

# Sustainability Regulation - The Omnibus Package

## Authors:

**Jana Platau-Wagner,**  
Head of CSRD Policies and  
Engagement, Zurich Insurance  
and Member of Compliance  
Institute's Sustainability  
Working Group.



**Saibh Naughton,**  
Member of Compliance  
Institute's Sustainability  
Working Group.



## Introduction

The European Union has in place a comprehensive regulatory framework (the “Framework”) for sustainability and sustainable finance incorporating key legislation such as:

- **Corporate Sustainability Reporting Directive (CSRD<sup>1</sup>):** which expanded sustainability reporting requirements for companies.
- **Sustainable Finance Disclosure Regulation (SFDR<sup>2</sup>):** which imposes transparency obligations on financial market participants and advisers regarding sustainability risks and opportunities in their products and services.
- **EU Taxonomy Regulation:** defines criteria for sustainable economic activities.
- **Corporate Sustainability Due Diligence Directive (CSDDD<sup>3</sup>):** Requires companies to identify and mitigate adverse human rights and environmental impacts in their supply chains.
- **Green Claims Directive:** Targets misleading environmental claims to combat greenwashing.
- **Carbon Border Adjustment Mechanism (CBAM):** Introduces a carbon pricing system for imports to prevent carbon leakage.
- **Invest EU Regulation:** aims to support financing for investments that enhance competitiveness, sustainability, employment, and the EU’s green and digital transitions.

The European Commission has begun working on simplifying and delaying implementation of certain sustainability regulations through an ‘Omnibus Package’ the first stage of which was adopted on 25 February 2025. This is the start of an EU wide initiative designed to simplify and streamline the regulatory burden on businesses, particularly small to medium size, increase competitiveness and meet the objectives of the broader EU Green Deal

agenda. It is a response to industry calls for clarity and regulatory obligation alignment. For compliance professionals, this marks a shift from interpreting individual regulations to navigating a more integrated and dynamic regulatory ecosystem as well as an impact on the ongoing implementation of current regulatory obligations due to the revisions contained within the proposed changes.

## Summary of Proposed Changes

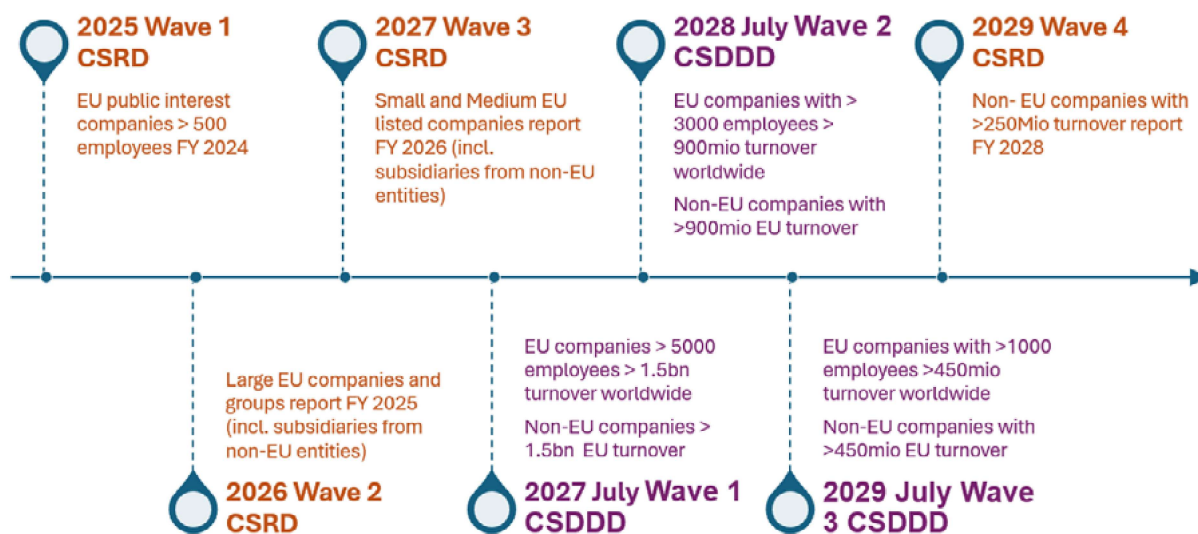
This Omnibus Package proposes targeted changes to key components of the Framework in order to apply proportionality and simplify obligations. These include:

- postponing the application of all reporting requirements under CSRD for companies that are due to report in 2026 and 2027 (‘Wave 2’ and ‘Wave 3’ companies) which postpones the transposition deadline and Wave 1 of application of CSDDD by one year to 2028 (the ‘Stop the Clock Directive’).
- a Directive to amend the detailed provisions of CSRD and CSDDD, and to significantly narrow the scope of the CSRD and reduce the burden on small and medium enterprises.
- a draft Delegated Act amending the Taxonomy Disclosures and the Taxonomy Climate and Environmental Delegated Acts subject to public consultation.
- a Regulation amending the CBAM Regulation.
- a Regulation amending the Invest EU Regulation.

