

## THE EU OMNIBUS I DIRECTIVE – NOW IN FORCE

On 18 March 2026, the **EU's Directive EU/2026/470** entered into force, changing the scope and substantive obligations of the EU Corporate Sustainability Reporting Directive ("**CSRD**") and the EU Corporate Sustainability Due Diligence Directive ("**CSDDD**") ("**Omnibus I Directive**").<sup>1</sup>

The CSRD and CSDDD originally entered into force in January 2023 and July 2024 respectively, but in February 2025, the European Commission recognised in its **Omnibus I proposal** that they were "*now being implemented in a new and difficult context*" due to trade tensions, a shifting geopolitical landscape, and different regulatory approaches being taken by other major jurisdictions.

As such, the Commission saw fit to propose "*simplifications and flexibilities*" to streamline and reduce the burdens resulting from the CSRD and CSDDD, while preserving the underlying policy objectives and overall ambition of the European Green Deal.<sup>2</sup> After one year of interinstitutional negotiations, the Omnibus I Directive reflects the final landing, and this briefing sets out what you need to know.

### CSRD – Key Aspects:

- 1. Transposition:** Member States have until **19 March 2027** to transpose CSRD-related changes into national law.<sup>3</sup>
- 2. Reduced scope:** The Omnibus I Directive revises and increases the thresholds for entities to fall within scope of CSRD, such that now it is only applicable to:

Revised thresholds	Application <sup>4</sup>
<b>EU companies and non-EU issuers on EU regulated markets, which during the previous financial year ("FY") had:</b> (i) >€450 million net worldwide turnover; <i>and</i> (ii) >1,000 employees on average.	2028 report for FY2027
<b>Non-EU ultimate parent companies with:</b> (i) >€450 million net turnover in the EU (individually or on a consolidated basis) for each of the last two FYs; <i>and</i> (ii) an EU subsidiary or branch, generating >€200 million net worldwide turnover in the previous FY.	2029 report for FY2028
<b>Other rules on scope</b>	
Companies which are already reporting under the original CSRD but which would fall out of scope under the new tests must <b>continue reporting until FY2027</b> , unless the relevant Member State provides an exemption.	
As reflected under the revised thresholds above, <b>listed small and medium-sized enterprises ("SMEs") no longer fall within scope</b> . Nevertheless, they may be positively (indirectly) impacted by the 'value chain information cap' placed on other CSRD reporters requesting information from SMEs in their value chain (see further below).	
The Omnibus I Directive updates <b>the 'review' clause for CSRD</b> , such that by 26 July 2031, the Commission must assess the effectiveness of the new scope thresholds and, if appropriate, introduce a legislative proposal to further revise them.	

### 3. Reliefs and exemptions:

- a. *Subsidiary reporting:* As was the case under the original CSRD, subsidiaries do not have to report on an individual basis if they are included in the parent's consolidated management report. In a related change from the original text, large subsidiary undertakings with transferable securities listed on an EEA-regulated market may now benefit from such exemption.
- b. *Changes to group composition:* Where the composition of a group of companies changes during the FY due to acquisitions, mergers or divestitures, a parent entity may benefit from relief, including: (i) a transition period for a newly acquired subsidiary to report; and/or (ii) exclusion of an 'exiting' subsidiary's disclosures from the consolidated management report.
- c. *Financial holding companies:* A financial holding undertaking whose sole purpose is to acquire and manage shares in other companies, without involvement in their management, can be exempted from scope, subject to Member State implementation.

### 4. European Sustainability Reporting Standards ("ESRS") and the Voluntary Reporting Standards for SMEs ("VSME"):

The Omnibus I Directive makes the following adjustments to the reporting framework:

- a. *Revised ESRS:* The Commission has been mandated to adopt revised and streamlined ESRS by 18 September 2026 (though Commission leaks in March 2026 suggest that the revised ESRS could be adopted by mid-June). In December 2025, the European Financial Reporting Advisory Group ("EFRAG") sent its **technical advice on draft simplified ESRS** to the Commission. The advice proposes preserving the CSRD's distinctive double materiality assessment ("DMA"), while introducing a top-down approach, reducing the number of data points, and introducing greater flexibility and interoperability with other sustainability reporting regimes.

