



iGAAP in Focus

European sustainability reporting

EU Commission proposes significant reduction in sustainability and due diligence reporting requirements

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This *iGAAP in Focus* sets out several pieces of proposed legislation (“omnibus proposal”) that aim to reduce significantly the sustainability and due diligence reporting burden for entities and were published by the European Commission (EC) on 26 February 2025. These proposals form part of a package that also includes amendments to the Carbon Adjustment Mechanism (CBAM) and the InvestEU Regulation.

- The EC has published an omnibus proposal that aims to reduce significantly the sustainability and due diligence reporting burden for entities
- Under the proposals, the Corporate Sustainability Reporting Directive (CSRD) would only apply to entities with more than 1000 employees on average on their balance sheet date and with a net turnover exceeding EUR 50 million or a balance sheet total exceeding EUR 25 million
- The proposals would also postpone by two years the effective date of the existing reporting requirements under the current CSRD for the second wave (large entities that are not in the first wave) from 2025 to 2027, and the third wave (listed SMEs, small and non-complex credit institutions, and captive insurance and reinsurance entities) from 2026 to 2028
- The requirements in the Corporate Sustainability Due Diligence Directive (CSDDD) would also be simplified and reduced—the implementation date for phase one of the requirements would be delayed by one year to 2028
- Under the proposals, large entities with more than 1000 employees on average and a net turnover not exceeding EUR 450 million would not be required to comply with the EU Taxonomy Regulation. However, the EC would introduce an “opt-in” regime for these entities if they intend to claim that their activities are aligned or partially aligned with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. Large entities with more than 1000 employees on average and a net turnover exceeding EUR 450 million are required to report
- As part of the package, the EC has also launched a [consultation](#) on draft amendments to the Taxonomy Disclosures, Climate and Environmental delegated acts. The comment period for this consultation ends on 26 March 2025
- As a next step, the EC’s proposals will be submitted to the European Parliament and to the European Council for scrutiny under the EU’s ordinary legislative procedure. Once finalised and adopted, the legislation would enter into force after the publication in the EU Official Journal, and need to be transposed into member state laws.

For more information please see the following websites:

www.iasplus.com
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Background

The EU has set out an ambitious framework to become a decarbonised economy by 2050. The [Draghi report](#), commissioned by the EC and published in September 2024, states that decarbonisation policies are a powerful driver of growth when they are well integrated with industrial, competition, economic and trade policies.

Building on the analysis of the Draghi report, the EC published [A Competitiveness Compass for the EU \(Competitive Compass\)](#) in January 2025 that is intended to guide the EC's work in the coming five years and listed priority actions that aim at reigniting economic dynamism in Europe.

In the Competitiveness Compass, the EC announced a series of legislative proposals (including so-called omnibus proposals) to reduce the regulatory and administrative burden on companies. This publication discusses the sustainability disclosure requirements in the first batch of omnibus proposal in the series.

Proposed amendments to the Corporate Sustainability Reporting Directive (CSRD)

On 16 December 2022, the CSRD was published in the EU Official Journal. The CSRD is a central part of the EU Sustainable Finance package, aimed at improving the flow of capital towards sustainable activities across the EU. The CSRD replaced the Non-Financial Reporting Directive (NFRD) and amended the Accounting Directive, the Transparency Directive, the Audit Directive and the corresponding Audit Regulation.

EU Member States were expected to transpose the CSRD by 6 July 2024. Not all of the EU Member States had completed the transposition into their laws at the date of this publication.

The omnibus proposal would simplify the scope of entities that are required to apply the CSRD. The proposed revised CSRD applies to entities with more than 1000 employees and with either a net turnover exceeding EUR 50 million or a balance sheet total exceeding EUR 25 million. The same applies to parent entities of a group that meets these criteria on a consolidated basis. Entities not meeting these criteria would no longer be in scope of the CSRD, including listed small- and medium-sized entities, small and non-complex credit institutions, and captive insurance and reinsurance undertakings. For these entities, the EC will adopt by delegated act a voluntary reporting standard, based on the voluntary standard for small- and medium-sized entities (SMEs) that was published by EFRAG in December 2024.

The proposals would also postpone by two years the entry into application of the existing reporting requirements under the current CSRD for the second wave (large entities that are not in the first wave) from 2025 to 2027, and the third wave (listed SMEs, small and non-complex credit institutions, and captive insurance and reinsurance entities) from 2026 to 2028. The objective of the postponement is to avoid a situation in which those entities are required to report for financial year 2025 (second wave) or 2026 (third wave) and are then subsequently relieved of this requirement.

Observation

Many but not all EU member states have transposed the current CSRD (i.e. as published in the EU Official Journal in December 2022) into domestic law. The CSRD as transposed applies to entities based in those member states until the omnibus proposal is finalised and amendments are transposed. The CSRD as transposed locally would therefore currently continue to be applicable to entities in scope of CSRD for financial years beginning on or after January 2024. The proposals to delay the reporting requirements for waves 2 and 3 are expected to be transposed by 31 December 2025, therefore in time to be effective for the 2025 reporting period.

Under the proposals, the net turnover threshold requiring the subsidiary or branch of a non-EU ultimate parent entity to disclose a sustainability report on the group's impacts would be raised from EUR 150 million generated in the EU to EUR 450 million. The threshold for the EU branch would be raised from EUR 40 million to EUR 50 million and the threshold for the EU subsidiary limited to large entities as defined in the Accounting Directive.

