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Special edition: ‘Omnibus Simplification Package’ **(February – May 2025)**

In practice, many **sustainability regulations** are considered to be too complex, burdensome and costly and their benefits are limited. As a result, competitiveness and investment strength in the EU are suffering (see Draghi report, Compass for competitiveness). In order to **relieve the burden on companies and restore competitiveness**, the European Commission proposed a whole package of measures on 26 February 2025. This proposal, a kind of an ‘omnibus approach’, is currently under review and in the implementation stage.

The Latin word ‘omnibus’ means ‘for all’ and – it could not be more appropriate – the proposed measures address different sets of regulations with the aim of simplification and of better harmonizing overlapping standards. This is part of the Commission's ambition to reduce the administrative burden by at least 25 % overall and by at least 35 % specifically for SMEs by the end of its term of office.

What are the key points of the Commission's proposal (I.) and which developments are noteworthy in this respect since 26 February 2025, not only at European level, but also nationally in the Coalition Agreement between CDU/CSU and SPD (II.)?

I. Key points of the Commission proposal

1. Modification of the Corporate Sustainability Reporting Directive - CSRD

- 1.1 The CSRD (Directive (EU) 2022/2464) modified significantly among others the Accounting Directive (2013/34/EU) and the Statutory Audit Directive (2006/43/EC). The CSRD, which came into force in January 2023, introduced the obligation to report in accordance with the European Sustainability Reporting Standards (ESRS)

- for all companies classified as “large” under EU criteria that exceed at least two of the following three thresholds
 - 250 employees
 - net turnover of more than EUR 50 million
 - balance sheet total of more than EUR 25 million

and

- for SMEs whose securities are admitted to trading on a regulated market in the EU.

Due to the omnibus initiative, the CSRD will only apply in future

- **for ‘large’ companies with over 1,000 employees and with**
 - a turnover of more than EUR 50 million and/or
 - a balance sheet total of more than EUR 25 million.

This means that around 80% of companies would no longer fall within the scope of the CSRD. Instead of more than 50,000 companies, fewer than 7,000 companies would be subject to ESRS reporting in future. Additionally, capital market orientation would no longer be a criterion for an obligation.

- 1.2 As a result, the new scope of application is **precisely aligned with the CSDDD threshold**, particularly for the number of employees of 1,000.
- 1.3 For other companies that do not fall within the scope of the CSRD, the possibility of **voluntary reporting** on the basis of a simplified standard is envisaged. This would have to be adopted by the Commission in a delegated act. The standard for voluntary reporting should be based on the standard for SMEs (Voluntary Standard for SMEs, VSME) developed by the European Financial Reporting Advisory Group (EFRAG).
- 1.4 A key aim of the omnibus initiative is to **prevent a domino effect (trickle-down effect)** on non-reporting companies by means of a downward transfer of information obligations. To this end, it is planned to limit the request for information by reporting companies and banks from non-reporting companies in the value chain to the information required by the voluntary standards yet to be developed.
- 1.5 As regards content, **reporting obligations are to be simplified**. According to the Commission's proposal, an audit only needs to be carried out with limited certainty in future instead of reasonable certainty initially envisaged.

- 1.6 In addition, the Commission speaks out in favour of a **two-year postponement** of the reporting obligations for companies that would have been subject to reporting obligations from 2026 or 2027 (waves 2 and 3).

2. **European Sustainability Reporting Standards (ESRS)**

- 2.1 In the coming months, the Commission will present a **proposal** to revise and simplify the ESRS.
- 2.2 It is planned to significantly **reduce relevant data points**.
- 2.3 It is also important **to clarify** the requirements in the ESRS and, in particular, unclear terminology.
- 2.4 Better **coherence** with other EU legislation is to be created.
- 2.5 Contrary to previous **plans** and the start of various preparatory work, there will be no sector-specific ESRS, e.g. for oil and gas.
- 2.6 However, the principle of dual materiality **remains unchanged**:
- Inside-out materiality determines the impact of a company's business activities on the environment and society over different periods of time.
 - Outside-in materiality (financial materiality) expresses how environmental, social and corporate governance sustainability issues can influence a company's financial and economic situation, profitability and viability.

