

# The EU's Omnibus Package introduces substantial changes to EU sustainability legislation including the CSRD and CSDDD

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## AUTHORS

Henrietta de Salis | Dr. David Jansen | Dr. Richard W. Roeder | Matthias Schrader  
Dr. Maximilian F. Schlutz | Rowan Khanna | Almahdi Coker | Dr. Claudius Straub  
Dr. Laurin Havlik | Dr. Maria Risse

On 26 February 2025, the European Commission announced a number of proposals introducing significant amendments to the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, “**CSRD**”) and the Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760, “**CSDDD**”) (such proposals together: the “**Omnibus Package**”).<sup>1</sup>

The Omnibus Package aims to improve competitiveness of EU companies, reduce bureaucracy, and unlock additional investment capacity. The changes will result in a better alignment of the CSRD and CSDDD. Notably, the package includes a stop-the-clock mechanism postponing the application of reporting obligations under the CSRD

<sup>1</sup> The Omnibus Package also includes significant amendments to the Carbon Border Adjustment Mechanism Regulation (Regulation (EU) 2023/956), the Invest EU Regulation (Regulation (EU) 2021/523) and other related EU legislation. The Omnibus Package also contains a consultation on a proposal that would introduce amendments to the delegated acts that exist under the Taxonomy Regulation (Regulation (EU) 2020/852). This briefing focuses on the changes to the CSRD and CSDDD.

and due diligence requirements under the CSDDD (“**Stop-the-clock Directive**”). A second proposed directive introduces significant reductions to the scope and complexity of the reporting requirements under the CSRD and the due diligence requirements under the CSDDD (“**Content Directive**”). Understanding the suggested changes is critical for entities that fall within the revised scope of the CSRD and CSDDD in order to assess and adapt their implementation plans.

## CSRD-RELATED PROPOSALS

As laid out in our previous Client Alert on the CSRD from October 2023,<sup>2</sup> the CSRD has introduced broad obligations for companies to report on sustainability and environmental and social information. The European Commission is now delaying implementation and simplifying those requirements with the suggested changes in the Stop-the-clock Directive and the Content Directive.

### Stop-the-clock Mechanism

CSRD reporting requirements are phased in according to different categories of undertakings. Under the original requirements, certain public-interest entities and non-EU issuers listed on the regulated market of a Member State (“Non-EU Issuers”) that qualify as (i) large undertakings with more than 500 employees, or (ii) parent undertakings of large groups with more than 500 employees, are required to report in 2025 for FY3 2024. These so-called “first wave” companies are already preparing their reports, and the proposals in the Stop-the-clock Directive do not change the application of the reporting requirements for them.

However, the Stop-the-clock Directive postpones such requirements by two years for “second wave” companies, i.e. entities that qualify as (i) large undertakings or (ii) parent undertakings of large groups, and Non-EU Issuers meeting the same requirements, with original reporting obligations for FY 2025, and “third wave” companies, i.e. Non-EU Issuers that meet the criteria for in-scope EU undertakings, with original reporting obligations for FY 2026. Consequently, the reporting obligations for these companies would commence only in respect of FY 2027 and FY 2028 in 2028 and 2029 respectively.

The reporting requirements for certain non-EU parent undertakings with qualifying EU subsidiaries or EU branches (fourth wave companies) stay the same. Such non-EU parents will need to report for the first time in 2029 for FY 2028.

The Stop-the-clock Directive officially entered into force on 15 April 2025 and must be transposed into the domestic laws of EU Member States by 31 December 2025.

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<sup>2</sup> [https://www.willkie.com/-/media/files/publications/2023/10/sustainability\\_reporting\\_under\\_the\\_csrd\\_for\\_eu\\_and\\_non-eu\\_companies.pdf](https://www.willkie.com/-/media/files/publications/2023/10/sustainability_reporting_under_the_csrd_for_eu_and_non-eu_companies.pdf).

<sup>3</sup> Financial Year.

**Reduction of In-scope Entities and Changes to the Reporting Requirements**

In-scope Entities

Under the Content Directive, the number of undertakings subject to the CSRD’s sustainability reporting will be reduced by about 80% by removing large undertakings with up to 1,000 employees and listed small and medium-sized undertakings completely from the scope of the reporting requirements. The applicable thresholds for in-scope non-EU parent undertakings are also being raised.