Observation

The CSRD currently in force specifies that a subsidiary or branch of a non-EU ultimate parent entity should report from periods beginning 2028 on the group's impacts on sustainability matters. The report should be prepared using either the sustainability reporting standards for third country entities to be adopted by the EC by 30 June 2026, full ESRs or standards that are deemed equivalent. It is not clarified further what reporting requirements the group would need to follow, including any equivalence provisions.

The EC also aims to reduce the "trickle down" of data requirements from larger to smaller entities. Under the proposals, a reporting entity would not be allowed to request information from entities in its value chain with fewer than 1000 employees beyond the information specified in the voluntary standard (to be developed—see above).

European Sustainability Reporting Standards

The proposals also include a commitment to revise the European Sustainability Reporting Standards (ESRSs) that were issued through a delegated act published in the EU Official Journal in December 2023, with the aim of substantially reducing the number of data points that entities are required to report, clarifying provisions deemed unclear and improving consistency with other pieces of legislation. The EC no longer plans to adopt sector-specific ESRSs or sustainability reporting standards for listed SMEs (as these entities are no longer in the scope of the CSRD).

The package also proposes that entities should not be required to prepare their management report in a specified electronic reporting format and to mark up their sustainability reporting in accordance with the electronic reporting format until such rules on the marking up are adopted.

Assurance

In the package, the EC has committed to publish targeted guidance to clarify the procedures that should be performed during limited assurance engagements, rather than an obligation to introduce European sustainability assurance standards by 2026.

The option to amend by 1 October 2028 the limited assurance requirement to reasonable assurance is deleted under the proposals.

Proposed amendments to the EU Taxonomy Regulation

For entities within the future CSRD scope (large entities that have more than 1000 employees) with a net turnover of up to EUR 450 million, the proposals would introduce an “opt-in” regime if entities intend to claim that their activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. Large entities with more than 1000 employees on average and a net turnover exceeding EUR 450 million are required to report.

As part of the package, the EC has also launched a [consultation](#) on draft amendments to the Taxonomy Disclosures, Climate and Environmental delegated acts. The comment period for this consultation ends on 26 March 2025. In the consultation, the EC proposes:

- to simplify the reporting templates, leading to a reduction of data points by almost 70%
- to exempt companies from assessing Taxonomy-eligibility and alignment of their economic activities that are not financially material for their business (e.g. those not exceeding 10% of their total turnover, capital expenditure or total assets)
- two alternative approaches to simplify the “Do No Significant Harm” (DNSH) criteria for pollution prevention and control—the focus is on streamlining requirements related to the use and presence of chemicals across all economic sectors.

Proposed amendments to the Corporate Sustainability Due Diligence Directive (CSDDD)

The objective of the CSDDD, which entered into force in July 2024 but is not yet effective, is to foster sustainable and responsible corporate behaviour in entities’ operations and across their global value chains. The CSDDD establishes a corporate due diligence duty, whose core elements are identifying and addressing potential and actual adverse human rights and environmental impacts in an entity’s own operations, their subsidiaries and, where related to their value chain(s), those of their business partners. In addition, the CSDDD sets out an obligation for large entities to adopt and put into effect, through best efforts, a transition plan for climate change mitigation aligned with the 2050 climate neutrality objective of the Paris Agreement as well as intermediate targets under the European Climate Law.

The scope of entities that are required to apply the CSDDD are large EU limited liability companies and partnerships with more than 1000 employees and more than EUR 450 million net turnover worldwide. It also applies to large non-EU companies with more than EUR 450 million net turnover in the EU.

Under the omnibus proposal, the EC would make the following amendments to the CSDDD:

- delay the requirement to comply with the first phase of requirements of the CSDDD by one year to 26 July 2028
- limit due diligence activities to an entity’s own operations, those of their subsidiaries and, where related to their chains of activities, those of their direct business partners—an in-depth assessment for indirect business partners would only be required if the entity has plausible information that suggests an adverse impact at that level
- remove the duty to terminate the business relationships with suppliers as a measure of last resort—instead, the last resort should be a suspension of business relationships where the business operations of a supplier are linked to severe adverse impacts
- reduce the scope of stakeholders to workers and their representatives, and to individuals and communities whose rights or interests are or could be directly affected by the products, services and operations of the entity, its subsidiaries and its business partners
- require entities to engage only with relevant stakeholders that have a link to the specific stage of the due diligence process being carried out

- extend the intervals in which entities need to regularly assess the adequacy and effectiveness of due diligence measures from one year to five years
- no longer consider additional sustainability due diligence requirements for regulated financial undertakings with respect to the provision of financial services and investment activities
- align the transition plan requirement better with the language of the CSRD.

Next steps

The EC's proposals will be submitted to the European Parliament and to the European Council for scrutiny under the EU's ordinary legislative procedure. This could lead to amendments to the proposals. Once finalised and adopted, the legislation would enter into force after the publication in the EU Official Journal and would need to be transposed into member state laws.

Further information

If you have any questions about the omnibus proposal, please speak to your usual Deloitte contact or get in touch with a contact identified in this *iGAAP in Focus*.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of financial and sustainability disclosures literature. [iGAAP on DART](#) allows access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards
- illustrative financial statements for entities reporting under IFRS Accounting Standards.

In addition, our [sustainability reporting](#) volumes of iGAAP provide guidance on disclosure requirements and recommendations which businesses must consider in light of the broader environmental, social and governance matters which can significantly drive the value of an entity.

To apply for a subscription to iGAAP on DART, click [here](#) to start the application process and select the iGAAP package.

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