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Briefing: CSRD and the Omnibus Package – what's changing?

Introduction

On 26 February 2025, the EU Commission published a package of proposals aimed at simplifying EU rules, boosting competitiveness, and unlocking additional investment capacity (the "**Omnibus Proposals**"). The Omnibus Proposals build on the recommendations made by Mario Draghi in his report released in September 2024, where he identified reducing the regulatory burden as one of the key building blocks of a new industrial strategy for the EU. The proposal also forms part of the 'simplification revolution' that was flagged by Ursula von der Leyen in her Budapest Declaration of 8 November 2024 where she committed to 'drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs'.

The Omnibus Proposals include proposals to amend the Corporate Sustainability Reporting Directive (Directive 2022/2464/EU) ("**CSRD**"), the Corporate Sustainability Due Diligence Directive (Directive 2024/1760/EU) ("**CSDDD**"), a proposal for a Regulation amending the Carbon Border Adjustment Mechanism Regulation (Regulation (EU) 2023/956) and a proposal for a Regulation amending the InvestEU Regulation (Regulation (EU) 2021/523), in addition to a proposed delegated act amending certain EU Taxonomy delegated acts¹. This briefing covers the principal changes proposed by the Omnibus Proposals to the sustainability reporting regime introduced by CSRD.

CSRD and Irish Transposition

CSRD came into effect in January 2023 and was required to be transposed by Member States by 6 July 2024. It amended the Accounting Directive (Directive 2013/34/EU) to replace the non-financial reporting framework that had been originally introduced by the Non-Financial Reporting Directive (Directive 2014/95/EU) ("**NFRD**"). When introduced, NFRD had been described as the world's foremost legislation on corporate transparency yet, within a few short years, the common consensus was that it was not fit for purpose. To address the issues that had been identified with NFRD, key features of the new enhanced CSRD regime included an expanded scope (estimated at the time to cover ~50,000 companies across the EU), the introduction of a third party assurance requirement (initially on a limited assurance basis but moving to reasonable assurance), a requirement to include the relevant disclosures in the management/directors' report, and the development of new mandatory European sustainability reporting standards. Further information on CSRD can be found in our briefing [here](#).

¹ a [consultation](#) led by the European Commission on this proposed delegated act is open to submissions until 26 March 2025).

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CSRD was transposed into Irish law by the European Union (Corporate Sustainability Reporting) Regulations 2024 (S.I. No. 336 of 2024) amending the Companies Act 2014 (as amended) and the Transparency Regulations 2007 (S.I. No. 277 of 2007), with effect from 6 July 2024. Some issues were identified in the initial transposition of the CSRD and the Minister for Enterprise, Trade and Employment subsequently published amending Regulations addressing some (but not all) of the concerns raised by professional advisors (including McCann FitzGerald LLP in conjunction with other leading law firms). The issues which remain outstanding include:

- a. certain companies being deemed to be large companies (and therefore, in-scope) under Irish company law even if they do not meet the relevant employee, turnover and balance sheet criteria. These include (amongst others): public limited companies; companies carrying on business required to be authorised by the Central Bank of Ireland; and credit institutions, insurance undertakings and undertakings with transferable securities admitted to trading on an EU regulated market; and
- b. potential restrictions (due to the way in which the legislation is drafted) on Irish companies being able to claim an exemption from reporting where they are included in the group directors' report of a non-Irish EU holding company.

Changes to CSRD contemplated by the Omnibus Proposals

The key elements of the new proposal are as follows:

- a. **Deferral:** pending the change in scope described below, it is proposed that, by way of an amending Directive ("**Omnibus Directive I**"), CSRD will be amended to postpone the application of the CSRD reporting requirements by two years to:
 - (i) large companies/parent companies of large groups who were due to report for the first time in 2026 for financial year 2025; and
 - (ii) SMEs that have transferable securities listed on a regulated market.Equivalent amendments are proposed to be made to postpone reporting requirements for issuers under the Transparency Directive (Directive 2004/109/EC). The Commission's explanatory memorandum notes that the "objective of the postponement is to avoid a situation in which certain undertakings are required to report for financial year 2025 (second wave) or 2026 (third wave) and are then subsequently relieved of this requirement. Such a situation would mean that the undertakings in question incur unnecessary and avoidable costs." To facilitate this, Member States are required to transpose this Directive, if it enters into force, by 31 December 2025. Companies required to report for financial year 2024 as part of the first wave would be unaffected by this change although they may subsequently fall out of scope of CSRD due to the changes described below.
- b. **Change in Scope:** by way of a further amending Directive ("**Omnibus Directive II**"), only large companies or parent companies of large groups having (on an individual,

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or in the case of a holding company, on a consolidated basis) more than 1,000 employees will be required to prepare sustainability reports under Article 19a and 29a of the Accounting Directive. This means that some companies that are required to produce CSRD-compliant sustainability reports in 2025 for financial year 2024 may not be required to do so for future years if Omnibus Directive II comes into effect (e.g. large companies/parent companies that are public-interest entities that have more than 500 but less than 1,000 employees). Non-EU companies will be in scope where they, on an individual or consolidated basis, generate a net turnover in the EU in excess of €450m for each of the last two consecutive financial years (up from €150m) and either have (i) a large company subsidiary in the EU or (ii) a branch located in the EU where the branch generated a net turnover exceeding €50m (up from €40m).

