

EU Omnibus state of
play: amendments
to CSRD, ESRS,
Taxonomy and
CS3D

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Introduction

The ongoing streamlining of the EU’s corporate sustainability reporting regime as part of the European Commission’s (EC) “Omnibus Simplification Package” has resulted in a plethora of publications from the European co-legislators, European Supervisory Authorities (ESAs) and their advisory groups over the last few months.

In this legal update, we summarise the key changes introduced so far and those yet to be introduced to the EU’s Corporate Sustainability Reporting Directive (CSRD) and associated European Sustainability Reporting Standards (ESRS), the Taxonomy Regulation (the Taxonomy) and the Corporate Sustainability Due Diligence Directive (CS3D).



Laura Houët
Partner
T +44 207 367 3582
E laura.houet@cms-cmno.com



Olivia Jamison
Partner
T +44 20 7367 2055
E olivia.jamison@cms-cmno.com



Ben Maconick
Partner
T +44 20 7367 2868
E ben.maconick@cms-cmno.com



Sinead Oryszczuk
Partner
T +44 20 7067 3573
E sinead.oryszczuk@cms-cmno.com



Oliver Williams
Associate
T +44 20 7367 2379
E oliver.williams@cms-cmno.com

1. CSRD

a) Stop the Clock Directive – In force

On 16 April 2025, [Directive \(EU\) 2025/794](#) was published in the Official Journal of the EU (the Stop the Clock Directive).

The Stop the Clock Directive, which must be transposed by EU Member States by 31 December 2025, postpones the application of sustainability reporting requirements under CSRD for two years for in-scope companies that have not already started reporting. It also postpones the application of CS3D (see [Section 4](#)).

	Original position	New position
Wave 1 companies¹	Reporting required for financial years starting from 1 January 2024 (with reports due in 2025).	Same as original position.
Wave 2 companies²	Reporting required for financial years starting from 1 January 2025 (with first reports due in 2026).	Reporting required for financial years starting from 1 January 2027 (with first reports due in 2028).
Wave 3 companies³	Reporting required for financial years starting from 1 January 2026 (with first reports due in 2027).	Reporting required for financial years starting from 1 January 2028 (with first reports due in 2029).
Wave 4 companies⁴	Reporting required for financial years starting from 1 January 2028 (with first reports due in 2029).	Same as original position.

¹ "Large" EU public interest entities that were subject to the Non-Financial Reporting Directive (NFRD) and "large" non-EU undertakings with securities admitted to trading on an EU regulated market with more than 500 employees.

² "Large" EU undertakings that were not subject to the NFRD and "large" non-EU undertakings with securities admitted to trading on an EU regulated market with 500 employees or less.

³ Certain EU SMEs, small and non-complex credit institutions and captive insurance undertakings and certain non-EU SMEs with securities admitted to trading on an EU regulated market

⁴ Non-EU parent undertakings of "large" EU undertakings.



b) Requirements Proposal – Not in force

The EC’s [proposal for a directive](#) amending the requirements under CSRD, CS3D and the Taxonomy was published on 26 February 2025 (the Requirements Proposal).

Subsequently, on 23 June 2025, the Council of the EU agreed its [negotiating position on the Requirements Proposal](#). The Council of the EU’s position differs from the EC’s position, and we summarise both in the below table.

Given that the Requirements Proposal is currently going through the EU legislative process (and the European Parliament is still yet to agree its negotiating position), please note that the content of the finalised Requirements Proposal may well deviate from the summary below.