3. **Corporate Sustainability Due Diligence Directive, CSDDD, 2024/1760**

Concerning CSDDD, the Commission's proposal would result in:

- 3.1 **Due diligence obligations** are simplified to avoid unnecessary costs.
- 3.2 In principle, the due diligence obligations no longer cover the entire chain of activity but are **limited to direct suppliers**. Companies are no longer generally obliged to systematically carry out in-depth assessments of adverse impacts that may also occur at the level of indirect suppliers or business partners. A comprehensive duty of care and in-depth assessment in relation to the value chain that goes beyond direct business partners is now only required in cases where the company has **plausible information** that adverse impacts have occurred or could occur there.
- 3.3 Monitoring of the respective business partner is no longer required annually, but only every **five years**.

- 3.4 There is no longer an explicit **requirement to terminate the business relationship** if the business partner is not CSDDD-compliant.
- 3.5 Although **transitional plans** are still to be accepted, their implementation is no longer required.
- 3.6 A minimum level of 5 % of global turnover for **maximum penalties** is no longer applicable.
- 3.7 In core areas, an **opening clause for the Member States** to provide stricter requirements for due diligence in some cases is waived. The aim is to achieve greater harmonisation in the EU in order to create a level playing field.
- 3.8 Above all, harmonisation of the EU requirements for **civil liability** in the event of infringements is not maintained. The obligation of EU Member States in relation to representative actions by trade unions or non-governmental organisations will be abolished. The various national regulations for civil liability will apply in this case. In future, the national law of an EU Member State will be decisive as to whether its rules on civil liability take precedence over the otherwise applicable rules of the third country in which the damage occurred.
- 3.9 The **transposition deadline** for the Directive is extended by one year to 26 July 2027. The initial application phase with regard to the due diligence obligations for the largest companies will be postponed by one year to 26 July 2028. This gives companies more time to adapt to the new regulation.
- 3.10 For greater clarity, however, the adoption of the necessary **Guidelines** by the Commission will be brought forward to July 2026.
- 3.11 For companies not subject to the CSDDD, care must once again be taken to prevent a domino (trickle-down) effect. Obligations for indirectly affected economic entities to provide information are generally limited to the information specified in the VSME standard, unless the relevant information is necessary (e.g. for mapping) and cannot be obtained in any other reasonable way.
- 3.12 Requirements for the adoption of **transitional mitigation plans** are aligned with the CSRD.
- 3.13 The review clause on the inclusion of **financial services** in the scope of application of the CSDDD is omitted.

4. **Modifications with reference to the Taxonomy Regulation**

- 4.1 The obligations arising from the Taxonomy Regulation (2020/852) are to be limited to companies that fall within the future scope of the CSRD – that is, companies with more than 1,000 employees and an annual turnover exceeding EUR 450 million. Companies with up to EUR 450 million can voluntarily report on their taxonomy compliance.
- 4.2 The introduction of a financial materiality threshold is planned: companies would then only have to report on those economic activities that are financially material to their business activities. It is assumed that this is the case for activities that make up more than 10% of the relevant key performance indicators (i.e. revenue, capital expenditure, operational expenditure).
- 4.3 According to the Commission proposal, the scope of the report will be significantly reduced and the DNSH criteria ('Do Not Significant Harm') will be simplified.

5. **Draft delegated act on taxonomy for public consultation**

- 5.1 This draft concerns **delegated acts** on taxonomy disclosure requirements, climate taxonomy and environmental taxonomy.
- 5.2 It is intended to simplify the reporting forms, resulting in a **reduction of data points** by almost 70 %.
- 5.3 A **minimum threshold** would make the disclosure of taxonomy compliance for companies with less than 10 % taxonomy eligible activities non-mandatory.
- 5.4 The **green asset ratio** (GAR) for banks is to be simplified.
- 5.5 The scope of **mandatory reporting** on operating expenses is planned to be reduced in future.

