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Omnibus I Legislative Package – The CSRD and CSDDD

Recalibrating the scope and obligations of the EU sustainability framework

On 26 February 2026, the final text of the Omnibus I legislative package was published,[1] amending both the Corporate Sustainability Reporting Directive ("**CSRD**") and the Corporate Sustainability Due Diligence Directive ("**CSDDD**").

The package marks the culmination of a cycle of reforms launched in 2024 and follows the interim "Stop-the-Clock" and "Quick Fix" measures adopted in 2025. It forms part of the European Commission's broader effort to recalibrate the EU sustainability framework in light of growing concerns regarding regulatory complexity, competitiveness, and proportionality.

Key Takeaways

i) The scope of both the CSRD and the CSDDD has been materially narrowed. The CSRD will apply to undertakings with a net turnover that exceeds EUR 450,000,000 and that have more than 1,000 employees, and the CSDDD will apply to undertakings with a net turnover that exceeds EUR 1,500,000,000 and that have more than 5,000 employees;

ii) The European Sustainability Reporting Standards ("**ESRS**") will be simplified, and will prioritise core quantitative indicators and decision-useful disclosures, with a narrowly framed right of omission that covers commercially sensitive, classified, and security-related information;

iii) New value chain rules introduce the concept of "protected undertakings" (those with fewer than 1,000 employees), which limit the extent to which companies within the scope may be contractually required to provide sustainability information that goes beyond future voluntary standards;

iv) The CSDDD has adopted a two-step, risk-based due diligence model (risk-mapping followed by an in-depth assessment only where risks are identified); extends full harmonisation to core due diligence processes; caps administrative fines at 3% of worldwide turnover; removes the mandatory climate transition plan requirement, and deletes the EU-level civil liability regime in favour of national law; and

v) Application dates have been deferred: revised CSRD reporting obligations will apply from 1 January 2027 (transposition by 19 March 2027); CSDDD obligations will apply from 26 July 2029 (transposition by 26 July 2028), and CSDDD reporting under Article 16 will apply to financial years starting on or after 1 January 2030.

The sections below examine each of these changes in greater detail, beginning with the revised scope and reporting framework of the CSRD, followed by the CSDDD's restructured due diligence model, and concluding with practical implications for multinational groups. For each area, we have set out the amended legal requirements, the key consequences, and the transitional timelines that undertakings within the scope should factor into their business planning.

1 https://eur-lex.europa.eu/eli/dir/2026/470/oj

1. CSRD – Revised scope and reporting scheme

i) **Revised scope:** Under the Omnibus I amendments, the CSRD now focuses on significantly larger undertakings. In addition to public interest entities that already report in Wave 1, the Directive will apply to EU companies that (i) have a net turnover that exceeds EUR 450,000,000; and (ii) have an average of more than 1,000 employees during the financial year, including parent undertakings on a consolidated basis.

- For non-EU groups, the scope includes ultimate parent undertakings that have a turnover higher than EUR 450,000,000 in the EU for two consecutive financial years, where these groups also have an EU subsidiary (or, in the absence of a qualifying subsidiary, an EU branch) with a turnover higher than EUR 200,000,000. The practical effect is a substantial contraction of the "population" of entities that are directly subject to mandatory sustainability reporting requirements, while ensuring that large cross-border economic actors remain within the scope.

ii) **Simplification of the ESRS and the right of omission:** The contents of reporting obligations continue to be anchored in the ESRS. The Commission must revise the first set of ESRS within six months of Omnibus I's entry into force, with a view to streamlining requirements, improving consistency with other Union legislation, prioritising core quantitative indicators, and enhancing decision-useful disclosures for investors and other users. A strictly defined right of omission has been introduced, and companies may omit information where disclosure:

- would seriously prejudice their commercial position;
- concerns intellectual capital, intellectual property, know-how, technological information, or the results of innovation, and would qualify as a trade secret under Article 2(1) of Directive (EU) 2016/943;
- relates to classified information; or
- relates to other information that must be protected from unauthorised access or disclosure due to obligations established in other Union legislation or national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person;

Regarding commercial prejudice, the four requirements are as follows: (i) the omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, or of its principal risks or principal impacts; (ii) the undertaking has determined that it is impossible to disclose the information in a manner that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing its commercial position, for example, on an aggregated basis; (iii) the undertaking discloses the fact that it has used the exemption; and (iv) at each reporting date, the undertaking reassesses whether the information may still be omitted.

iii) **Value chain reporting and "protected undertakings":** One of the most structurally significant changes concerns value chain disclosures. The Directive introduces the category of "protected undertakings", which is specifically defined as an undertaking that (i) on the date of its balance sheet, does not have more than an average number of 1,000 employees during the preceding financial year; and (ii) is in the value chain of a reporting undertaking. Therefore, the threshold is employee-based, rather than being determined solely by reference to whether the undertaking is itself subject to the CSRD.

- Reporting companies within the scope are prohibited from contractually obliging such undertakings to provide information that goes beyond future voluntary standards to be adopted by the Commission, building on Commission Recommendation 2025/1710 and the voluntary SME ("**VSME**") framework developed by EFRAG.
- Protected undertakings may rely on a self-declaration. Reporting undertakings may rely on a self-declaration issued by undertakings in their value chain in order to determine whether those undertakings qualify as protected undertakings. The reporting undertaking is not subject to a general

verification obligation in respect of the information contained in such a self-declaration, except where it knows, or can reasonably be expected to know, that the declaration is manifestly incorrect.