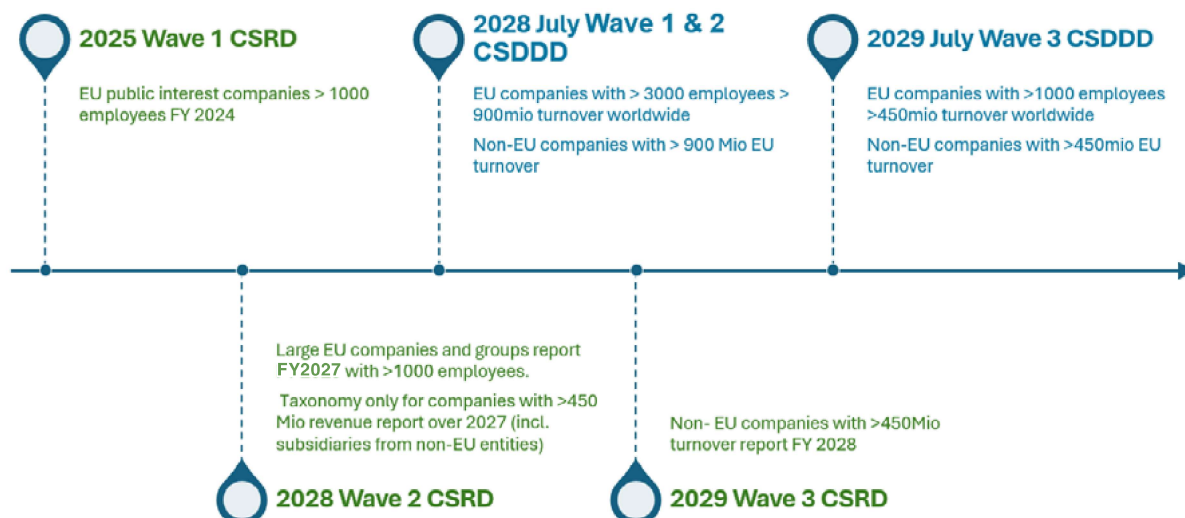
By adjusting implementation timelines, modifying thresholds, and simplifying reporting obligations, this Omnibus Package aims to enhance coherence across sustainability rules and ease the compliance burden for businesses.

# What Do the Changes to Timelines Look Like?

## Original Implementation Timeline



## Omnibus Proposal Implementation Timeline



## Overview of the Changes to Detailed Obligations

Category	CSRD Changes	EU Taxonomy Changes	CSDDD Changes
Application Thresholds	Raised to 1,000+ employees, EUR 50M turnover, or EUR 25M balance sheet; Third country thresholds increased to EUR 450M turnover and EUR 50M branch.	Voluntary reporting below EUR 450M turnover with simplified templates.	No major threshold changes, but due diligence frequency extended.
Reporting Scope	Companies below threshold encouraged to report voluntarily; Sector-specific reporting removed.	Bank Green Asset Ratio (GAR) excludes undertakings below CSRD scope.	Value chain due diligence limited to direct partners unless adverse impacts arise.
Value Chain Cap	Companies limited to voluntary standard when requesting data from suppliers with <1,000 employees.	Simplified Do No Significant Harm (DNSH) criteria under consultation for pollution prevention.	Similar to CSRD-limits on SME supplier data requests.
New Timeline (“Stop the Clock”)	Reporting delayed two years (2026 reporting postponed to 2028).	Flexibility for partial alignment with EU taxonomy.	Transposition delayed one year (July 2027), first application postponed to July 2028.
Assurance Requirements	“Reasonable assurance” requirement removed; limited assurance maintained.	No assurance requirement changes.	Due diligence assessment frequency extended from 1 year to 5 years.
Civil Liability & Compliance	No major civil liability changes.	No liability provisions removed.	EU-wide civil liability regime removed; enforcement now under national law.
Other Changes	ESRS to be simplified, reducing reporting datapoints.	Public consultation ongoing for DNSH simplifications.	Financial services excluded permanently from scope; Transition plans aligned with CSRD requirements.