Topic	Original position	EC position (26 February 2025)	Council of the EU position (23 June 2025)
Scope	“Large” EU undertakings in-scope (i.e., companies that meet two of the following three thresholds: 250 employees; EUR 50m net turnover; and/or EUR 25m balance sheet total).	“Large” EU undertakings will be changed to companies that have over 1,000 employees and either a EUR 50m net turnover or EUR 25m balance sheet total.	“Large” EU undertakings will be changed to companies that have over 1,000 employees and a net turnover exceeding 450m.
	Non-EU undertakings in-scope if they have: (a) an annual net turnover in the EU exceeding EUR 150m for each of the last two consecutive financial years; and (b) a qualifying EU subsidiary or a branch in the EU that generated an annual net turnover in excess of EUR 40m in the preceding financial year (the EU Turnover Test).	The thresholds for the EU Turnover Test will be amended from EUR 150m and EUR 40m, to EUR 450m and EUR 50m, respectively.	Same as EC position.
	Listed SMEs in-scope.	Listed SMEs not in-scope.	Same as EC position.
	In-scope undertakings to report against the ESRS.	The EC will revise the ESRS for in-scope undertakings (see Section 2).	Same as EC position.
	N/A	For undertakings that will not be in-scope anymore, the EC will adopt by delegated act a voluntary reporting standard (CSRD VESRS) (see Section 2).	Same as EC position.
Omissions	Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional circumstances, where to do so would be seriously prejudicial to the commercial position of the undertaking.	Same as Original position.	Undertakings may omit (i) information seriously prejudicial to the commercial position of the undertaking, (ii) information corresponding to intellectual capital/property/know-how/ results of innovation that qualifies as a trade secret, (iii) classified information, and (iv) other information protected from unauthorised access or disclosure under applicable law.

Topic	Original position	EC position (26 February 2025)	Council of the EU position (23 June 2025)
Assurance	Limited assurance required, with the EC empowered to amend to reasonable assurance.	Limited assurance required, and the EC will no longer be empowered to amend to reasonable assurance.	Same as EC position.
Value Chain	Companies required to retrieve data from all suppliers where reasonable and feasible.	Companies will only be required to retrieve data from suppliers who are themselves in-scope of CSRD. In respect of SMEs, limitations will be placed on data requests in accordance with CSRD VESRS.	Companies will only be required to retrieve data from suppliers who are themselves in-scope of CSRD and if the relevant information is commonly shared in the relevant sector. In respect of SMEs, limitations will be placed on data requests in accordance with CSRD VESRS.

2. ESRS

a) Quick-Fix Delegated Act – In force

On 11 July 2025, the EC adopted a “quick fix” delegated act to revise the first set of ESRS under CSRD for wave 1 companies (the Quick-Fix Delegated Act). The Quick-Fix Delegated Act will apply for financial years beginning on or after 1 January 2025.

The Quick-Fix Delegated Act:

- Delays by two years the additional reporting requirements that wave one CSRD companies would otherwise be required to meet for financial years 2025 and 2026, meaning they will not have to report additional information compared to financial year 2024;
- Extends to all wave one CSRD companies the phase-in provisions regarding ESRS E4 (biodiversity and ecosystems), ESRS S2 (workers in the value chain), ESRS S3 (affected communities), and ESRS S4 (consumers and end-users); and
- Extends to all wave one CSRD companies the safeguard provision, which provides that where an undertaking uses temporary exemptions for a complete topical standard, it is still required to report summarised information on the relevant topic if it has concluded that the topic is material.

The below table sets out the updates to the ESRS effected by the Quick-Fix Delegated Act in more detail.

Standard	Disclosure Requirement	Original position for Wave 1 CSRD companies	New position for Wave 1 CSRD companies
General (ESRS 2)	SBM-1	Phase-in relief until sector-specific ESRS are adopted	No changes ⁵
	SBM-3	Companies can omit information in first year and only provide qualitative disclosure for first three years	Phase-in relief for all datapoints for first three years

⁵ However, the Requirements Proposal proposes abolishing sector-specific ESRS, which if brought into effect would mean that this requirement under SBM-1 would not apply.

Standard	Disclosure Requirement	Original position for Wave 1 CSRD companies	New position for Wave 1 CSRD companies
Environment (ESRS E1-E5)	E1-9, E2-6, E3-5, E4-6 and E5-6	Companies can omit information in first year and only provide qualitative disclosure for first three years	Phase-in relief for all datapoints for first three years
	E1-6	Companies with no more than 750 employees can omit information in first year	Companies with no more than 750 employees can omit information for first three years
	E4	Companies with no more than 750 employees can omit information in first year	Companies can omit information for first three years
Social (ESRS S1-S4)	S1-7	Companies can omit disclosure of all datapoints in first year	Companies can omit disclosure of all datapoints for first three years
	S1-8	Companies can omit disclosure for own employees in non-EEA countries in first year	Companies can omit disclosure for own employees in non-EEA countries for first three years
	S1-11, S1-12, S1-13 and S1-15	Companies can omit disclosures in first year	Companies can omit disclosures for first three years
	S1-14	Companies can omit disclosure of datapoints relating to work-related ill health and data around work injuries, as well as reporting on non-employees, for first year.	Companies can omit disclosure of datapoints relating to work-related ill health and data around work injuries, as well as reporting on non-employees, for first three years.
	S1	Companies with no more than 750 employees can omit information in first year	Companies with no more than 750 employees can omit information for first three years
	S2, S3 and S4	Companies with no more than 750 employees can omit information in first two years	Companies can omit information for first three years