The below table shows the revised scope of the CSRD pursuant to the Omnibus Package.

EU / Non-EU	In-scope Entities	Application Date
EU entities	<p><b>Large EU undertakings</b> already subject to the Non-Financial Reporting Directive (“NFRD”), i.e. that are (i) public interest entities and (ii) have more than 500 employees.</p>	<p><b>2025</b> (reporting on FY 2024)</p>
	<p><b>Large undertakings</b> and <b>parent undertakings of large groups</b>, i.e. undertakings that, on a single entity or consolidated group basis, have an average number of more than 1,000 employees and that exceed either:</p> <ul style="list-style-type: none"> <li>○ EUR 50 million net turnover; or</li> <li>○ EUR 25 million balance sheet total.</li> </ul>	<p><b>2026</b> (reporting on FY 2025)</p>
Non-EU entities	<p><b>Non-EU Issuers</b> that meet the criteria for in-scope EU undertakings.</p>	<p><b>2027</b> (reporting on FY 2026)</p>
	<p><b>Non-EU parent undertakings</b> that generate a net turnover of more than EUR 450 million in the EU for two consecutive years and have at least either:</p> <ul style="list-style-type: none"> <li>○ an EU subsidiary qualifying as a large undertaking (i.e. exceeding at least two of the following criteria: 250 employees; EUR 50 million net turnover; EUR 25 million balance sheet total); or</li> <li>○ an EU branch generating net turnover of EUR 50 million.</li> </ul>	<p><b>2029</b> (reporting on FY 2028)</p>

Sustainability Reporting

*European Sustainability Reporting Standards – ESRS*

Under the CSRD, in-scope undertakings are required to report their sustainability information using mandatory European Sustainability Reporting Standards (“**ESRS**”) adopted by the European Commission. Following the adoption of the first set of sector-agnostic ESRS (Delegated Regulation (EU) 2023/2772), many businesses stated that the ESRS are overly complex and numerous.

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In response to this feedback, the Content Directive will not include sector-specific reporting standards in order to simplify the reporting requirements. In addition, the European Commission intends to revise the existing ESRS at the latest six months after the Content Directive has entered into force. The intent is to clarify and substantially reduce the number of mandatory ESRS data points by removing less important points, prioritising quantitative points over narrative text and further distinguishing between mandatory and voluntary points.

### *Value Chain Reporting and Voluntary Reporting Standards*

Under the CSRD, sustainability reports must also comprise information on the reporting entities' entire value chain. Therefore, reporting entities will depend on information from value chain companies that will also comprise entities that are not within the scope of the CSRD's reporting requirements.

Therefore, the Content Directive suggests that the European Commission adopt proportionate voluntary reporting standards ("**EVRS**") which can be used by out-of-scope undertakings voluntarily to provide sustainability information. Further, in order to avoid trickle-down effects to out-of-scope undertakings from the value chain reporting requirement of the CSRD, the Content Directive aims to prohibit reporting entities from seeking information from undertakings in their value chain that goes beyond the information specified in the EVRS unless such undertaking has more than 1,000 employees. Notwithstanding this, the reporting entity is allowed to collect such additional information from undertakings in its value chain that is commonly shared by undertakings in the same sector.

### *Optional Taxonomy Reporting*

The Content Directive also includes a proposal to implement optional taxonomy reporting for large undertakings with more than 1,000 employees that are in-scope of the CSRD's sustainable reporting requirements but that do not exceed a net turnover of EUR 450 million. While in-scope undertakings that exceed such net turnover threshold would fall within the taxonomy reporting requirement as set out in Article 8 of Regulation (EU) 2020/852 ("**Taxonomy Regulation**"), all other in-scope undertakings would fall within a newly established opt-in regime within the CSRD framework (i.e. the Content Directive does not amend the rules of the Taxonomy Regulation).

Under the proposed opt-in regime, undertakings that claim that their activities are partially or fully aligned with the Taxonomy Regulation need to disclose their turnover and capital expenditure that are related to environmentally sustainable activities within the meaning of the Taxonomy Regulation. In addition, such undertakings are allowed voluntarily to disclose their relevant operating expenditure that is related to environmentally sustainable activities.

