UNDERSTANDING THE RECENT OMNIBUS PROPOSED CHANGES TO THE CSRD

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What is the CSRD and why are the omnibus changes important?

The Corporate Sustainability Reporting Directive (CSRD), which came into effect on January 1, 2024, is a comprehensive regulation aimed at enhancing the quality, consistency, and comparability of sustainability-related disclosures by large companies and certain non-listed entities. In early 2025, however, the European Commission proposed the omnibus Simplification Package which considered the EU Taxonomy, the Corporate Sustainability Reporting Directive, and the Corporate Sustainability Due Diligence Directive.

An omnibus bill, in this context, represents several bills that cover multiple issues and that are presented within the same document. The omnibus package proposes amendments to the CSRD with the aim of fine-tuning the implementation process, notably proposing a significant reduction in scope and eligibility. These changes would impact the overall regulatory landscape for sustainability disclosures in Europe, reflecting the need to balance regulatory ambition with practical implementation. Importantly, these amendments are not just technical adjustments – they have strategic implications for both corporate issuers and investors.

That said, the omnibus proposals remain tentative, as the changes have yet to be approved by the European Parliament and Council. What's more, once the changes to the regulations have been finalized, it will be up to each country to implement.

Key changes in the omnibus package related to the CSRD

1. **Reduction in scope and eligibility criteria, and postponement of the reporting deadline:** One of the most significant aspects of the omnibus proposal is the reduction in the scope of companies required to comply with the CSRD. Under the original CSRD framework, a broad group of companies, including all large public-interest entities (PIEs) and certain non-listed large companies, were covered. The omnibus proposal seeks to narrow the scope, specifically by reducing the thresholds for eligibility that determine which companies must adhere to the reporting requirements. This reduction aims to alleviate the reporting burden on smaller businesses that may struggle with the complexity and cost of comprehensive sustainability disclosures. Additionally, the reporting deadlines have been postponed by two years for the second wave (FY2025) and the third wave (FY2026) of reporters.

Revisions of the scope and eligibility criteria for CSRD

	Prior requirement	Omnibus revision	
Eligibility criteria	Companies with 250+ employees and €50m+ turnover	EU companies	More than 1,000 employees AND either €50M+ turnover or a €25M+ balance sheet
		Non-EU companies	€450M+ turnover in the EU
Third-country undertaking threshold	€150m turnover with an EU branch or subsidiary with €40m turnover	€450m+ turnover with an EU branch or subsidiary with €40m+ turnover	
# of companies covered	>50,000	<7,000	

2. Reduction in required data points: For businesses still subject to the CSRD but now exempt from full-scale disclosures, the omnibus changes propose simplified reporting requirements. These adjustments focus on streamlining data collection and reporting procedures, particularly for smaller companies or entities with limited environmental or social impacts. A new version of the ESRS (European Sustainability Reporting Standards), the reporting standards companies must use to comply with the CSRD, will be published within six months of the omnibus changes coming into effect.

3. Removal of sector-specific standards: The omnibus proposal also eliminates sector-specific reporting requirements. Originally, the directive allowed for the development of tailored reporting requirements for specific industries, acknowledging that different sectors face unique sustainability challenges. However, under the new proposal, companies will only need to report on the universal standards. While this streamlining may reduce complexity for some companies, it also means that companies in certain sectors may need to rely more on general reporting requirements, which may not fully capture the specific sustainability risks and opportunities unique to their industries.

4. Value chain reporting: The omnibus proposal also adjusts value chain reporting requirements. Companies will no longer need to gather sustainability data from non-CSRD companies within their supply chain, addressing the challenges that small- and medium-sized enterprises (SMEs) faced in meeting reporting obligations. This change also limits the data requests for SMEs connected to the VSME (Voluntary reporting standard for SMEs) reporting standards developed by EFRAG (European Financial Reporting Advisory Group), the technical advisory group supporting the European Commission with the development and implementation of the ESRS.

