

EY Sustainability Café - Special

EU Omnibus proposal update

Impact on CSRD, EU Taxonomy, CSDDD, CBAM

17 March 2025

■ ■ ■
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Your speakers



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Impacts on
CSRD, EU
Taxonomy,
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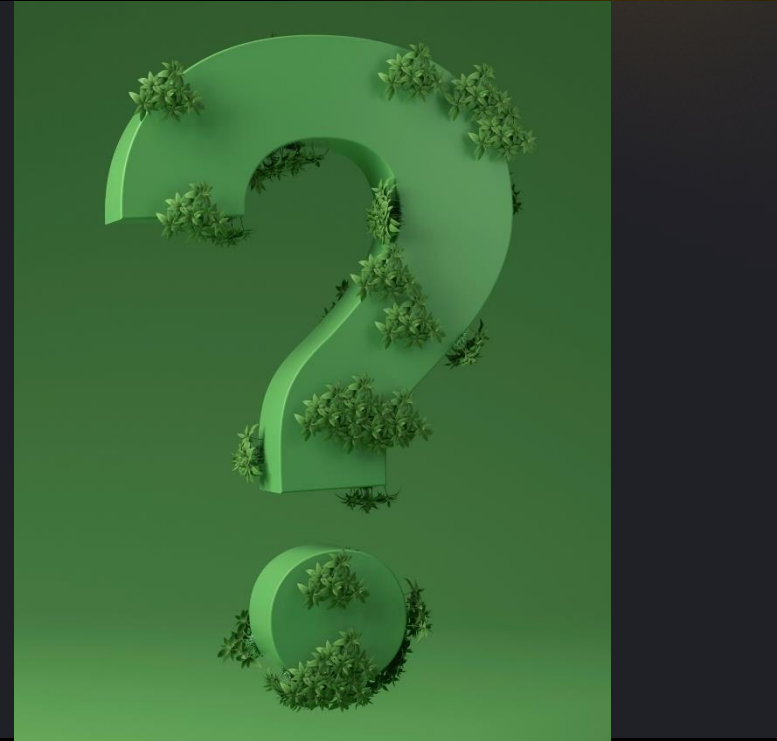
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Wrap-up and
next steps

Poll 1

What is your first response to the Omnibus proposal?

- a. Use the (possible) additional time to prepare and focus on priority topics beyond reporting
- b. Continue at same pace and monitor developments
- c. Pens down on sustainability reporting efforts



Initial reactions are mixed

“

Simplification promised, simplification delivered! ... This will make life easier for our businesses while ensuring we stay firmly on course toward our decarbonisation goals. And more simplification is on the way.

Ursula von der Leyen
President of the European Commission



Protests in Brussels outside the Commission's Omnibus Roundtables (5-6 February)

Investment and competitiveness are founded on policy certainty and legal predictability. The announcement that the European Commission will bring forward an "omnibus" initiative that could include revisiting existing legislation risks undermining both of these.

Source: 17 Jan letter to EC from a selection of large corporates

Some groups welcome it as boosting competitiveness and adaptability.

Others feel it goes too far, potentially weakening environmental and human rights commitments and outcomes.

Omnibus en CSRD: minder regeldruk of minder inzicht?

EU Omnibus: Investors split over simplification proposal

While some have raised concerns over diminishing transparency, others have welcomed efforts to streamline the EU rules.

