Omnibus I at the End of the Line

Sustainability

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On Monday 8 December 2025, the EU trilogue found an agreement regarding the so-called "Omnibus I" proposal that had been put forward by the European Commission on 26 February 2025. The Omnibus I is part of the simplification packages proposed by the Von der Leyen Commission II to reduce the regulatory compliance burden on companies. It deals specifically with the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). The so-called "Stop-the clock" directive adopted in April 2025, also as part of Omnibus I, already postponed the date of application of the CSRD and CSDDD. This new directive intends to simplify certain substantive provisions of the CSRD and CSDDD.

In this newsletter, Cattwyk dives deeper into the agreed simplifications.

1. CSRD

In the new text, the threshold for application is raised, thereby reducing the scope of application of the CSRD.

- EU companies now have to report under the CSRD when, in the last financial year, on a group- or individual level,
    - they have a net turnover exceeding 450 million EUR, and
    - employed on average 1.000 employees.
- EU companies that fall below the 1.000 employee threshold are not required to report under the CSRD, but voluntary reporting is made easier by providing a new voluntary reporting standard adapted to such smaller companies. The voluntary standard will also serve as a "cap" on the information that larger reporting companies may ask to such smaller companies in their value chain, thereby protecting such smaller companies from excessive requests for information by reporting companies (so-called "value chain cap").
- EU subsidiaries or branches of non-EU companies will have to report under the CSRD if:
    - The net turnover of the EU subsidiary or branch exceeds a net turnover of EUR 200 million, and
    - the parent company reaches an aggregate net turnover of 450 million EUR in the EU at group- or individual level in the last two consecutive financial years.

- There is no employee-related threshold for non-EU companies and the reporting requirements which must be met by the EU-based subsidiary or branch differ slightly from those applying to EU companies.

- Parent companies that are financial holdings are exempt from group-level reporting provided they have diverse holdings in companies with business models and operations that are independent of one another. This does not affect reporting obligations of other companies in the group that would fall in scope in their own right.

- For the avoidance of any doubt, small and medium-sized companies having issued securities admitted to trading on an EU regulated market, as well as small and non-complex credit institutions and captive re-(insurance) companies are exempted.

- Further (temporary) adaptations and exemptions may apply when integrating other companies into a group after a merger or acquisition.

To help with the transition, Member States may decide that companies that would be in the first wave of reporting companies and no longer fall in scope are immediately exempted from their reporting obligations in 2025 and 2026.

To conclude on the scope, it should be noted that the revised CRSD includes a clause allowing for a future extension of the scope.

Although much of the commentary on CSRD has been focused on the change in scope, other notable changes include the following:

- Reporting companies have the possibility not to disclose information when disclosure could seriously prejudice their commercial position e.g. information that would qualify as a trade secret, classified information or information whose disclosure is prohibited under other EU or national law.

- The sector-specific reporting standards are abandoned but the EC is invited to produce sector-specific guidance.

- A new dedicated digital reporting portal is introduced through which companies may access information, guidance and support, including relevant templates and guidance, connected with national portals.

Finally, contrary to the changes adopted in the CSDDD (see next section), the CSRD continues to require companies to report on their climate transition plan.

2. CSDDD

The threshold for application of CSDDD has also been raised. The thresholds, which must be met for two consecutive financial years, are as follows:

- EU companies that (individually or on a consolidated basis)
    - have more than 5.000 employees and more than 1.5 billion EUR net annual worldwide turnover in the last financial year.
    - have entered into franchising or licensing agreements generating more than 75 million EUR in royalties in the last financial year, provided that in case of a group of companies, the group had a worldwide net turnover of more than 275 million EUR in the last financial year.
- Non-EU companies that (individually or on a consolidated basis)
    - generate more than 1.5 billion EUR net annual turnover in the EU. There is again no employee-related threshold for non-EU companies.
    - have entered into franchising or licensing agreements in the EU generating more than 75 million EUR in royalties in the EU in the last financial year, provided that in case of a group of companies, the group had a net turnover in the EU of more than 275 million EUR in the last financial year.
- As was the case before, parent companies that meet the above thresholds that are purely financial holdings can be exempt from CSDDD obligations, subject to application by the ultimate parent company with the supervisory authorities and provided that a subsidiary in the EU is designated to fulfil the due diligence obligations on its behalf.