b) VSME Standard – In force

On 30 July 2025, the EC [adopted a recommendation on voluntary sustainability reporting for non-listed, Micro, Small and Medium-sized enterprises](#) (the VSME Standard). The VSME Standard, which was developed by EFRAG for undertakings with less than 250 employees, provides a streamlined framework for non-listed SMEs to report sustainability-related information. Although the VSME Standard was not developed as a direct result of the Requirements Proposal, the EC has confirmed that the VSME Standard will serve as the basis for CSRD VESRS proposed in the Requirements Proposal (see [Section 1](#)). However, it is possible that CSRD VESRS may deviate from the VSME Standards as the Requirements Proposal goes through the EU legislative process.

The VSME Standard covers the same sustainability topics as the ESRS, but the volume of disclosures, number of data points and specific requirements are less burdensome than under the ESRS.

The VSME Standard is structured around two modules:

- **Basic module:** this module is intended as the entry-level for all SMEs and is the target module for micro undertakings. It contains 11 disclosure requirements and focuses on key sustainability topics that are most required by value chain partners, such as scope one and two greenhouse gas emissions, environmental metrics, own-workforce, and anti-corruption. The Basic module does not include disclosure requirements about an entity's value chain; and
- **Comprehensive module:** this module incorporates nine additional disclosure requirements often requested by value chain partners, including a short description of sustainability practices or future initiatives, greenhouse gas reduction targets and transition plans, confirmed value chain incidents, and exclusion from EU reference benchmarks.

The VSME Standard does not require a materiality assessment, but does include an 'if applicable', enabling entities to apply only what is relevant to their operations. There is no assurance requirement for entities reporting using the VSME Standard.

c) Revised ESRS – Not in force

On 31 July 2025, the European Financial Reporting Advisory Group (EFRAG) – an advisory body to the EC – published revised exposure drafts of the ESRS (the Revised ESRS).

The draft Revised ESRS is open for public consultation until 29 September 2025. Once the consultation closes, the EFRAG will review responses and is due to deliver finalised versions to the EC by 30 November 2025. If there are no significant delays, the Revised ESRS is likely to enter into force in late 2026 and apply to companies in respect of financial year 2027. Until then, in-scope CSRD companies are required to continue to report against the existing ESRS.

We have summarised the main proposed changes below.

- **Data point reduction:** Mandatory datapoints have been reduced by 57%.
- **Double materiality:** Companies are now expected to start with their business model and only need to provide evidence that is reasonable and proportionate when determining materiality. All datapoints now have a materiality filter.
- **Sustainability statements:** Companies can now (i) include an executive summary at the start of their statements, (ii) choose between reporting on either topic or impacts, risks and opportunities level (IRO), and (iii) disclose granular information in dedicated appendices or sections.
- **Mandatory v optional reporting:** Optional disclosures have been moved to a separate "Non-Mandatory Implementation Guidance" document, so only mandatory requirements remain in the main ESRS text.
- **Reliefs:** New exemptions have been introduced for situations where reporting would be excessively costly or difficult. For example, companies can (i) exclude non-material activities from metric calculations if they are unlikely to significantly impact material IROs, (ii) limit disclosures to reasonable and supportable information that is available without undue cost and effort, and (iii) exclude impacts and opportunities from resilience analysis.
- **Interoperability:** Increased alignment with IFRS S1 and S2 by (i) revising the reporting boundary definition for greenhouse gas emissions; (ii) aligning the language used; and (iii) allowing the disclosure of quantitative financial effect ranges rather than single figures.

3. Taxonomy

a) Delegated Act – Not in force

On 4 July 2025, the EC adopted a Delegated Act simplifying the Taxonomy Disclosure, Climate and Environmental Delegated Acts (the Delegated Act). The Delegated Act is currently under the review of the European Parliament and the Council of the EU, following which it will be published in the Official Journal of the EU. It will enter into force 20 days thereafter and will apply to in-scope undertakings from 1 January 2026. However, in-scope undertakings have the option to defer for an additional year.

