 2

Large EU Companies not covered by NFRD and EU Subsidiaries and branches of third-country undertakings (was 2026, would be 2028 / potentially out of scope)

Closely monitor fast-track procedure with two-year postponement:

- If above threshold, continue with CSRD implementation and focus on ‘no-regret’ actions: double materiality assessment, operating model, data strategy and digitalization, operationalization of priority Impacts, Risks, and Opportunities (IROs). Leverage additional time to test and develop a robust approach focused on data management and business improvement.
- If above CSRD threshold and >€450 million turnover, continue preparing for EU Taxonomy reporting. If not, companies with significant shares of eligible turnover should report according to the EU Taxonomy, whether mandatory or not, and leverage alignment criteria to boost sustainable activities and capital market attractiveness. If eligibility for turnover and major CapEx projects is limited, do not report eventually.
- Consider the risk of the ‘stop-the-clock’ proposal – postponing CSRD compliance by two years – not being approved within 10 months. This would mean Wave 2 companies must start reporting according to the existing CSRD over the fiscal year 2025. Since this risk is substantial, Wave 2 companies should keep preparing for reporting over fiscal year 2025.
- If below the thresholds, companies should at least aim to maintain a robust level of voluntary reporting (see Wave 3), especially if many of their B2B customers or investors demand it.

Wave 3

Listed Small and Medium Sized Enterprises (was 2027, would be 2029 / most likely out of scope)

- Closely monitor the regulatory process and track the development of standards for voluntary use, which will be based on the [Voluntary Standard for SME Sustainability Reporting \(VSME\)](#).
- Consider the most appropriate voluntary reporting based on investor and broader stakeholder expectations, following (revised) VSME guidance. Voluntary reporting will be more critical if positioning as supply chain of CSRD-compliant company.
- Perform high-level Taxonomy eligibility assessment focusing on turnover to ascertain the strategic value of reporting and attaining alignment. Base opt-in decision on this assessment. When reporting, make use of additional leeway provided for omitting OpEx KPI disclosure.
- Focus on value creation and supply chain resilience by operationalizing sustainability, improving performance on priority topics (KPIs), and embedding approaches to mitigating ESG risks and leveraging opportunities (e.g., product sustainability, circularity, and associated transparency and sustainability / strategic communication).

Wave 4

Non-EU HQ company (was 2029, stays 2029)

- Review turnover criteria (as now >€450 million turnover across EU instead of >€150 million).
- If above threshold continue CSRD and EU Taxonomy implementation.
- If below threshold, consider the most appropriate voluntary reporting based on stakeholder expectations.

With the introduction of the EU Omnibus, the number of companies headquartered outside the EU that are in the scope of CSRD will also significantly fall. There are a few nuances embedded in the amended CSRD that this group of companies must pay attention to to assess the extent to which they will need to report or not. In their case, the CSRD can apply to the parent company, EU subsidiaries, or both.

Table 7. CSRD reporting for companies headquartered outside the EU

STEP 1

Assess whether the parent company has EU subsidiaries that fall into the scope of proposed new CSRD thresholds as a large undertaking (Wave 2).

- Do they meet the threshold of 1,000 employees in that entity (or group of entities if it is the EU-based parent of a group)?
- If yes, does that entity or group have €50 million turnover OR €25 million balance sheet threshold?
- If yes, the ENTITY has a reporting obligation in 2028 (for the 2027 fiscal year).
- If no, to one or both, the ENTITY does not have a reporting obligation.

STEP 2

Assess if a non-EU parent company falls in scope for reporting under CSRD (Wave 4).

- Does the parent company generate more than €450 million in EU turnover?
- If no, the PARENT has no reporting obligation, but if it has an EU subsidiary in scope of CSRD, that ENTITY still does.
- If yes, does the parent have at least one large EU subsidiary - defined as an entity with two out of three criteria: 250 employees, a €50 million in turnover, or €25 million on the balance sheet - or an EU branch generating €50 million in turnover?
- If yes, the PARENT has a reporting obligation in 2029 (for the 2028 fiscal year). If the ENTITY is also in the scope of CSRD, both need to report. The ENTITY may, however, be exempted from its reporting obligation if the PARENT prepares a consolidated report.
- If no, the PARENT has no reporting obligation.