Nederland wil voor grote beursfondsen uitstel van Europese rapportageregels

 Mathijs Schiffers

Bedrijven verspelen talent door wankele waarden

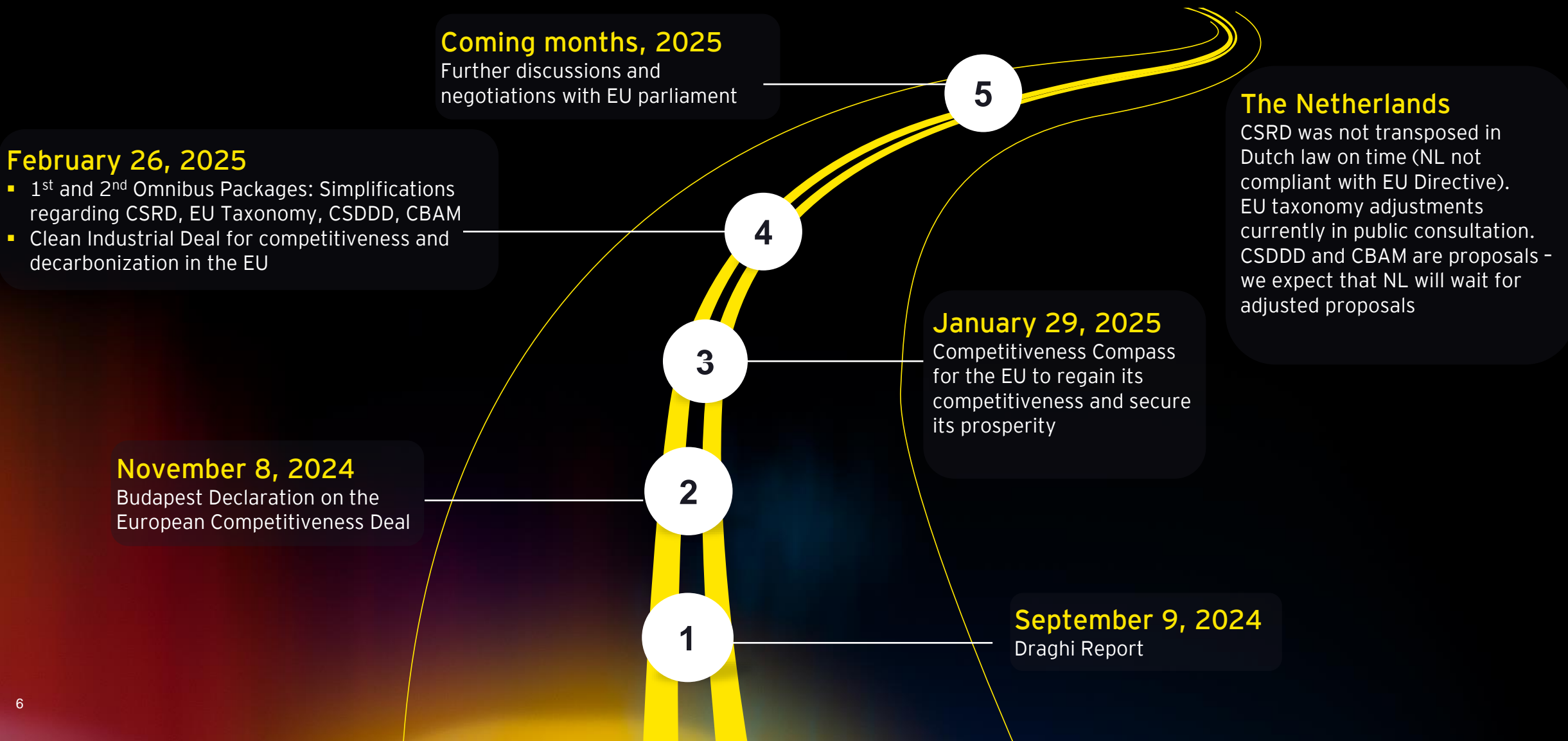
 Janka Stoker, Harry Garretsen



EU Omnibus proposal significantly waters down sustainability reporting madness.

Source: edie

Roadmap of Omnibus-related developments



Initial considerations and take aways

1

EY considers the current situation with **uncertainty and moving targets** undesirable

However, we understand the reason for this. EU wants to improve the **European competitiveness**

2

On the one hand, EY sees a **risk of less accountability** on environmental issues and human rights. On the other hand, we recognize the Omnibus as an **opportunity to reduce** reporting burdens and enhance competitiveness

3

EY **supports the Green Deal** and the general movement in the direction of more sustainable business and transparency on environmental and human rights issues

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EY also wants to **compliment** all wave 1 clients that invested in CSRD reporting on a voluntary basis. EY will **share lessons learned** with wave 2 clients