We have summarised the main simplification measures in the below table.

Summary	Detail
Exempting non-financial undertakings from assessing (i) Taxonomy-eligibility and alignment for economic activities that are not financially material and (ii) Taxonomy alignment for their entire OpEx when considered non-material	<p>Activities will be deemed non-material if they account for less than 10% of total revenue, CapEx or OpEx. If activities fall cumulatively below this 10% figure, non-financial undertakings can choose whether to assess if those activities are eligible under, or aligned with, the Taxonomy criteria.</p> <p>The assessment of materiality of economic activities should be made for each key performance indicator (KPI) independently.</p> <p>In the reporting templates, non-financial undertakings must separately report the proportion of turnover, CapEx or OpEx that was not assessed as a result of being considered non-material.</p> <p>Non-financial undertakings have the option to not assess Taxonomy eligibility and alignment for their total OpEx if it is not material for their specific business model.</p>



Summary	Detail
Exempting financial undertakings from assessing (i) Taxonomy-eligibility and alignment for economic activities that are not financially material and (ii) Taxonomy alignment for their entire OpEx when considered non-material	<p>Activities will be deemed as non-material if they account for less than 10% of loans and investments financing specific activities whose use of proceeds is known. However, this does not apply to exposures for which the use of proceeds of the borrower or investee is not known.</p> <p>Non-material assets must be reported separately as non-material exposures in the reporting templates.</p> <p>Financial undertakings that are subject to several KPIs (e.g. green asset ratio on stock and flow, financial guarantees, AuM, fees and commissions KPIs) are given the option not to report KPIs that capture financial activities and assets that are not material for their business.</p>
Granting financial undertakings the option of not reporting detailed Taxonomy KPIs for two years	Until 31 December 2027, financial undertakings can opt-out of reporting detailed Taxonomy information and KPIs, provided they do not claim that their activities are associated with Taxonomy-aligned activities.
Cutting the number of data points by 64% for non-financial undertaking and by 89% for financial undertakings	<p>The reporting templates have been adjusted to provide transparency on the proportion in the denominator of the KPIs of the activities or exposures that are not assessed for Taxonomy-eligibility and alignment. For non-financial undertakings, one data point per KPI has been added for activities considered as non-material.</p> <p>The templates for financial undertakings have also been adjusted to reflect that (i) exposures to undertakings that are not subject to reporting under CSRD as well as exposures to derivatives, cash, cash equivalents, goodwill and commodities have been excluded from the denominator of KPIs.</p> <p>The separate reporting templates on the performance and exposures to fossil gas and nuclear activities have been deleted.</p>
Simplifying the DNSH criteria in relation to pollution prevention and control related to the use and presence of chemicals	The Delegated Act specifies the application of exemptions relating to the uses of certain hazardous substances in electrical and electronic equipment and to the use of substances that deplete the ozone layer authorised under the Directive on Restriction of Hazardous Substances in Electrical and Electronic Equipment and the Regulation on substances that deplete the ozone layer, in clearly specified cases.

b) Requirements Proposal – Not in force

As noted in [Section 1](#), the Requirements Proposal has not yet come into force, meaning that the content may well deviate from what we have summarised below as the Requirements Proposal goes through the EU legislative process.

	Original position	EC position (26 February 2025)	Council of the EU position (23 June 2025)
Reporting for CSRD companies	Mandatory reporting for all companies in-scope of CSRD.	<p>Voluntary reporting for companies in-scope of CSRD with a net turnover up to EUR 450m. Reporting is also to be limited to economic activities that are financially material.</p> <p>Companies that have made progress towards sustainability targets, but only meet certain Taxonomy requirements, may choose to voluntarily report on partial Taxonomy-alignment.</p>	Same as EC position.

4. CS3D

a) Stop the Clock Directive – In force

The Stop the Clock Directive, as referred to in [Section 1](#), delays the transposition deadline for CS3D from 26 July 2026 to 26 July 2027 and pushes back the initial application of CS3D from 26 July 2027 to 26 July 2028.⁶

	Original position	New position
Wave 1 companies⁷	Obligations apply from 26 July 2027.	Obligations apply from 26 July 2028.
Wave 2 companies⁸	Obligations apply from 26 July 2028.	Same as original position.
Wave 3 companies⁹	Obligations apply from 26 July 2029.	Same as original position.

b) Requirements Proposal – Not in force

As noted in [Section 1](#), the Requirements Proposal has not yet come into force, meaning that the content may well deviate from what we have summarised below as the Requirements Proposal goes through the EU legislative process.