Since the Omnibus delays Wave 2 until 2028, but Wave 4 is still slated for 2029, non-EU parent companies may want to reconsider their reporting approach in this scenario. Suppose both the parent and EU subsidiaries are in scope. In that case, it may be expedient to begin reporting at the parent level in 2028 to fulfill both obligations rather than report for the EU in the first year and then pivot to the enterprise-level for year two.

Preparing for CSDDD

The revised CSDDD shrinks the volume of suppliers to proactively map and stakeholders to engage. This has the potential to improve the quality of interactions with suppliers and stakeholders that remain in scope. The original directive inadvertently drove companies to spread their capacity and resources too thin.

Table 8. Recommendations regarding CSDDD

ERM's recommendations to clients	
<p>Large EU (>1000 employees and more than €450 million turnover globally) and non-EU companies (> €450 million turnover in the EU)</p>	<ul style="list-style-type: none"> • Many of the requirements in CSDDD are already law in certain countries and have been part of voluntary standards for many years. Because scrutiny will increase, the environmental and human rights due diligence will continue to mature. • Set up a core team to drive change management as needed; ensure inter-functional participation (HR, sustainability, procurement, legal, finance). • Invest time in understanding the foundational standards behind the EU Omnibus directive and their intent, e.g., the UN Guiding Principles on Business and Human Rights. • Conduct a gap and opportunity assessment to strengthen impact management of environmental, health and safety, labor, and community issues with a human rights lens in own operations and subsidiaries. • Embed potential involvement in environmental and human rights harms and its consequences in enterprise risk management. • Find efficiencies in value chain due diligence given the focus of risk mapping on Tier 1 suppliers, instead of the entire value chain. • For indirect suppliers, ensure you have access to objective information from credible sources regarding high-risk commodities, industries, and local contexts in order to be proactive in avoiding and addressing harm and reducing legal liability risks in the future. • Assess the practical implications of the new restrictions on information requests for suppliers with < 500 employees. For smaller direct and indirect suppliers, companies will need to rely on available voluntary reporting and additional research to identify and address risks and harms. • Strengthen current corporate and asset-level grievance mechanisms or ethics hotlines to ensure you can address issues effectively. • Focus your engagement on relevant stakeholders (i.e., affected workers, communities, individuals, and their legitimate representatives), but consider broader engagement to manage reputational risks and social acceptance. • Connect the dots between climate, nature, and human rights – e.g., in Climate Transition Planning. • Consider using key industry associations for collective solutions on supply-chain due diligence.

<p>Small direct suppliers (<500 employees)</p>	<ul style="list-style-type: none"> • Although the amended CSDDD lifts the burden on small direct suppliers to give companies in scope of the CSDDD bespoke information if they request it, continued adherence to robust voluntary reporting standards is crucial. Mandatory regulation may have ended for them, but most large firms that want to do business will still expect transparency and accountability.
<p>Indirect suppliers</p>	<ul style="list-style-type: none"> • The same is true for indirect suppliers. Companies in scope of CSDDD will still have an obligation to conduct in-depth assessments when plausible information of harm exists. Adhering to robust voluntary reporting standards is the best protection to avoid disruption of business.

Next steps on CBAM

If approved, changes to CBAM could significantly improve the ease of compliance for companies and reduce the bureaucratic burden associated with the scheme while maintaining a positive impact on reducing greenhouse gas emissions. There are several actions companies in scope need to take to establish compliance leading up to the definitive phase starting in 2026 and to develop a longer-term CBAM strategy.

Table 9. Recommendations regarding CBAM

<p>ERM’s recommendations to clients</p>	
<p>2026 compliance actions</p>	<ul style="list-style-type: none"> • Ensure you or your customs representative acting as CBAM Declarant have completed the necessary registration to allow your continued imports. • The same applies to non-EU installations, ensuring that when the time comes, you can enter your data into the EU’s data portal for your customers. • Continue to understand your supply chain and document any failed attempts to obtain detailed data from upstream installations.
<p>Long-term strategic view</p>	<ul style="list-style-type: none"> • Developing supply chain intelligence and data will help avoid the need to use default values for reporting. These default values may change prior to the definitive phase but will remain punitive. • A better understanding of your supply chain will also allow better management and decision-making concerning possible CBAM exposure. This could include identifying suppliers with more mature data management, lower emissions technologies, and identifying materials ultimately sourced from the EU, which may not attract any additional carbon pricing. • Continue to monitor the legislative developments, particularly in areas such as verification requirements, benchmarks, and defaults. • Develop a forward-looking analysis of potential CBAM certificate holding requirements and costings.