In terms of interoperability between the revised ESRS and international sustainability standards, negotiations are currently underway (reportedly, with an agreement hoping to be reached in April 2026) between the International Sustainability Standards Board ("ISSB"), the Commission and EFRAG to

potentially allow companies to embed ISSB-compliant reports directly within CSRD disclosures. ISSB Chair, Emmanuel Faber, hopes to give the ESRS "full ISSB adopter status – in other words removing the interoperability mechanism".<sup>5</sup>

- b. *Sector-specific standards:* The Omnibus I Directive replaces the requirement for the Commission to adopt sector-specific ESRS, with an option for the Commission to support reporting entities by providing sector-specific *guidance* that illustrates and facilitates the application of the ESRS for different sectors. While the Omnibus I Directive does not prescribe the given sectors, it is likely that they could resemble those previously considered higher priority by EFRAG, including: oil and gas, mining, road transport, textiles and jewellery, financial institutions, agriculture, food and beverage.
- c. *The 'value chain information cap' and the VSME:* In meeting their own reporting obligations, in scope companies may not request information from other companies with an average of fewer than 1,000 employees, beyond what is required under the VSME. **EFRAG's last set of VSME** published in December 2024 explained that the VSME "covers the same sustainability issues as the ESRS for large undertakings. However, it is proportionate and therefore takes into account [SMEs'] fundamental characteristics". The December 2024 VSME standard was **endorsed** by Commission recommendation in July 2025. By July 2026, the Commission will adopt a delegated act providing final VSME for entities protected by this value chain information cap.<sup>6</sup>
- d. *A potential future 'Voluntary Standard' for companies 'left behind':* On 24 March 2026, EFRAG launched **a call for expression of interest** on voluntary sustainability reporting by **non-SME** companies (i.e., large companies now outside the scope of CSRD, with <1,000 employees or an annual turnover of <€450m). EFRAG is contemplating future consultation on the application of a 'Voluntary Standard' equivalent to the VSME for such non-SMEs.

### 5. Other deviations

- a. *'Reasonable' assurance:* The Omnibus I Directive removes the option for the Commission to raise the 'limited' auditor assurance to a 'reasonable' one. The Commission must now adopt harmonised 'limited' assurance standards by 1 July 2027. Companies currently in scope are nevertheless required to comply with limited assurance requirements. Separately,

a transitional period from 2025-2030 has been introduced, during which third-country auditors will benefit from simplified auditor registration requirements and an exemption from regulatory oversight, when issuing assurance reports on the sustainability information of in-scope non-EU issuers.

b. **Taxonomy reporting:** Unchanged from the original CSRD, only in-scope companies are required to report under Article 8 of the Taxonomy Regulation (which provides that companies are required to report on how and the extent to which their activities

are associated with economic activities that qualify as Taxonomy-aligned).

c. **Commercial sensitivity:** Companies may omit from their CSRD reporting, information that: (i) is "seriously prejudicial to [its] commercial position"; (ii) corresponds to "intellectual capital, intellectual property, know-how, technological information or the results of innovation, that would qualify as a trade secret"; (iii) is classified; and/or (iv) cannot be disclosed under EU or national law, and/or to "safeguard the privacy or security" of natural or legal persons.

## CSDDD – Key Aspects:

**1. Transposition and harmonisation:** Member States have until **26 July 2028** to transpose CSDDD-related changes.

The Omnibus I Directive introduces "full harmonisation" across several core due diligence provisions.<sup>7</sup> Nevertheless, Member States still enjoy some (albeit limited) discretion to 'goldplate' obligations under national law regulating "specific adverse impacts or specific sectors of activity", to achieve higher levels of environmental and/or human rights protection. Therefore, monitoring transposition will continue to be an important exercise.

