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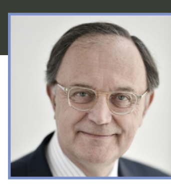
Omnibus I, The European Commission's simplification package for Green Deal regulations

Rachel Barrett, ESG Partner, Linklaters; Patrick de Cambourg, Chair of EFRAG's Sustainability Reporting Board; Martina Macpherson, Co-Founder, XpertEcosystem, EFRAG VMSE Standard committee member and board member at FOSDA; and Lara Wolters MEP (S&D), CSDDD Rapporteur.

Virtual


Rachel Barrett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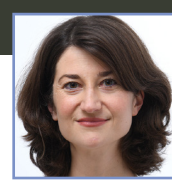
Lara Wolters MEP

Introduction

The Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) – alongside related instruments like the EU Taxonomy and SFDR – form the backbone of the EU's Green Deal. Crucially, these regulations extend beyond large listed entities to **encompass medium and small-sized companies, including British companies** with a significant presence in the EU. Many other UK businesses are voluntarily aligning to stay relevant in global markets. A 2024 Workiva survey found that 72% of UK companies not subject to the CSRD still intended to report under it.

In February, amid growing political pressure to prioritise competitiveness, the European Commission released a package of simplification proposals called Omnibus I, intended to reduce regulatory burden. Critics argue that it weakens the EU's sustainability ambition, diluting requirements rather than just simplifying them. This roundtable focused on two strategic imperatives: How to **reframe sustainability as a driver of long-term competitiveness** with the aid of simplified standards that support sustainable outcomes; and how to **simplify standards without undermining their credibility**, particularly for SMEs, using tools like the voluntary SME (VSME) framework developed by the European Financial Reporting Advisory Group.

Omnibus Summary

- Stop-the-clock measures: Reporting requirements under CSRD are postponed by two years for large companies not yet reporting, and by one year for the first phase of CSDDD.
- CSRD now applies only to companies with over 1,000 employees (on average) and €450m EU turnover for non-EU parents — cutting in-scope firms by approximately 80%. Listed SMEs have been removed from mandatory CSRD reporting.
- European Sustainability Reporting Standards (ESRS), roughly equivalent to baseline ISSB standards, which the UK is adopting, are to be less granular, improving clarity and ensuring consistency.
- Non-EU companies would need a higher EU turnover threshold (€450m) to fall in scope, significantly reducing third-country compliance obligations.
- Provisions for harmonised civil liability and NGO standing have been removed from CSDDD — "the action piece", CSRD described as "the rules piece". The Directive is intended to make companies legally responsible for identifying, preventing, and addressing human rights and environmental harms. Enforcement is left to national authorities, raising concerns about uneven application.

Key takeaways

Sustainability's loss of momentum in Brussels and Westminster — "worrying times"

- The EU is pivoting towards competitiveness and geopolitics at the expense of sustainability. Similarly, the UK's Spring Statement, released on the same day, focused on defence and growth with no mention of climate.
- Short-termism is shaping the political agenda in both Brussels and Westminster — "the long term is out of fashion".
- The risk of diluted climate ambition is increasing as political rhetoric shifts, similarly, it is incumbent on policymakers to concentrate on the hard work of aligning economic, social and environmental imperatives instead of "scoring points and one-liners for a wider audience".

CSRD "a very significant step up" – and still misunderstood

- CSRD represents a qualitative leap in sustainability reporting.
- The number of in-scope firms may drop by 80%, but coverage remains high in terms of the economic output of companies that still need to comply — "the 80:20 rule reverses".
- Misconceptions about CSRD's scope and complexity persist in the growth-driven political debate, which need to be addressed.
- "There are definitely babies being thrown out with the bathwater", however, "the Omnibus is not a 'go away and do nothing'", for companies struggling with these regulations, this is "time that can validly be used to replan".
- Cause for optimism: "sustainability reporting is here to stay, we're in a period of economic and political turbulence, but no one is putting this down the drain."