Timeline of the EU Omnibus proposal and potential consequences of delay

Most EU countries and businesses feel the urgency to get the EU Omnibus proposal over the finish line. However, the process steps EU Directives need to go through are numerous and not always predictable. After a Directive has been fully adopted, the last phase is its transposition into national laws, for which member countries typically get two years.

To give the broader EU Omnibus approval process more time and to avoid companies having to report according to the existing CSRD, EU Taxonomy, and CSDDD before the EU Omnibus Directive comes into effect, the EU simultaneously introduced a ‘stop-the-clock’ Directive proposal. This proposal would postpone the reporting obligation for CSRD and EU Taxonomy by two years and the application of CSDDD by one year.

According to the EU Commission, ‘the objective of the postponement is to avoid a situation in which certain undertakings are required to report for the financial year 2025 (Wave 2) or 2026 (Wave 3) and are subsequently relieved of this requirement. Such a situation would mean that the undertakings in question incur unnecessary and avoidable costs.

Steps from directive proposal to national law

1

Commission Proposal:

- The European Commission drafts and publishes a legislative proposal.
- It is sent to the European Parliament and the Council of the EU.

2

First Reading:

- **Parliament Review:** The European Parliament examines the proposal and may adopt it as is or with amendments.
- **Council Review:** The Council reviews the Parliament’s position and may accept it or propose changes.

3

Negotiations:

- The Commission, Parliament, and Council negotiate to resolve any differences in their positions.

4

Second Reading:

- **Parliament Review:** The Parliament reviews the Council’s position and may accept it, reject it, or propose further amendments.
- **Council Review:** The Council reviews any new amendments from the Parliament.

5

Conciliation:

- If the Parliament and Council cannot agree, a Conciliation Committee is formed to negotiate a joint text.

6

Third Reading:

- Parliament Approval: The Parliament votes on the final text.
- Council Approval: The Council also votes on the final text.

7

Adoption & Implementation:

- Directive Published: The agreed text is published in the Official Journal of the EU.
- Transposition into National Law: Member states must transpose the directive into their national laws within a specified timeframe.

The EU Omnibus, so far, has support, which may translate into rapid approval of the ‘stop-the-clock’ Directive. The EU Commission has also asked its co-legislators to accelerate review and approval of this Directive. In any case, bringing an EU Directive to full approval in ten months is a rare occurrence (for example, the approval for the CSRD took more than two years). Therefore, companies, especially Wave 2, should weigh the risk of the pause not being approved by the end of this year and having to start reporting in 2026.

This is also highly relevant for companies headquartered outside the EU. Although in-scope parent companies outside Europe are included in Wave 4, in-scope EU subsidiaries would have to start reporting according to CSRD covering fiscal year 2025 and published in 2026 (part of Wave 2).

Conclusion

The introduction of the EU Omnibus is good news for businesses: it substantially lowers the compliance burden for companies remaining in scope, freeing up resources and capacity to focus on value creation opportunities and embedding sustainability into their operations.

However, companies should not hit pause: the EU’s commitment to sustainability and reaching net zero is undiminished. The EU Omnibus is part of a shift from regulation towards encouraging innovation and competitiveness. Furthermore, transparent reporting and action on sustainability remain key expectations of investors, employees, and other stakeholders.

It’s also important for companies to realize the EU Omnibus is a proposal and not yet law, and the postponement of the reporting obligations is still awaiting approval. At this point, several outcomes are still possible, including the possibility that the old requirements and timelines for CSRD, EU Taxonomy and CSDDD remain intact.

So, companies are right to be excited about the EU Omnibus. However, they should also keep close track of the latest developments and be prepared for all scenarios. ERM and its Sustainability Institute will continue to track the developments, sharing recommendations and guidance.

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