6. **Carbon Adjustment Mechanism, CBAM**

- 6.1 A **new cumulative annual threshold** is proposed. The changes will mainly benefit importers of small quantities of CBAM goods. Around 182,000 companies, or 90% of importers, will be exempt from CBAM obligations, while 99% of CO₂ emissions will be covered by the system in four CBAM sectors (iron and steel, aluminium, cement, fertilisers).

- 6.2 **Simplifications and exemptions** are envisaged for the authorisation of companies subject to reporting requirements, for the calculation of emissions, for reporting obligations and for financial liabilities.

7. *Modification of the ‘InvestEU’ Regulation*

- 7.1 The proposed measure would increase the **scope of the EU guarantee** and the ‘InvestEU’ guarantee could be used more easily in combination with existing investment programmes.
- 7.2 Above all, the plan is to require less frequent and less extensive reporting, with certain exemptions for SMEs.
- 7.3 As a result of the simplifications, it is estimated that companies will achieve significant cost savings amounting to around EUR 350 million in total. Moreover, this should mobilise public and private investment of about EUR 50 billion in additional.

II. Some important developments since February 2025 (at European level as well as in Germany with the Coalition Agreement between CDU/CSU and SPD)

1. On European Level

To implement the omnibus regulations, European Parliament and Council must give their approval and, in the case of directives, these must also be transposed into national legal systems.

To postpone sustainability reporting as described under point I, European Parliament on 3 April and Council on 14 April 2025 agreed to a **‘stop-the-clock’ proposal** from the European Commission as part of an urgency procedure. Following the publication of this Directive 2025/794¹ in the Official Journal of the EU on 16 April 2025, EU Member States now have time to transpose it into national law by 31 December 2025.

As regards content, a revision of the CSRD and the CSDDD is now pending.² A large number of comments and questions from the Member States Belgium, Bulgaria, the Czech Republic, Germany, Estonia, Spain, Italy, Lithuania, Luxembourg, the Netherlands, Portugal, Slovakia, Finland and Sweden have been consolidated in a 240-page Council working document dated

¹ Directive 2025/794 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements.

² Proposal for a Directive COM(2025) 81 final or with proposed amendments in the Council document of 16 April 2025, 2025/0045(COD).

5 May 2025³ – there are currently differing opinions on many detailed formulations, but also on fundamental decisions such as the question of how to draw up the provision on civil liability in the Supply Chain Directive (CSDDD).

The European Parliament has also already begun its deliberations. There are information that the lead omnibus negotiator in Parliament of the European People's Party (EPP) considers various modifications on the Commission's omnibus simplification package proposal and mulls limiting CSRD to companies with more than 3,000 employees. It has been reported that he also takes into consideration to delete the transition plan requirement from CSDDD and perhaps even from CSRD.

The Commission **entrusted EFRAG** on 27 March 2025 with the revision of the ESRS. A proposal is expected by 31 October 2025.

2. Coalition Agreement in Germany between CDU/CSU and SPD

In Germany, **CDU/CSU and SPD** have planned in their **Coalition Agreement** 'Responsibility for Germany' in lines 1909 - 1917 to abolish the national Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG) and replace it with a law on international corporate responsibility that implements the CSDDD with little bureaucracy and in a manner easy to use. The reporting obligation under the LkSG will be abolished immediately and in full. The existing statutory due diligence obligations would not be sanctioned until the new law comes into force, with the exception of massive human rights violations. The coalition parties support the Commission's 'omnibus' to significantly reduce and postpone the extensive requirements regarding the content of EU sustainability reporting, particularly for SMEs.

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