Topic	Original position	EC position (26 February 2025)	Council of the EU position (23 June 2025)
Timing	See "Timing" above.	See "Timing" above.	Transposition deadline of 26 July 2028 and application date of 26 July 2029 for all companies.
Scope	Companies in scope if they have (i) more than 1,000 employees on average and (ii) a net worldwide turnover of over EUR 450m in the last financial year.	Same as Original position.	The thresholds will be amended to 5,000 employees and EUR 1.5bn, respectively.
	Due diligence requirements for Financial Institutions (FIs) were under consideration.	No consideration of due diligence requirements for FIs.	Same as EC position.

⁶ Please note that the Requirements Proposal proposes delaying the transposition deadline to 26 July 2028 and the application date of CS3D for all companies to 26 July 2029.

⁷ EU companies with more than 5,000 employees and an annual net worldwide turnover over €1.5bn, and Non-EU companies with an annual net turnover in the EU in excess of €1.5bn.

⁸ EU companies with more than 3,000 employees and an annual net worldwide turnover in excess of €900m, and Non-EU companies with an annual net turnover in the EU over €900m

⁹ EU companies with more than 1,000 employees and an annual net turnover in excess of €450m, and Non-EU companies with an annual net turnover of €450m generated in the EU

Topic	Original position	EC position (26 February 2025)	Council of the EU position (23 June 2025)
Risk assessment	Companies required to assess adverse impacts that occur across their entire value chain.	Companies will only be required to assess adverse impacts in respect of direct business partners, unless they have plausible information suggesting that adverse impacts have arisen or may arise at the level of indirect business partners.	Companies will only be required to assess adverse impacts in respect of own operations and tier 1 business partners. In-depth assessment of indirect business partners would only be required where companies have, or can be reasonably expected to know of, objective and verifiable information that suggest that adverse impacts have arisen or have a reasonable prospect of arising in the operations of an indirect business partner.
Supplier monitoring	Companies required to conduct assessment of suppliers annually.	Companies will be required to conduct assessment of suppliers every five years.	Same as EC position.
Value chain information	Companies required to take appropriate measures to obtain the information required to assess adverse impacts across their value chain.	Companies will only be required to request from their SME and small midcap business partners (i.e. companies with not more than 500 employees) the information specified in CSRD VESRS, unless they need additional information to carry out mapping and cannot obtain that information in any other reasonable way.	Companies should only request information from direct business partners where that information is necessary and, in the case of business partners with few than 1,000 employees, cannot reasonably be obtained by other means.
Contract termination	Companies must terminate contracts for non-compliant suppliers as a last resort measure.	Companies will not be required to terminate contracts for non-compliant suppliers as a last resort measure.	Same as EC position.
Transition plans	Mandatory adoption and implementation of transition plans.	Mandatory adoption, but not implementation, of transition plans.	Mandatory adoption, but not implementation, of transition plans. Such plans should nonetheless outline implementing actions, planned and taken.
Non-compliance	Civil liability and fines for non-compliance specified at Directive-level.	EU Member States to determine civil liability and fines.	EU Member States to determine civil liability and fines. However, Member States must ensure that the maximum limit of pecuniary penalties is set at 5% of the net worldwide turnover of the company.

5. What does this mean for you?

Overall, it is clear that the EU sustainability reporting landscape for companies, as originally conceived, will be significantly overhauled by these amendments which are being undertaken whilst the implementation clock is stopped. It is likely many companies will find themselves de-scoped, with the predominant opinion amongst the EU co-legislators being to refocus the regimes on the very largest EU and non-EU companies. Even those companies that remain in scope, seem likely to face a meaningfully reduced overall burden of compliance. Despite this, CSRD and CSDDD will still present a large uplift from the pre-CSRD and CSDDD position. Firms should continue to carefully monitor developments to ensure they stay up to date with the impact of their changes on their CSRD and CSDDD compliance plans.



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CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

T +44 (0)20 7367 3000

F +44 (0)20 7367 2000

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