5. Audit and assurance adjustments: While the omnibus changes maintain the requirement for limited third-party audit and assurance of sustainability disclosures, the reasonable assurance requirements have been removed. Further guidance on assurance standards is set to be published in 2026.

Implications for corporate issuers and investors

Despite the reduction in scope, the omnibus changes continue to push for greater alignment between European sustainability reporting standards and global frameworks, such as the ISSB (International Sustainability Standards Board)'s IFRS S1 and S2 standards. However, the proposed changes to the CSRD, including the reduction in scope and the removal of sector-specific standards, may nonetheless directly affect how investors access and utilize sustainability data. So while the alignment with global standards and the continued requirement for third-party audit and assurance adds greater reliability and trust in the ESG data available, and may improve the quality of disclosures overall for the companies that remain in-scope, the reduction in scope may still lead to a lack of comparability of information. We may also see a rise in greenhushing, or diminished effort towards CSRD-aligned reporting for companies that are no longer in scope. That said, investor expectations are likely to remain unchanged – issuers will still have to disclose on what is financially material to their business and investors will continue to rely on engagement to communicate their expectations regarding disclosures.

For corporate issuers, the reduction in scope and eligibility brings both relief and new considerations. Companies previously within the CSRD's ambit, but that no longer qualify, will face less regulatory pressure. As such, regulations may fall back as the main driver for sustainability disclosures, propelling market drivers such a stakeholder pressure to the forefront. Now more than ever, it will be crucial for companies to understand what their financial and impact drivers are, who their key stakeholders are, and how they can meet their needs – and decide what they will disclose and how far they will go in their disclosures. Companies no longer in scope will need to reflect on the reasons why they were disclosing in alignment with these requirements, and what the implications will be. Was it a compliance exercise, or considered as part of the enterprise risk management process? Was there a link to value creation that surfaced?

An additional consideration for corporate issuers – while these changes may push financial materiality to the forefront for those who may no longer need to disclose in alignment with the CSRD, we consistently hear of the value of undertaking a double materiality assessment. Approaching materiality from both the financial and impact lenses will serve as the foundation needed to engage in productive dialogue with investors, and other stakeholders, going forward.

Conclusion

The 2025 omnibus package's proposed changes to the CSRD regulations represent a potentially important shift in the reporting landscape, should they pass. However, regardless of these changes, investors will continue to seek decision-useful information, and other stakeholders will continue to expect relevant disclosures as well. For corporate issuers, it will therefore be key to understand how the proposed changes may affect your business, and reporting eligibility. Those that would now fall out-of-scope yet choose to pursue voluntary reporting may glean some benefits to doing so, including in terms of access to capital, by focusing on understanding who their key stakeholders are, defining the breadth and depth of disclosures, and identifying the potential link to value creation.

At Millani, we are committed to guiding you through these regulatory updates, helping you understand the implications for your business or portfolio, and ensuring you stay ahead of the evolving sustainability landscape. Should you like to learn more about what these changes may mean for you, please reach out to info@millani.ca.

About Millani

Millani provides responsible investing, sustainable finance and sustainability advisory services, including ESG and impact integration and engagement strategies, through both a financial and a double materiality lens, to both investors and corporates.

For the past 16 years, Millani has become the partner of choice for institutional investors and corporations alike. By providing advisory services on integrating material sustainability/ESG issues into investment strategies and decision-making processes, Millani helps reduce risks, increase returns and create value. Millani also regularly develops leading thought leadership on investor and disclosure trends. The firm leverages this expertise and experience to help corporations, both public and private, create strategies, engage with stakeholders and strengthen their disclosures, supporting the organizations in their access to capital and optimization of market value.

Millani's success is founded on a bespoke, client-centric approach that focuses on material issues, practical implementation, and independent advice. Our extensive capital market experience and unparalleled expertise in sustainability/ESG, and its connection to value creation, position Millani at the nexus between investors and companies - making us unique in the Canadian market.

For more information, contact us at info@millani.ca or visit our website: www.millani.ca

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