Other undertakings that are subject to CSRD sustainable reporting rules but that (i) do not exceed the EUR 450 million net turnover threshold and (ii) do not claim full or partial taxonomy alignment, are out of scope of the taxonomy reporting requirement.

The proposed introduction of the opt-in regime will therefore significantly reduce compliance costs for undertakings that do not claim alignment with the Taxonomy Regulation.

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Double Materiality Concept

The Content Directive does not alter the so-called double materiality concept. Therefore, undertakings in scope will still be required to apply the double-materiality standard requiring them to report on (i) how sustainability issues might create financial risks for the company, and (ii) the company’s impacts on people and the environment.

The proposed revision of the ESRS will most likely provide some clarity to the application of the double materiality concept.

Limited Assurance

Finally, the Content Directive removes the option for the European Commission to adopt a reasonable assurance standard in the future. Instead, it will introduce guidelines for the providers of limited assurance.

CSDDD-RELATED PROPOSALS

The Stop-the-clock Directive and the Content Directive also significantly amend the CSDDD framework.

Stop-the-clock Mechanism

The Stop-the-clock Directive postpones the deadline for national transposition of the Directive for EU Member States by one year to 26 July 2027. In addition, the application date for the first wave of in-scope companies has been postponed by one year to 26 July 2028, aligning the application date for the first and second waves of in-scope companies.

The below table shows the revised scope of the CSDDD pursuant to the Omnibus Package.

EU / Non-EU	Application Dates
EU entities	<ul style="list-style-type: none"> <li>o <b>26 July 2028</b> Companies with more than 3,000 employees and worldwide net turnover of more than EUR 900 million.</li> <li>o <b>26 July 2029</b> <ul style="list-style-type: none"> <li>i. Companies with more than 1,000 employees (on average) and a net global turnover exceeding EUR 450 million;</li> <li>ii. Ultimate parent companies of EU companies with more than 1,000 employees (on average) and a net global turnover exceeding EUR 450 million;</li> <li>iii. Ultimate parent companies of a group with a net turnover in the EU exceeding EUR 450 million; and</li> <li>iv. Companies that entered into or are the ultimate parent company of a group that entered into certain franchising or licensing agreements in the EU, where the</li> </ul> </li> </ul>

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	<p>royalties amount to more than EUR 22.5 million, and the company had or is the ultimate parent company of a group that had a net worldwide turnover of more than EUR 80 million.</p>
<p>Non-EU entities</p>	<ul style="list-style-type: none"> <li>○ <b>26 July 2028</b> Companies with more than EUR 900 million net turnover in the EU.</li> <li>○ <b>26 July 2029</b> <ul style="list-style-type: none"> <li>i. Companies that generate over EUR 450 million in net turnover within the EU.</li> <li>ii. Ultimate parent companies of EU companies with more than 1,000 employees (on average) and a net global turnover exceeding EUR 450 million;</li> <li>iii. Ultimate parent companies of a group with a net turnover in the EU exceeding EUR 450 million; and</li> <li>iv. Companies that entered into or are the ultimate parent company of a group that entered into certain franchising or licensing agreements in the EU, where the royalties amount to more than EUR 22.5 million, and the company had or is the ultimate parent company of a group that had a net worldwide turnover of more than EUR 80 million.</li> </ul> </li> </ul>

In summary, the changes introduced by the proposed Content Directive mean that undertakings subject to the CSDDD would stay subject to the amended CSRD regime, and undertakings subject to the CSDDD and CSRD are not required by the CSDDD to report any information in addition to that which they are required to report under the CSRD.

**Simplifications to the Due Diligence Requirements**

The Content Directive will not change the turnover and employee thresholds for in-scope companies. However, the Directive aims to tone down substantially the due diligence measures under the CSDDD.

No Diligence Along the Entire Value Chain

While the original CSDDD rules required in-scope companies to conduct due diligence on their entire value chain, the Content Directive proposes generally to limit such requirements to the companies’ own operations, the operations of their subsidiaries and those of direct business partners. Companies will only have to conduct due diligence on their direct business partners if they have plausible information suggesting an adverse impact (e.g. due to credible NGO or media reports or received complaints on indirect business partners).

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Such proposal is inspired by the German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*) and will reduce the costs for in-scope companies significantly unless the respective companies voluntarily conduct further due diligence, e.g. to meet certain voluntary (international) standards.