- c. **Voluntary SME standard:** the Omnibus Directive II also provides that the Commission will adopt, by way of a delegated act, voluntary sustainability reporting standards to facilitate reporting of sustainability information by companies that are not in-scope of sustainability reporting obligations under CSRD ("**VSME**"). These will be based on the simplified reporting standard for SMEs developed by the European Financial Reporting Advisory Group (EFRAG) and will be "*proportionate to and relevant for the capacities and the characteristics of the undertaking for which they are designed and to the scale and complexity of their activities.*" As a short term measure, and to address market demand, the Commission has indicated that it intends to issue a recommendation on voluntary sustainability reporting as soon as possible based on the VSME standard developed by EFRAG.
- d. **'Value chain cap':** the amendments proposed by Omnibus Directive II also require Member States to ensure that in-scope companies do not seek to obtain from companies in their value chain having less than 1000 employees any information that exceeds the information specified in VSME except for additional sustainability information that is commonly shared between companies in the relevant sector. This is designed to allow companies in the value-chain of an in-scope company to use the VSME as a shield to limit the information that can be requested from them.
- e. **No sector specific standards:** To reduce the reporting burden on in-scope companies, no sector-specific reporting standards will now be developed. These were initially scheduled to be adopted by June 2024 before that timeline was pushed back to June 2026. These provisions are deleted by the Omnibus Directive II.
- f. **No move to reasonable assurance:** Provisions requiring the adoption by the Commission of a delegated act to provide for reasonable assurance standards will be deleted. Currently, the delegated act providing for the move to reasonable assurance standards is required to be adopted no later than 1 October 2028. In addition, instead of adopting standards for sustainability assurance by means of delegated acts (which were due to be adopted by 2026), the Commission will issue targeted assurance guidelines by 2026, allowing it to move more quickly to address issues as they arise.
- g. **Taxonomy reporting:** the narrower scope of CSRD will have a knock-on impact on

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the companies required to make disclosures under Article 8 of the EU Taxonomy Regulation (Regulation (EU) 2020/852). In addition, Omnibus Directive II also provides that in-scope companies/parent companies which, on their balance sheet dates, do not exceed a net turnover of €450m (on an individual/consolidated basis), will be able to disclose information referred to in Article 8 of the EU Taxonomy Regulation in a more flexible way with the Explanatory Memorandum accompanying Omnibus Directive II describing it as an 'opt-in regime' for companies that claim that their activities are aligned or partially aligned with the EU Taxonomy. Furthermore, the Commission has published draft amendments to certain of the Taxonomy delegated acts to simplify and reduce disclosures by in-scope companies.

- h. **Revision of ESRS:** the Commission has signalled that it will revise the first set of European Sustainability Reporting Standards (ESRS) by way of a revised delegated act to, amongst other things, reduce the number of data points, clarifying provisions that are deemed to be unclear, improving consistency with other pieces of EU legislation, providing clearer instructions on how to apply the materiality principle, ensuring that companies only report material information and reducing the risk that auditors inadvertently encourage companies to report information that is not necessary or dedicate excessive resources to the materiality assessment process.

Conclusion

The Omnibus Proposals, if implemented, are hugely significant. The Commission estimates that the number of companies in scope will be reduced by about 80%, and that the combined cost savings from the proposed changes amount to €4.4 billion per year.

The deferral of the reporting obligations as part of Omnibus Directive I will give time to the co-legislators to agree the Commission's substantive proposals set out in Omnibus Directive II (the preliminary time for transposition noted in Omnibus Directive II is twelve months from the date of entry into force of that Directive). If enacted and transposed into Irish law, Omnibus Directive I will also, as an interim measure, address one of the issues raised with the Irish transposition of CSRD, where certain companies are deemed to be large companies (and therefore, in-scope) under Irish company law even where they do not meet the relevant employee, turnover and balance sheet criteria (with reporting by all large companies (other than those in the first wave) being deferred by two years).

However, it should be mentioned that the Omnibus Proposals remain at an initial stage and must be approved by the European Council and European Parliament before being enacted. They therefore remain subject to further, potentially significant, amendments (if they are approved at all) and will then need to be transposed into domestic Irish law.

Companies in advanced stages of preparing for CSRD will now have to consider the proposed amendments, including whether they will remain in-scope of the reporting requirements if the Omnibus Proposals are enacted as currently drafted. Many organisations have invested significant time and effort and incurred substantial costs in preparing for CSRD. While there will inevitably be some frustration at the changing compliance landscape as well as criticism from stakeholders at the perceived

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