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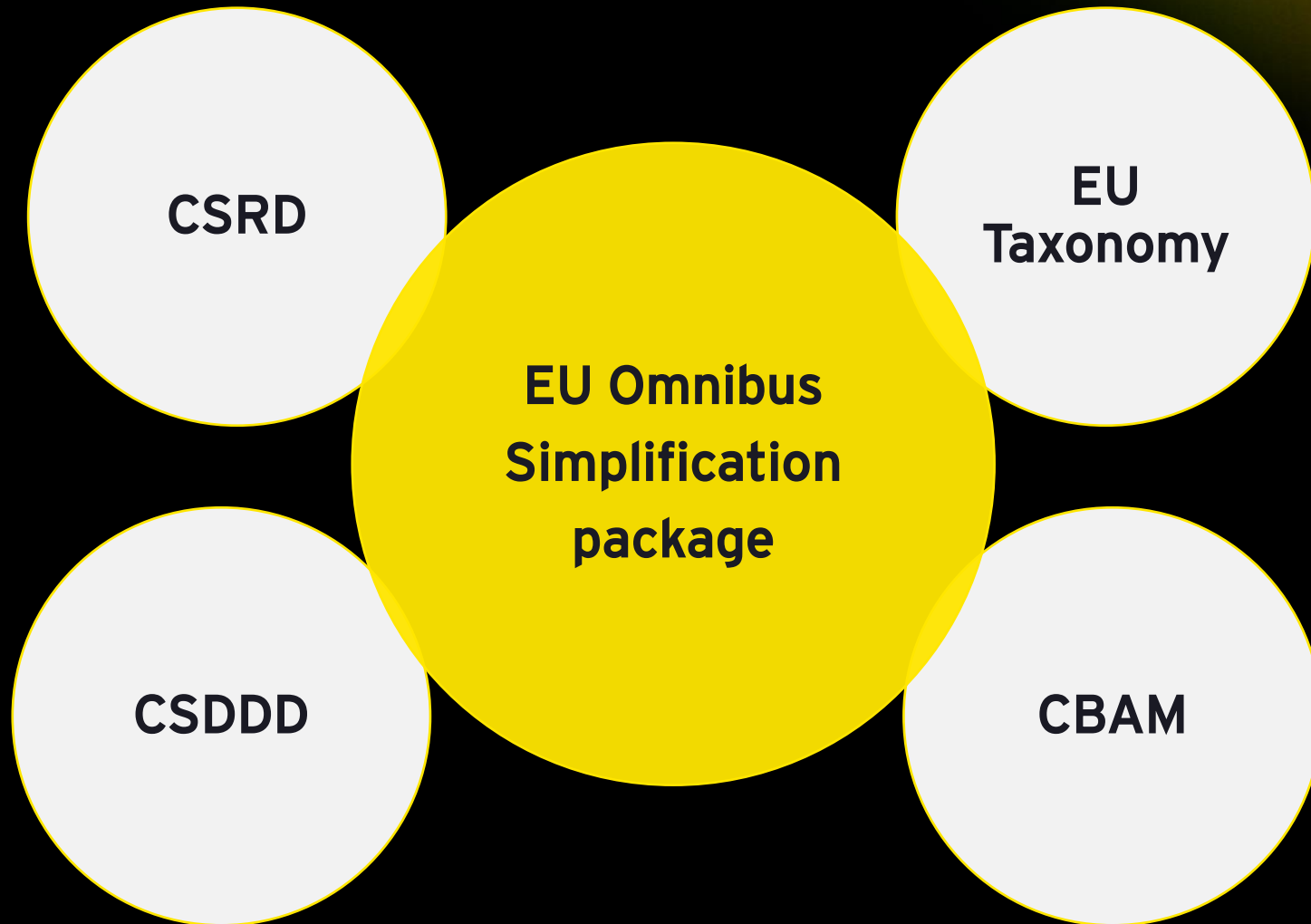
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The package



What are the key proposals?

Corporate Sustainability Reporting Directive (CSRD)

- ▶ **Postponement:** Proposed two-year postponement for Wave 2 + 3 reporters (to give time for second directive to change thresholds - see below)
- ▶ **Firm size:** Will apply to companies >1,000 employees (large companies <1,000, and SMEs to fall out of scope)
- ▶ **Financial thresholds:** Turnover raised from €40m to €50m; balance sheet raised from €20m to €25m.
- ▶ **Companies covered:** Reduced from ca. 50,000 to <8,000.
- ▶ **Third-country undertaking:** Raised from €150m to €450m turnover.
- ▶ **Value chain reporting:** Limitations on data requests to SMEs.
- ▶ **Sector-specific standards:** Will not be developed.
- ▶ **Assurance:** Powers to move from limited to reasonable assurance removed.

Corporate Sustainability Due Diligence Directive (CSDDD)

- ▶ **Implementation deferment:** Wave 1 deferred to July 2028.
- ▶ **Scope:** Limited to direct suppliers, unless there is plausible information of adverse impacts by indirect partners.
- ▶ **Supplier monitoring:** Extended from annually to once every five years.
- ▶ **Contract termination & civil liability:** Duty to disengage as a last resort removed; access to justice maintained.
- ▶ **Transition Plans:** Adoption required, but no mandatory implementation.
- ▶ **Stakeholder Engagement:** Engagement with stakeholders limited to workers, their representatives and communities.
- ▶ **Downstream Due Diligence & penalties:** 5% minimum cap removed for maximum fines.

