

# CSRD Slashed: EU's Corporate Sustainability Regulations Significantly Reduced

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On 26 February 2025, the European Commission (the "**Commission**") adopted a new [package](#) of proposals to simplify the regulations on sustainability. Their aim is to combine the competitiveness and climate goals of the European Union, which we reported on [here](#), as part of their aim for a "simpler and faster" Europe.

The proposals, packaged in an "Omnibus", dramatically reduce the scope and reporting required under the Corporate Sustainability Reporting Directive ("**CSRD**"), the Corporate Sustainability Due Diligence Directive ("**CSDDD**") and the EU Taxonomy ("**Taxonomy**").

We set out below the key changes proposed for CSRD and the next steps.

The Omnibus' aims for the CSRD are to make it "more proportionate and easier to implement by companies" through:

- **Reduction of scope:**
  - "large undertakings" in scope of CSRD are redefined as those with over 1000 employees on a group or standalone basis, rather than 250 employees, with the financial thresholds of EUR 50 million turnover or a balance sheet total above EUR 25 million remaining static. This is significantly impactful reducing the scope of companies in scope of CSRD by around 80% (and aligns more with the CSDDD threshold). Listed SMEs are no longer in scope unless they meet the "large undertakings" thresholds; and
  - non-EU parents will only be in scope of CSRD if they generated EU-derived turnover of EUR 450 million, rather than EUR 150 million, with either an EU large undertaking meeting the revised thresholds set out above or with an EU branch with EUR 50 million in turnover to align with that required of "large undertakings", revised upwards from EUR 40 million.
- **Postponement of reporting:** for those companies who were due to report on year 2025 in year 2026 who remain in scope as they have over 1000 employees, there will be a two-year delay to reporting.

- **A shield - the value chain cap:** for companies not in scope of the CSRD (those with less than 1000 employees), the Commission will adopt by a delegated act a voluntary reporting standard leveraging the standard that was developed for SMEs. This standard is intended to act “as a shield” by limiting the amount of information that companies and banks falling into scope of the CSRD can request from companies in their value chains with fewer than 1,000 employees.
- **Reporting standards to be revised:** the European Sustainability Reporting Standards (“ESRS”), which are at the heart of CSRD’s requirements, are to be revised via a delegated act to substantially reduce the number of data points, clarify unclear provisions and improve consistence with other legislation. They will remove datapoints that are deemed least important for general purpose sustainability reporting, prioritise quantitative datapoints over narrative text and further distinguish between mandatory and voluntary datapoints. Clearer instructions will be provided on how to apply the materiality assessment process. There is also reference to making sure that there is “very high” interoperability with global reporting standards.
- **No sector-specific standards will be required**
- **Limited assurance to remain:** there will be no uplift to reasonable assurance over time.

### *Next steps*

There is no impact assessment on the potential economic, social and environmental effects as the Commission has deemed the Omnibus to be so urgent and important that a derogation from the need to provide the impact assessment was granted under the Commission’s Better Regulation Guidelines. However, the market and a range of stakeholders will no doubt hotly debate the impact across all these areas. The Commission itself acknowledges that the proposed changes to CSRD may “partially diminish the positive impacts” but that the “reduction of administrative burden” should lead to economic and competitive gains.

The Commission has called on the European Parliament and European Council to “reach rapid agreement” on the proposals. The legislation needs European Parliament approval with a majority of MEPs voting in favour and at least 55% (15 out of 27) of Member States voting in favour at the European Council. It will then come into force following its publication in the EU Official Journal.

This legislation is also in the form of a Directive and requires national transposition by each Member State, which had not yet occurred across the EU for the current guide of CSRD. It could be that we witness some gold-plating or an emergence of a range of EU Member State expectations through national sustainability reporting guidelines in juxtaposition with the aims of the EU's Single Market.

For further information, or on the Omnibus proposals on the Taxonomy or CSDDD, please reach out to [ukreg@proskauer.com](mailto:ukreg@proskauer.com).

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