### Recent Developments

On 27 March 2025 the European Commission issued a letter to the European Financial Reporting Advisory Group (“EFRAG”) requesting provision of technical advice by 31 October 2025 on the simplification of the European Sustainability Reporting Standards (“ESRS”) as part of its commitment to revise the ESRS within six months of substantive CSRD amendments being adopted. The letter emphasised reduced data points, clearer materiality application, and better global interoperability<sup>4</sup>. EFRAG’s April 2025 workplan outlines a compressed timeline: draft revisions by July, public consultation in August, and final advice by 31 October<sup>5</sup>.

Separately, the Council of the EU adopted the Stop-the-Clock Directive in April 2025, formally deferring CSRD obligations for wave 2 and 3 companies to

2028, and postponing CSDDD requirements<sup>6</sup>. It should be noted that entities required to report for financial year 2024 cannot avail of the delays introduced by the Stop-the-Clock Directive. All Member States are required to transpose the Stop-the-Clock Directive by 31 December 2025.

On CSRD transposition, most Member States—including Ireland—have now adopted national legislation. During the week of 3 April 2025, the Irish Minister for Enterprise, Tourism and Employment, Peter Burke indicated that the approval of the Stop-the-Clock Directive would be swiftly reflected in Irish legislation.

Some countries have not yet transposed CSRD requirements, according to Accountancy Europe’s CSRD Transposition Tracker<sup>7</sup>.



## Implications for Compliance Professionals

This approach underscores a new phase of EU sustainability regulation: one that values clarity and workability over speed. For compliance professionals, this shift carries several key implications. Strategic recalibration should not lead to complacency. Instead, the delayed implementation deadlines offer an opportunity for companies to align sustainability compliance with broader strategic and business transformation goals. With changes reducing the number of in-scope entities, compliance functions can be reallocated to support higher-risk areas or to deepen due diligence quality.

It is worth noting that the deletion of the sector specific ESRS and indirect due diligence obligations isn't an indication of their disappearance, hence compliance leaders must remain vigilant and track future regulatory changes and be mindful of their obligations in other areas e.g. financial crime, data protection, outsourcing.

The narrowed focus on direct business partners within CSDDD necessitates a refined approach to classify, engage, and audit these entities e.g. compliance functions should ensure that contractual terms and monitoring accurately reflect legal expectations.

The interplay between the legislation mandates that compliance professionals cannot operate in silos and must work together with legal, finance, sustainability, and other risk teams to collaborate under a shared governance model to achieve cohesive and effective compliance.

Lastly, stakeholder confidence remains paramount with scrutiny from investors, customers, and regulators. Despite legislative changes, reputational and market pressures may demand higher standards than those required by regulations. Navigating these dual pressures – regulatory and ethical – is where compliance adds strategic value.

### FURTHER LISTENING

The Compliance Files Podcast Series:

- Season 5: Episode 6 - Corporate Sustainability Due Diligence Directive (CS3D) with Greta Koch, Policy adviser and press officer to Axel Voss, MEP, European Parliament

Link: <https://thecompliancefiles.podbean.com/e/season-5-episode-6-corporate-sustainability-due-diligence-directive/>

- Season 5: Episode 1 - The Lexicon of ESG with Ann Shiels, founder of sustainable finance regulatory firm, FinLexSus

Link: <https://thecompliancefiles.podbean.com/e/season-5-episode-1-the-lexicon-of-esg/>

### REFERENCES

1. Directive (EU) 2022/2464, "CSRD".
2. Regulation (EU) 2019/2088, "SFDR".
3. Directive (EU) 2024/1760, "CSDDD".
4. <https://www.efrag.org/l110/l110/Letter-from-Commissioner-Albuquerque-to-EFRAG-March-2025>
5. <https://www.efrag.org/l177/l177/EFRAG-ESRS-Revision-Work-Plan-and-Timeline-April-2025>
6. <https://www.consilium.europa.eu/en/press/press-releases/2025/04/14/simplification-council-gives-final-green-light-on-the-stop-the-clock-mechanism>
7. <https://accountancyeurope.eu/publications/csrd-transposition-tracker/>