**2. Reduced scope:** The Omnibus I Directive revises and increases the thresholds for entities to fall within scope, and therefore the CSDDD is now only applicable to:

Scope	Application
<p><b>EU companies</b> that have:</p> <p>(i) &gt;€1.5 billion net worldwide turnover; <i>and</i></p> <p>(ii) &gt;5,000 employees.</p>	<p>26 July 2029</p> <p>(see para 3.g. below for reporting deadline)</p>
<p><b>Non-EU companies</b> (or non-EU parent entity groups) that have:</p> <p>(i) &gt;€1.5 billion net turnover generated in the EU.</p>	
<p><b>Franchising/licensing</b> – EU and non-EU companies that entered into (or, if a parent undertaking, their group has entered into) franchising or licensing agreements in the EU in return for royalties, and:</p> <p>(i) royalties were &gt;€75 million; <i>and</i></p> <p>(ii) the company generated &gt;€275 million net turnover in the EU.</p>	

**3. Due diligence obligations:** The Omnibus I Directive preserves the spirit of the CSDDD and further defines the required risk-based approach for companies to identify and assess adverse environmental and human rights related impacts across its operations and broader value chain. The key changes include:

a. **Scoping exercise:** Relevant companies must: "carry out a scoping exercise, based solely on reasonably available information, to identify general areas across their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners where adverse impacts are most likely to occur and to be most

severe". Companies have flexibility in judging what information is "reasonably available" to them.

When adopting appropriate measures to identify and assess adverse impacts, companies must take into account "relevant risk factors". These include: facts, situations or circumstances that relate to the severity and likelihood of an adverse impact, including (i) at the level of the business partner, such as whether the business partner is not a company covered by the CSDDD or other comparable mandatory sustainability due diligence laws; (ii) at the level of geography and context, such as the level of law enforcement with respect to the type

of adverse impact; and (iii) at the level of sectors, of business operations, and of products and services.

- b. In-depth assessment: Subject to the results of the “scoping exercise”, companies must carry out an in-depth assessment in the areas where adverse impacts were identified to be most likely to occur and be most severe. This should aim to obtain accurate and reliable information, in particular about the nature, extent, causes, severity and likelihood of the identified actual or potential adverse impacts, to enable the company to conduct the prioritisation of such impacts and adopt appropriate measures to address them. Companies may prioritise assessing adverse impacts which “involve direct business partners”.
- c. Value chain information cap: To “limit the trickle-down effect [of CSDDD] on [SMEs]”, companies should only request information from business partners where: that information is necessary, and, in the case of business partners with fewer than 5,000 employees, only when the information cannot reasonably be obtained by other means.
- d. No more “termination”: Companies are no longer obliged to terminate their business relationships with business partners where adverse impacts have arisen, though must still “suspend” such business relationship, as a last resort.
- e. No more “transition plans”: Companies are no longer required to adopt or “put into effect” climate transition plans. However, the provisions in CSRD requiring disclosure of climate transition plans have not changed pursuant to the Omnibus I Directive. This means that companies in scope of the CSRD must continue to report on transition plans (“including implementing actions and related financial and investment plans”).
- f. More proportionate “stakeholder engagement”: The definition of “stakeholders” has been narrowed to no longer specifically refer to consumers, employees of business partners, national human rights and environmental institutions, among others. The circumstances in which “stakeholder engagement” must be undertaken has also been narrowed to “only be required for certain parts of the due diligence process, namely at the identification stage, for the development of action plans and enhanced action plans and when designing remediation measures”.

- g. Obligation to publicly communicate on due diligence: Companies not otherwise in scope of reporting under CSRD must publish an annual statement on their website describing their CSDDD compliance. Their annual statement should cover due diligence processes, potential and actual adverse impacts identified, and actions taken; with first statements applicable to FYs starting on or after **1 January 2030**.

#### 4. Enforcement:

- a. Civil liability: The Omnibus I Directive removes the EU-wide civil liability regime which had been included in the original CSDDD. Civil liability for breaches is now subject to each Member State’s national rules and court procedures. The effectiveness of adopted enforcement mechanisms will be **reviewed by July 2031** (and every 5 years thereafter); leaving open the possibility of a future EU-wide regime.
- b. Penalties: The Commission must issue guidelines to assist supervisory authorities in determining the appropriate penalty levels for CSDDD violations. Notwithstanding those guidelines, Member States must ensure that the maximum cap of pecuniary penalties is set at 3% of a company’s net worldwide turnover (or for a third-country ultimate parent company, 3% of its net consolidated worldwide turnover).