SMEs, voluntary adoption, and the VSME bridge

- Many SMEs are already voluntarily reporting, including UK companies — "we're not seeing the Omnibus package as a challenge to corporate sustainability reporting, on the contrary, it's a means to foster and drive adoption and access to finance".
- The VSME Standard, developed by EFRAG with alignment towards EU CSRD and EFRAG's ESRS criteria, offers SMEs a simplified, voluntary ESG framework to respond to growing data disclosure requests from banks, investors, and large clients, e.g. to address supply chain disclosure requirements or for sustainable finance and lending activities.

- A green loan standard is urgently needed to improve support the EU Commission's and EU Sustainable Finance Platform's ambition to direct and incentivise access to sustainable finance for SMEs, for whom a green bond remains out of reach.
- The VSME Standard's Basic Module covers essential disclosures for SMEs (e.g. energy, workforce, anti-corruption) who possess a limited sustainability practice, without the necessity of a double materiality assessment. The Comprehensive Module goes further, addressing biodiversity, water, and supply chain impacts — helping SMEs, commonly with more sophisticated sustainability practice and 251 to 1000 employees, to better align with the ESRS.
- The VSME Standard, which was launched in December 2024, supports the Omnibus goal of easing SME reporting burdens without compromising data quality. The Standard has been delivered to the EU Commission and is currently undergoing a committee member review of the Comprehensive Module.

Regulatory fragmentation and UK exposure "significant focus from the UK and US"

- UK firms face dual standards due to their EU footprints and investor expectations.
- UK policy remains largely silent on ESRS implications for cross-border firms, there needs to be a much higher level of collaboration, not just with the EU, but also Switzerland and jurisdictions further afield. "Companies complying with ESRS are effectively ISSB-compliant, but the reverse is more complex. Interoperability remains a practical challenge — "companies complying with the ESRS comply with ISSB, no doubt", the reverse is more complex.
- Clearer UK guidance is needed for businesses navigating multiple reporting regimes.

Issues raised

Risk of uncertainty and confusion

Many businesses face uncertainty as they try to keep pace with incoming sustainability requirements. While the Omnibus offers temporary relief, it has also deepened confusion around best practice, timelines, and expectations. Simplification must not be mistaken for deregulation — clearer guidance is needed to support companies aiming for high-quality reporting without losing momentum.

Mid-caps and the practicality gap

Mid-sized companies just above the SME threshold have fewer resources to meet reporting requirements, necessitating a simplified standard — "it's a bridge too far for a company with 251 employees facing the same standard as a top market cap". Applying full standards to firms just above the SME threshold risks undermining both compliance quality and business confidence.

Growth is green, but the narrative is missing — presenting success stories

Sustainability is increasingly framed as a drag on growth. Despite numerous real-world examples of green innovation supporting economic performance. There also remains a powerful consensus behind transitioning to net zero. "The EU has been shown to be maintaining economic growth while carbon emissions have been going down... it'd be great to highlight those success cases." These success stories need to be communicated to rebalance the political narrative. Without stronger presentation of evidence and storytelling, short-term messaging risks eroding long-term ambition. "Momentum is always fragile", it can swing back.

Next steps

- The European Parliament is expected to vote on the Stop-the-clock proposal on 1 April.
- The European Council has already approved its negotiating mandate; trilogues between the EU's three major institutions — Commission, Parliament, Council — will begin imminently.
- EFRAG's SRB is expecting a formal mandate from the Commission to contribute to the technical simplification process, including revisions to ESRS.
- Revised ESRS are expected within six months of the Omnibus entering into force.

Recommendations

- Publish UK guidance on how SDR aligns with both ISSB and ESRS.
- Support the adoption of VSME-style frameworks for UK SMEs.
- Develop a green loan standard to unlock SME access to sustainable finance.
- Explore EU-UK regulatory alignment to safeguard market access and policy coherence.
- Avoid framing sustainability as a barrier to growth in the UK industrial strategy.
- Use Omnibus delays to strengthen implementation tools, not weaken ambitions.

Links

- European Commission, 'Omnibus I'
- EFRAG, 'Voluntary reporting standard for SMEs (VSME)'
- Linklaters, 'EU: Commission publishes first Omnibus package with changes to CSRD and CSDDD'

We would like to thank the members of our Advisory Board for their contributions and continuing support.

To get involved, please contact

secretariat@plgesg.org