EU Taxonomy

- ▶ **Mandatory reporting:** Only for >1,000 employees & €450m turnover.
- ▶ **Partial taxonomy alignment reporting:** Now allowed for turnover < €450m.
- ▶ **Green Asset Ratio (GAR):** Banks can exclude non-CSRD-covered companies.
- ▶ **Diversity of taxonomy criteria:** Reporting burden reduced by 70%.
- ▶ **Materiality Thresholds:** Thresholds to exempt alignment assessment (<10% of eligible activities) and reporting of OpEx (<25% of eligible turnover),

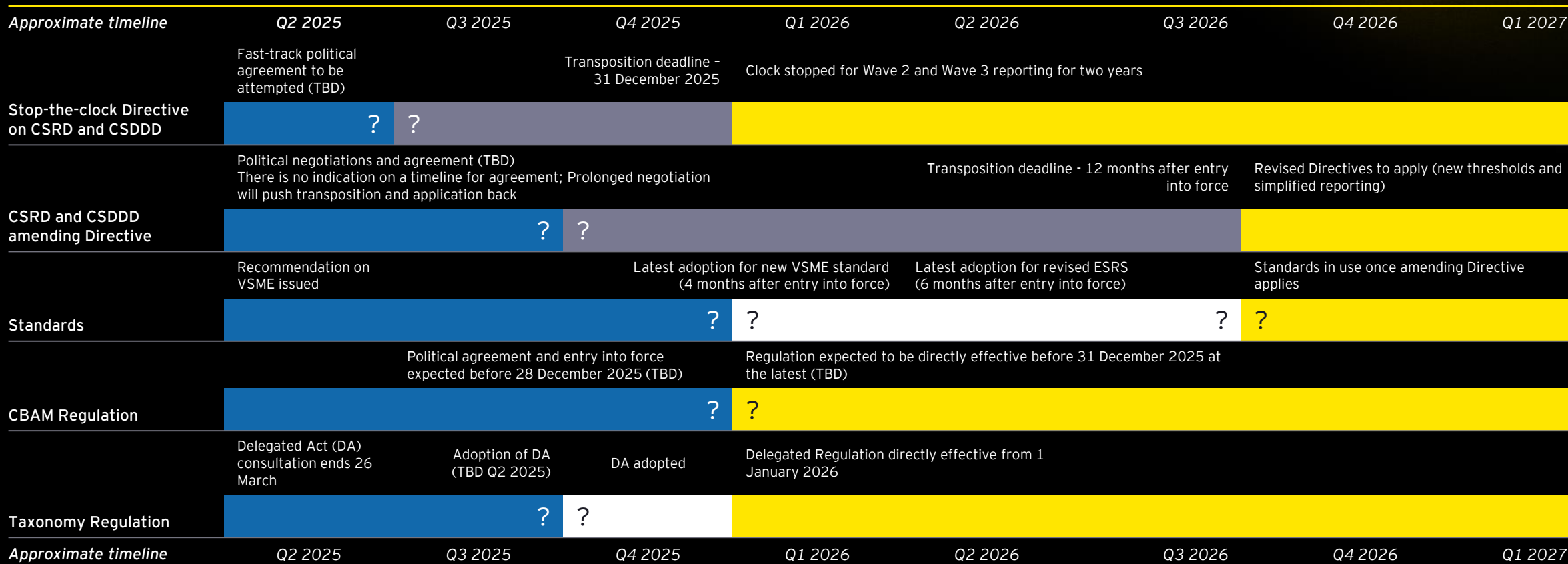
Carbon Border Adjustment Mechanism (CBAM)

- ▶ **Importer threshold:** New 50-tonne annual threshold for embedded emissions exempts 90% of importers.
- ▶ **Postponements:** Requirement to purchase and sell CBAM certificates pushed back to February 2027 from January 2026
- ▶ **Product coverage:** No expansion yet, but future discussions planned.
- ▶ **Emissions tracking:** Simplified for lower compliance complexity.
- ▶ **Exclusions:** Production processes for certain steel and aluminium not included in emissions calculation. Certain clays also excluded from calculations.

The legislative process: Illustrative timeline

This is illustrative of what the timeline could look like for the rather unpredictable legislative process. This is based on our interpretation of the European Commission's intention and is subject to negotiation.