#### 5. Forthcoming regulatory guidelines: The Commission must adopt CSDDD implementation guidance and delegated acts on a staggered basis:

- By **26 July 2027**: Guidelines on due diligence processes, stakeholder engagement, model contractual clauses, and risk factor assessment.
- By **26 July 2028**: Guidelines on how to share resources and information among companies and other legal entities for the purpose of CSDDD compliance (consistent with protecting trade secrets and protecting against retaliation and retribution), and information for stakeholders on how to engage throughout the due diligence process.
- By **31 March 2029**: Delegated acts on the required content and criteria for annual website statements under the CSDDD reporting obligation.

## U.S. Dynamics

As detailed in this briefing, both CSRD and CSDDD will impact large non-EU companies, including U.S. companies, with significant EU operations. There have been repeated calls by the U.S. government to delay or revise this impact. For example:

- During the same week that the European Commission released its proposed Omnibus I package in February 2025, members of U.S. Congress sent a **letter to the US Treasury Department and National Economic Council** expressing concern about the potential impacts of the EU's CSDDD on the "competitiveness of the United States" and urging "immediate diplomatic engagement to challenge and halt its implementation".
- Separately, **a group of treasurers and other officials from 26 states sent a letter to President Trump** asking him to direct the U.S. Trade Representative ("USTR") to open a trade investigation in response to CSRD and CSDDD. The USTR letter remarks that the "EU's directives will accelerate the misallocation of capital that ESG policies impose on financial markets, even while [Trump's] Administration is correcting these dynamics domestically".
- On 12 March 2025, U.S. Senator Bill Hagerty **introduced the Prevent Regulatory Overreach from Turning Essential Companies into Targets (PROTECT) Act of 2025** which would make it a violation of law for any "entity integral to the national interests of the [U.S.]" to comply with the CSDDD. It would also specify that foreign court judgments related to CSDDD against entities integral to U.S. national interests shall not be recognised in the U.S.

- On 21 April 2025, the U.S. Chamber of Commerce **wrote** to the Treasury Secretary and Director of the National Economic Council objecting to the extraterritoriality of the CSDDD, calling on the Trump Administration to urge the EU to limit its application to the EU market.
- On 22 October 2025, the U.S. Energy Secretary and Qatari Energy Minister sent a **joint open letter** to the Leaders of EU Member States expressing that they were "united" in their "deep concern" regarding the CSDDD, particularly "its unintended consequences for LNG export competitiveness and the availability of reliable, affordable energy for EU consumers". The joint letter also stated that it was "of great concern that none of these issues [had] been properly addressed [...] in response to the Omnibus package [...] whose stated purpose [of simplifying requirements] falls grossly short of its aspirations".

**The EU's reaction:** Following objections from the U.S., in Q3 2025, the EU announced its **Joint Statement on a United States-European Union Framework on an Agreement on Reciprocal, Fair, and Balanced Trade**, in which the EU committed to "undertake efforts to ensure that the [CSDDD] and [CSRD] do not pose undue restrictions on transatlantic trade [and] work to address US concerns regarding the imposition of CSDDD requirements on companies of non-EU countries with relevant high-quality regulations". It remains to be seen how the EU will seek to achieve this objective in practice, particularly in light of ongoing pushback (as per the October 2025 development noted above). In the meantime, non-EU companies, including U.S. entities in-scope of each revised law (as amended by the Omnibus I Directive), should press ahead with their compliance preparations.

## Practical Guidance

Below are examples of suggested next steps for key categories of companies assessing the new landscape:

- A. Companies expecting to fall within the revised scope of CSRD and CSDDD, should continue monitoring developments closely, and roadmap when to assess (or re-assess) applicability, reporting and due diligence obligations. For CSRD specifically, companies should prepare to conduct an ESRS gap analysis once the simplified standards are adopted later in 2026. For CSDDD, as an example, companies should carefully map their value chains to get ahead of the new 'scoping exercise' requirement.
- B. Companies already reporting under CSRD and which must continue until FY2027, should monitor Member State level developments, whether in the form of any new:
  - a. Exemptions from reporting until FY2027; or
  - b. Regulatory guidance that enforcement measures will not be taken until changes under the Omnibus I Directive have been transposed. This could resemble the German coalition government's 2025 commitment to not take action against violators of the Supply Chain Due Diligence Act ("**LkSG**") until the transposed CSDDD is in place.