- In addition, for the first three years of being subject to sustainability reporting requirements, where not all the necessary value chain information is available, the undertaking must explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future. After that three-year transition period, the undertaking must meet the reporting requirements for value chain information by using information directly obtained from undertakings in its value chain or estimates for that information, as appropriate.

iv) **Schedule:** Member States must transpose the revised CSRD by 19 March 2027. The amended reporting obligations will apply from 1 January 2027 and will align the new scope and the simplification of the ESRS with the next reporting cycle, enabling the recalibration of existing CSRD implementation programmes.

2. CSDDD – "very large" undertakings and a two-step due diligence model

i) **Scope narrowed to very large companies:** The Omnibus I package significantly reduces the breadth of the CSDDD. The Directive will now apply to:

- EU companies with more than 5,000 employees and a net worldwide turnover greater than EUR 1,500,000,000; and

- non-EU companies with a net turnover greater than EUR 1,500,000,000 within the EU in the financial year preceding the last financial year.

- Specific rules apply to companies that have entered into franchising or licensing agreements. For EU companies (or EU ultimate parent companies), where a company operates through franchising or licensing models in the Union, the Directive applies where royalties generated in the Union exceed EUR 75,000,000, and the company (or the group) has a net worldwide turnover that exceeds EUR 275,000,000 in the relevant financial year.

- For non-EU companies (or non-EU ultimate parent companies), both thresholds are assessed on a Union basis: royalties generated in the Union must exceed EUR 75,000,000, and net turnover generated in the Union must exceed EUR 275,000,000, assessed in the financial year preceding the last financial year.

ii) **Risk-based, two-step due diligence:** The CSDDD has shifted towards a proportionate, risk-based design. Companies must first undertake a risk-mapping exercise based solely on reasonably available information to identify areas where severe or likely human rights and environmental impacts may arise in their own operations and across value chains. Only where such issues have been identified are companies required to perform in-depth assessments and design specific mitigation, prevention, and remediation measures.

- The Directive expressly allows prioritisation where multiple risks are equivalent in severity, including focusing initially on direct business partners.

- Suspension of the business relationship - where the law governing the relationship so permits - is available as a measure of last resort. Before suspending a business relationship, a company must assess whether the adverse impacts of suspension can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated; if so, the company shall not be required to suspend the relationship and will be in a position to report the duly justified grounds to the competent supervisory authority.

- Supervisory obligations are triggered, at a minimum, every five years, upon significant changes, or where there are reasonable grounds to believe that existing measures are no longer effective, or that

new risks of the occurrence of those adverse impacts have arisen or may arise, signalling an "adaptive supervision" model rather than permanent intrusive supervision.

iii) **Harmonisation, liability and penalties:** To curb regulatory fragmentation, Omnibus I extends full harmonisation to core due diligence processes, limiting Member States' discretion to introduce divergent procedural requirements. Civil liability has been recalibrated to ensure full compensation under national law while avoiding overcompensation and the duplication of recovery. Importantly, participation in industry schemes or reliance on third-party auditors and verifiers does not provide a safe harbour: ultimate responsibility remains with the company.

- Administrative fines are capped at 3% of the net worldwide turnover of the company in the financial year preceding that of the decision to impose the fine or, in the case of ultimate parent companies, 3% of the net consolidated worldwide turnover calculated at the level of the ultimate parent company in the same financial year. The 3% figure constitutes a maximum ceiling, not a formula: supervisory authorities must take appropriate account of net worldwide turnover in conjunction with the series of factors established in Article 27 of the CSDDD when determining the level of the fine.

iv) **Schedule:** Member States must transpose the amended CSDDD by 26 July 2028, which will apply to all companies within its scope from 26 July 2029. The measures necessary to comply with Article 16 (reporting obligations) must be applied to financial years starting on or after 1 January 2030. This extended runway offers additional time to integrate due diligence processes into existing risk management, compliance, and governance structures, particularly for complex multinational groups.

v) **Implications for multinational groups:** The Omnibus I package represents a recalibration rather than a retreat of the EU sustainability agenda. The scope of direct application has narrowed, but regulatory precision, harmonisation, and expectations around governance and value chain oversight have been reinforced. The emerging model is one of "largest-companies-first" mandatory regulation, with the indirect diffusion of standards through market practice and supply chains.

- For large multinational groups, the package warrants an early and coordinated response.

  Key priorities include:

  i) re-conducting scope analyses under the revised thresholds for the CSRD, the CSDDD, and associated Taxonomy obligations;

  ii) reassessing group governance, including board mandates, committee structures, and management responsibilities for sustainability oversight;

  iii) redesigning reporting architecture to align with the forthcoming simplified ESRS and the new right of omission framework, including clear internal escalation and approval processes;

  iv) reviewing contractual frameworks, supplier codes, and onboarding processes to reflect the concept of "protected undertakings" and the more explicit limits on information requests to smaller counterparties.

- While medium-sized entities that fall below the new thresholds will benefit from "relief" in terms of formal obligations, market expectations, lender requirements, and supply chain governance will continue to give rise to practices that are consistent with the CSRD and the CSDDD outside the legal scope.

- For many companies, the operative question is not so much whether they are strictly within the scope, but rather how far they wish to align with the EU's sustainability baseline to remain competitive, capable of being financed, and resilient in the medium term.

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