Similar to the mechanism implemented for the CSRD, the revised CSDDD also aims to minimise trickle-down effects on companies with fewer than 500 employees by generally limiting the information in-scope companies may request from such business partners under the EVRS developed under the CSRD. Additional information may only be requested if the EVRS do not cover relevant impacts and where such information cannot reasonably be obtained by other means.

Periodic Monitoring

Under the Content Directive, the frequency of the periodic monitoring by which companies must assess the adequacy and effectiveness of due diligence measures will be reduced by extending the monitoring intervals from one to five years. This proposal will significantly reduce the burden for in-scope companies and their business partners.

Termination of Business Relationships

Under the original CSDDD framework, in-scope companies are required to terminate a business relationship as a measure of last resort where actual and potential adverse impacts are identified in respect of business partners. The Content Directive will soften this requirement by (only) requiring the company to suspend the relationship while continuing to work with the business partner towards a solution using the leverage resulting from the suspension.

This change limits the regulatory burdens and costs for in-scope companies connected with the search for, and engagement with, new business partners, in particular, if such companies rely heavily on a limited set of suppliers.

Stakeholder Engagement

Under the original CSDDD framework, in-scope companies are required to consult with a broad variety of stakeholders during the due diligence process. Under the original CSDDD, the term “stakeholders” includes consumers, human rights and environmental institutions (including their legitimate representatives), whose interests could be affected.

The Content Directive limits the range of stakeholders by only including workers, their representatives (e.g. trade unions) and individuals and communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and business partners. Accordingly, the Content Directive reduces the number of stages of the due diligence process where such engagement is required.

Due Diligence Guidelines

The Content Directive delays the European Commission’s obligation to publish general due diligence guidelines with practical guidance and best practices from 26 January 2027, to 26 July 2027. As a result, companies that are

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part of the first wave of companies subject to CSDDD requirements will have two years to get familiar with and implement the guidelines’ requirements before the CSDDD rules apply to them.

Administrative Action and Civil Liability

The Content Directive removes (i) the requirement that financial penalties imposed by supervisory authorities must have a maximum limit of not less than 5% of a company’s worldwide net turnover and (ii) the initially planned EU-wide civil liability system. In addition, it eliminates Member States’ obligation to allow trade unions and NGOs to bring claims on behalf of third parties.

However, in-scope companies will remain subject to existing national civil liability regimes in cases of violations of the CSDDD rules, which may lead to a fragmentation of liability rules across Member States.

Climate Transition Plans

The Content Directive removes the requirement for in-scope companies to put into effect transition plans for climate change mitigation. Whilst in-scope companies are required to adopt transition plans along with measures for its implementation, there no longer remains an obligation to implement the plan itself.

**If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.**

<b>Henrietta de Salis</b> +44 203 580 4710 <a href="mailto:hdesalis@willkie.com">hdesalis@willkie.com</a>	<b>Dr. David Jansen</b> +49 69 7930 2325 <a href="mailto:djansen@willkie.com">djansen@willkie.com</a>	<b>Dr. Richard W. Roeder</b> 49 89 20304 7508 <a href="mailto:rroeder@willkie.com">rroeder@willkie.com</a>	<b>Matthias Schrader</b> +49 69 79302 244 <a href="mailto:mschrader@willkie.com">mschrader@willkie.com</a>
<b>Dr. Maximilian F. Schlutz</b> +49 69 7930 2382 <a href="mailto:mschlutz@willkie.com">mschlutz@willkie.com</a>	<b>Rowan Khanna</b> +44 203 580 4987 <a href="mailto:rkhanna@willkie.com">rkhanna@willkie.com</a>	<b>Almahdi Coker</b> +44 203 580 4957 <a href="mailto:acoker@willkie.com">acoker@willkie.com</a>	<b>Dr. Claudius Straub</b> +49 69 7930 2394 <a href="mailto:cstraub@willkie.com">cstraub@willkie.com</a>
<b>Dr. Laurin Havlik</b> +49 89 20304 7514 <a href="mailto:lhavlik@willkie.com">lhavlik@willkie.com</a>	<b>Dr. Maria Risse</b> +49 69 7930 2163 <a href="mailto:mrisse@willkie.com">mrisse@willkie.com</a>		



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