- C. Companies which have now fallen out of scope of CSRD and CSDDD entirely, may – depending on their classification – wish to: (i) develop response plans to in-scope stakeholders which may request sustainability data from SMEs; (ii) engage in consultative efforts for non-SME voluntary reporting noted above; and in any event (iii) leverage the work already done for CSRD/CSDDD compliance, to help meet other regulatory obligations, for example under:
- a. Supply chain due diligence regimes – e.g., at EU-level with the EU's Forced Labour Regulation, Deforestation Regulation, Conflict Minerals Regulation, Batteries Regulation, or at national-level with France's Duty of Vigilance Law or Germany's LkSG; or
  - b. Sustainable disclosure regimes – e.g., the Taxonomy Regulation, or datapoints which may be required by stakeholders under the EU's Sustainable Finance Disclosure Regulation, or mapping interoperability against other applicable voluntary disclosure frameworks (e.g., as between EFRAG and the IFRS, GRI, UK TPT and TNFD).
- D. U.S. companies in scope of CSRD and CSDDD should monitor both EU and U.S. legislative developments, and seek counsel on the practical implications on their business of any conflicting elements of EU and U.S. law.
- a. U.S. companies may also wish to participate in EFRAG's forthcoming consultation (July-October 2026) on the simplified **non**-European reporting standards (the so-called "**nESRS**"). The simplified nESRS will be applicable to non-EU companies in scope of CSRD, and are expected to contain material differences as compared with the new baseline simplified ESRS. Based on **EFRAG's first set of draft nESRS**, we could for example see divergence in: (i) materiality approach (double vs impact-only); (ii) incorporation by reference rules; and (iii) requirements around EU Taxonomy-related disclosures.<sup>8</sup>

## ENDNOTES

<sup>1</sup> Unless stated otherwise, all quotations in this briefing are contained within the Omnibus I Directive, either within the operative provisions, or within the recitals which neatly summarise the practical effect(s) of the amendments to the underlying legislative texts.

<sup>2</sup> The Omnibus I package also included amendments to the Carbon Border Adjustment Mechanism (CBAM), the InvestEU Regulation, and was also accompanied by a draft Taxonomy Delegated Act for public consultation. We do not cover these in this briefing, but please reach out to the authors if you would like to discuss related developments.

<sup>3</sup> The Commission's Omnibus I package also led to the adoption of the "Stop-the-Clock" Directive (2025/794) which postponed the reporting requirements for in-scope large companies that had not yet started reporting (the so-called wave two and wave three companies) as well as listed SMEs. While this briefing does not cover detail of the Stop-the-Clock Directive, it will be important for companies in scope of the original CSRD to monitor Stop-the-Clock transposition, alongside the transposition of the Omnibus I Directive, to mitigate legal risk of non-compliance. Please see our previous briefings for more information ([here](#) and [here](#)).

<sup>4</sup> References to FY mean those beginning on or after 1 January of the respective year.

<sup>5</sup> "Fresh agreement between ISSB and CSRD in prospect, says Faber" (Environmental Finance, March 2026), available [here](#).

<sup>6</sup> For further information, please see the Commission's [FAQs on the Recommendation of VSME](#), published in July 2025.

<sup>7</sup> These include the identification duty, the duty to prioritise adverse impacts, the duty to address identified adverse impacts, the duty to provide for a complaints mechanism, the duty to monitor due diligence measures, and the duty to report on the matters covered under CSDDD.

<sup>8</sup> See [first set of exposure draft nESRS](#) developed by EFRAG pre-Omnibus I, which contained material differences as compared with the original baseline ESRS – as reflected in EFRAG's [redline](#) of the nESRS vs ESRS.

## For More Information

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