Illustrative timeframe (timelines subject to political negotiations)



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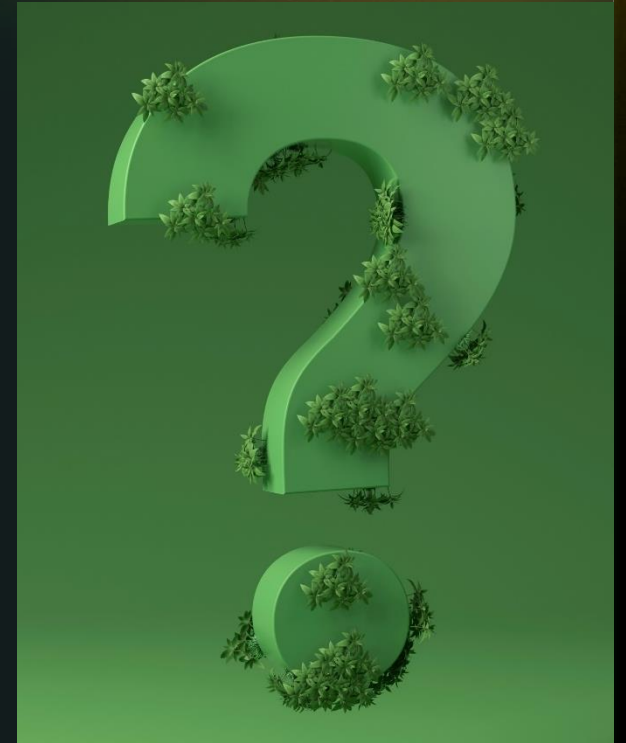
Wrap-up and
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CSRD








Poll 2

Will your company probably report according to CSRD for fiscal year 2025?

- a) Yes, and in proposed scope (i.a. >1000 employees)
- b) Yes, and out of proposed scope (i.a. <1000 employees) but due to regulatory uncertainty
- c) Yes, and out of proposed scope (i.a. <1000 employees) but due to stakeholder expectations, strategic or other reasons
- d) No, our company will not report according to CSRD even though in scope according to current criteria (wave 1 or 2)




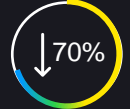





Proposed Changes to CSRD/ESRS

	Previous Requirements	Proposed Changes
	Scope ~50.000 companies in scope due to low thresholds	Reduction of scope of reporting companies through higher thresholds to ~8.000 companies 
	Timing Progressive implementation: large PIEs (FY24), large companies (FY25), listed SMEs (FY26)	“Stop the clock”-approach: Postponement of reporting requirements by two years for large companies (Wave 2)
	Value Chain Information Requirement to report information from suppliers throughout whole value chain	Value chain cap limiting the information that CSRD-companies can request from companies in their value chains
	ESRS Full set of ESRS	Revision of ESRS by reducing number of data points and improving consistency with other pieces of legislation (2026)
	Sector-Specific Information Planned development of standards for disclosure of information depending on sector of activity of a company	Rejection of sector-specific standards requirement
	Assurance Obligations Limited assurance requirement; planned transition to reasonable assurance requirement	Removal of possibility of reasonable assurance requirement

EU Taxonomy

Proposed Changes to EU Taxonomy

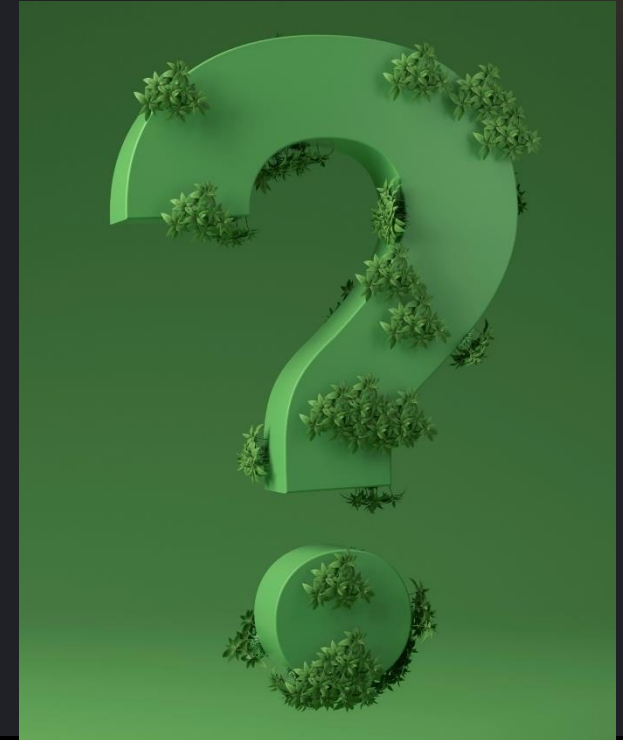
	Previous Requirements	Proposed Changes
	Scope Progressive implementation: large PIEs with >500 employees (2021), large issuers with >500 employees (2023), other large companies (2025), SMEs (2026)	<ul style="list-style-type: none"> Full scope reporting requirement for companies with employees >1000 & net turnover >€450m Opt-in for companies with net turnover <€450m
	Simplification No simplification or partial alignment	Simplification for voluntary reporting (omission of OpEx KPI & partial alignment on revenue and CapEx)
	Reporting templates Complex reporting templates for reporting	Simplification of reporting templates (reduction of data points) 
	Materiality No materiality concept	<ul style="list-style-type: none"> No reporting required for activities making up <10% of total revenue/CapEx/OpEx Threshold for OpEx (eligible activities <25% of turnover)
	DNSH Overly complex and burdensome DNSH criteria lead to absence of Taxonomy-alignment	Revision of DNSH criteria for pollution prevention and control
	Financial Institutions	<ul style="list-style-type: none"> Simplification of the Green Asset Ratio Postponement of initial application of Trading Book KPI & Fees and Commissions KPI until 2027