It should be noted that the revised text allows Member States to align existing national corporate sustainability due diligences laws (e.g. the German LkSG) with the CSDDD, especially as regards the scope.

As a final point on the scope of the CSDDD, the revised text contains a clause that allows for a future extension of the scope, in particular to companies with more than 1.000 employees and a net worldwide turnover of more than 450 million EUR, as well as to companies "operating in high-impact sectors".

As regards the conduct of the due diligence, the following key changes must be noted:

- Companies in scope will have to conduct a general "scoping exercise" (instead of a more specific mapping exercise), relying solely on "reasonably available" information, to identify the areas where adverse impacts are most likely to occur and to be most severe. The scoping exercise covers the own business operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners whether direct or indirect.

- Based on the scoping exercise, the company then conducts an in-depth assessment of the areas where adverse impacts were identified as most likely to occur or most severe.

- In the context of the in-depth assessment, the following provisions seek to limit the unnecessary information requests to companies not subject to the CSDDD to limit the so-called "trickle-down effect":

    - Companies may request information from business partners only where necessary, and where the business partners have less than 5.000 employees only if the information cannot be reasonably obtained by other means.

    - If the company could request the information from different business partners, it will prioritise seeking the information from the business partner where the adverse impact is most likely to occur.

    - If equally likely or severe adverse impacts have been identified, the company can prioritize assessing those adverse impacts that involve direct business partners.

- To support the identification and assessment of the adverse impacts using quantitative and qualitative information, companies will be allowed to use "appropriate resources" such as independent reports, digital solutions, industry and multi-stakeholder initiatives and information gathered through the notification mechanism and the complaints procedure.

- Companies were already allowed to prioritise which adverse impacts to address based on severity and likelihood, where not all adverse impacts can be addressed at the same time. The revised text expressly states that not addressing an impact because of prioritisation will not result in penalties.

- Previously the CSDDD provided that when all due diligence measures have been exhausted and the adverse impact cannot be prevented or adequately mitigated, the company must as a last resort, terminate the business relationship. It was recognised that in cases where companies are heavily dependent on one or several specific suppliers, termination may be an inadequate solution. The revised text therefore provides that the company shall suspend the business relationship (even only partly) until the impact is addressed and continue to work on an "enhanced prevention action plan" for as long as there is a reasonable expectation of success of such a plan.

- The number of steps in the due diligence process at which stakeholders must be engaged have been cut down and the definition of "stakeholder" has been narrowed down.

- The requirement to produce a transition plan for climate mitigation has been repealed but, as noted in the previous section, it has been kept for the CSRD.

- The cap on pecuniary penalties for infringement of the CSDDD is brought down from 5% to 3% of the (individual or consolidated) net worldwide turnover in the financial year preceding the decision to impose the fine.

- The EU-wide harmonised civil liability provisions, which were among the most controversial elements of the CSDDD, have been deleted. Now, companies may face liability for failure to comply with the requirements of the CSDDD under existing applicable national laws, which may vary from country to country. However, the revised text requires the EC to report on the effectiveness of the enforcement mechanisms including their protective effects on rights holders, which could conceivably revive the discussion about a harmonised civil liability regime.

3. Transposition deadlines and application dates

As a reminder, directives require a transposition into national law. Once the changes to CSRD and CSDDD under the Omnibus I Directive are voted, adopted and published, Member States will have to transpose the changes of the whole Omnibus I Directive by July 2028.

Pursuant to the 'Stop-the-clock' Directive adopted earlier this year, EU companies and groups will have to start reporting under the CSRD for the financial years starting on or after 1 January 2027, while non-EU parent companies will start reporting for the financial years starting on or after 1 January 2028.

Companies in scope of the CSDDD will have to comply as of 26 July 2029, except for the reporting obligations which will apply as of 1 January 2030.

4. Next steps

The final text was formally adopted by the European Parliament in its plenary session on 16 December. The final text will be adopted by the Council through a written procedure by the end of the week.

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