CSDDD

Poll 3

What do the Omnibus changes to CSDDD mean for your organization's ESG due diligence?

1. We will wait to see what we will be **strictly required** to do
2. We will continue our preparations, but they will probably be **more limited** (e.g. only direct suppliers)
3. We will continue to prepare or improve our ESG due diligence processes with the **same level of ambition** as before



Proposed Changes to CSDDD



Scope

No changes

Wave I: 5000 employees + €1,5b
Wave II: 3000 employees + €900m
Wave III: 1000 employees + €450m



Timing

Wave I postponed by one year: to comply by July 2028. No further changes



ESG due diligence

Still map entire chain first, but then in-depth assessment only for **direct business partners** (DBPs). Go beyond DBPs only in case of **plausible information** about harmful activities (e.g. complaint received, or NGO report). Use **contractual cascading** to ensure CoC is adhered to throughout the chain



Monitoring Effectiveness

Every **five** years instead of annually. Or in case of significant changes to the business or its environment



Transition Plans

Required adoption, but no longer **implementation**

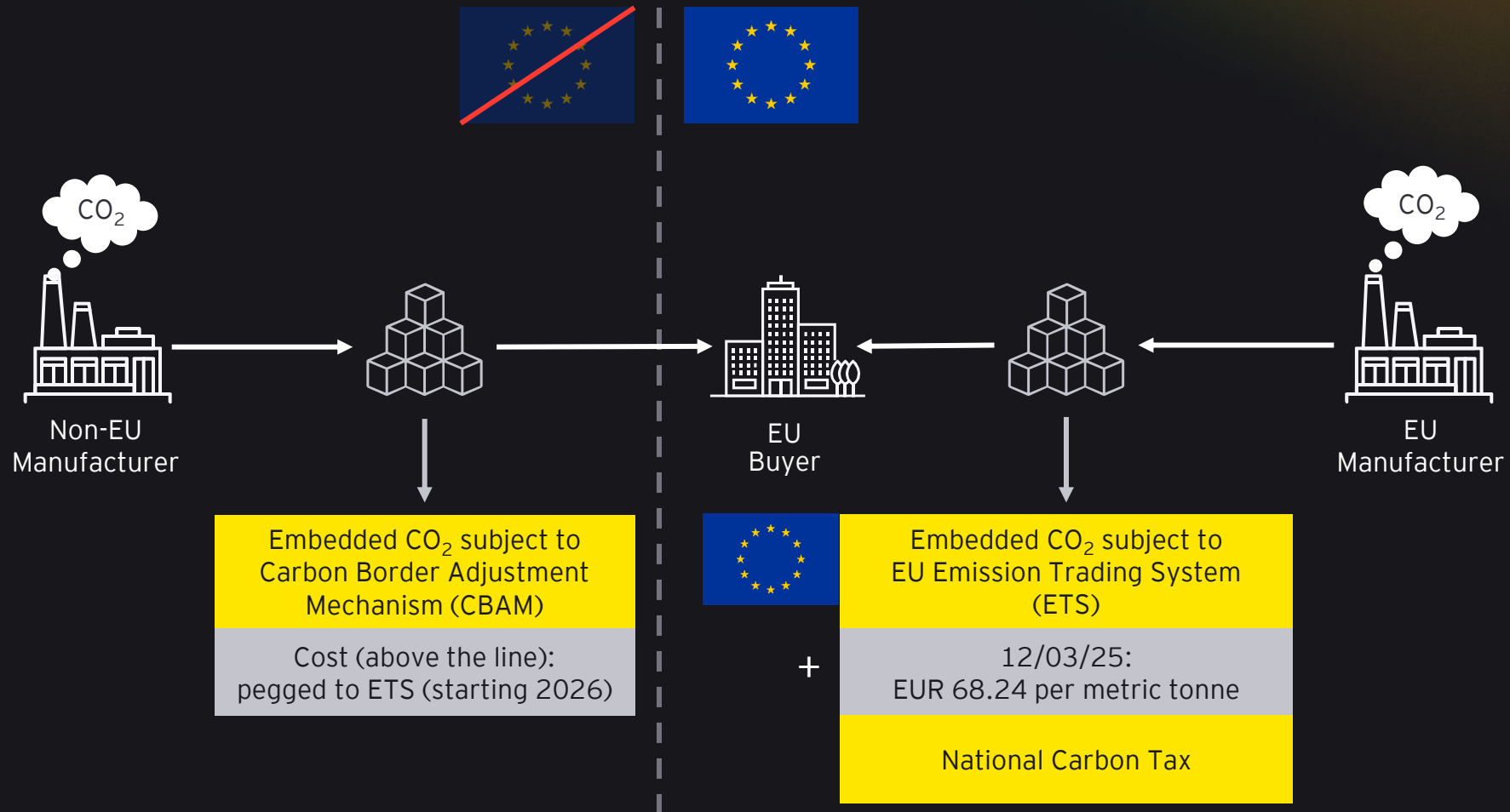


Civil Liability & Penalties

Removal of EU-wide **civil liability**, reverting to existing national civil liability regimes, where those exist; **Penalties** linked to global turnover removed – Commission to develop fining guidelines in collaboration with Member States

CBAM

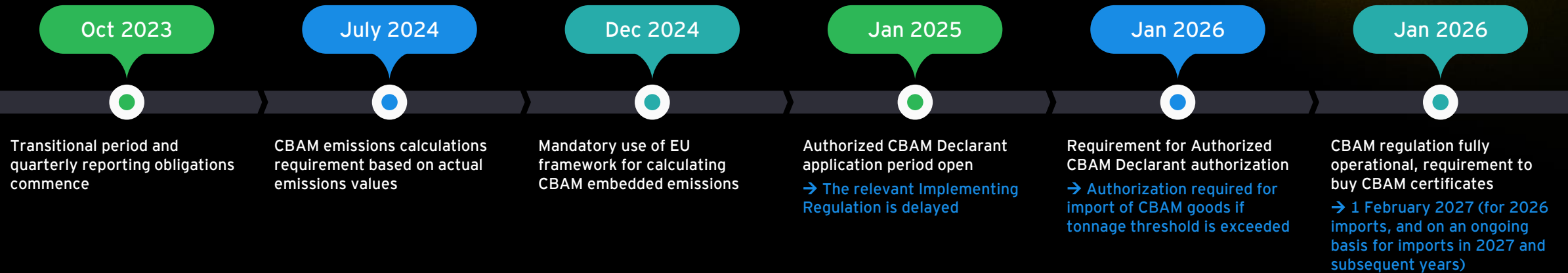
What is CBAM? High-level



Key proposed changes to CBAM

 De minimis threshold	Exempts importers of small quantities of CBAM goods from compliance obligations (up to 50 tons of mass per calendar year, excluding hydrogen and electricity)
 Certificate purchase date	Defers the obligation to purchase certificates to February 2027 to cover CBAM goods imported in 2026
 Annual reporting deadline	The annual reporting deadline is pushed back to 1 October Y+1
 Data collection processes from third countries	Use of default values instead of actual embedded emissions Simplified emission tracking system
 Enforcement, and penalties and circumvention	Strengthened anti-abuse provisions and a joint anti-circumvention strategy together with national authorities New provisions allow discretion to reduce penalties for negligible or unintentional errors, but deliberate infringement will be subject to increased penalties Stricter rules to avoid circumvention

CBAM - Way forward



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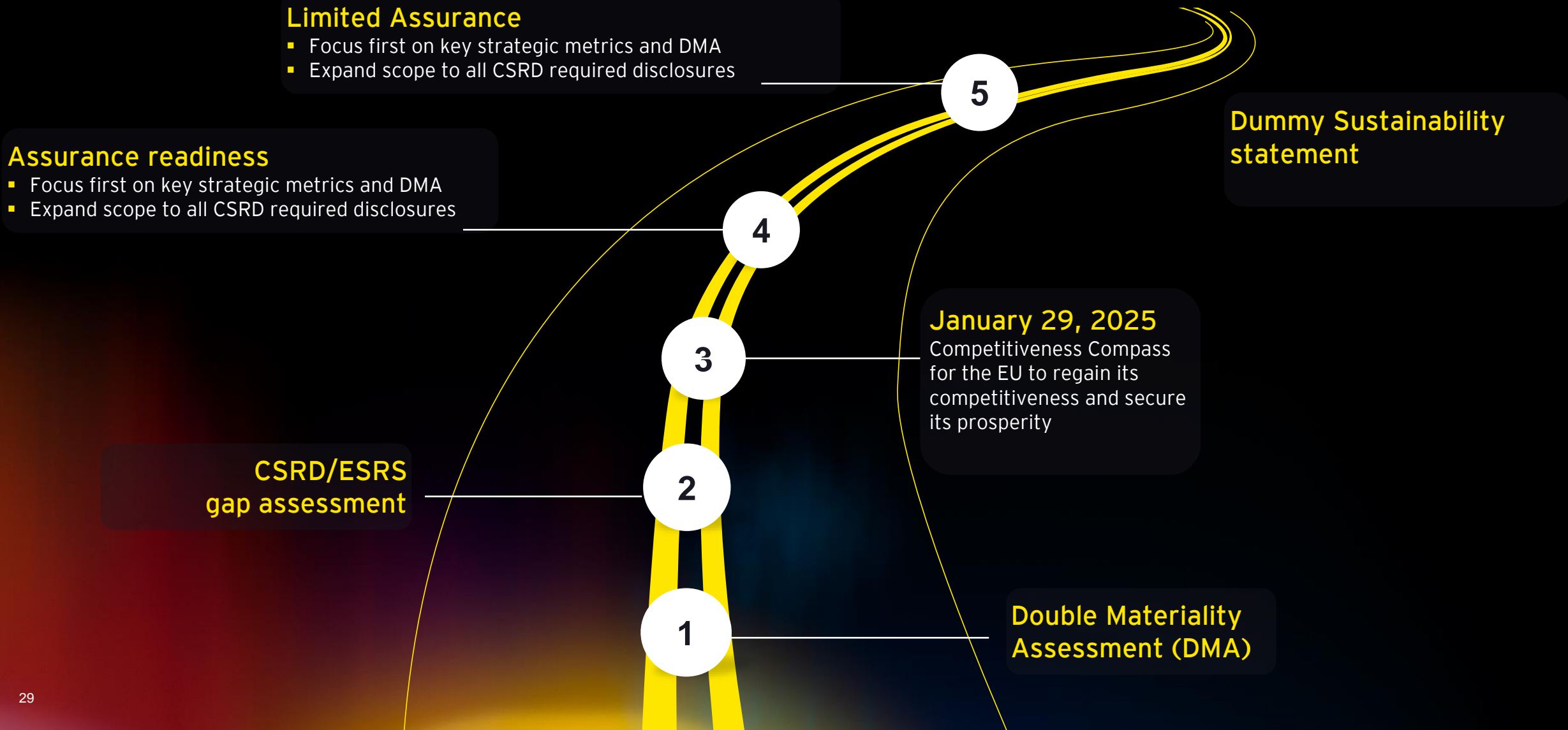
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CSRD readiness roadmap for wave 2



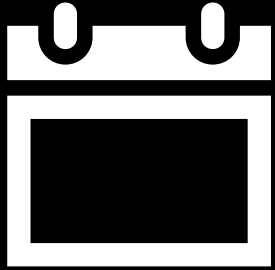
Scenarios for CSRD implementation for Wave 2 companies

Option A	<p>Continue with a full sustainability report, in line with ESRS and/or own reporting criteria, in reporting year 2025 and/or 2026</p> <ul style="list-style-type: none">▶ The company continues with the preparation of a sustainability report to be included in the Annual Report
Option B	<p>Report selected sustainability information and/or metrics in reporting years 2025 and/or 2026 and postpone full ESRS-proof sustainability report to reporting year 2027</p> <ul style="list-style-type: none">▶ In preparation for the CSRD requirements, the company reports key (ESRS) metrics in the Management report or a separate (internal) sustainability report (with or without limited assurance) in 2025 and/or 2026▶ The company continues with the preparation for the CSRD requirements in line with the proposal of Omnibus to become fully ESRS proof in 2027
Option C	<p>Reporting based on the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME)</p> <ul style="list-style-type: none">▶ Applicable when a Company is not meeting the current proposed criteria for CSRD reporting (i.e. <1000 employees; <€50m turnover and <€25m assets)▶ The client reports based on the VSME which is drafted in December 2024 and is expected to be finalized in 2025/2026.▶ To align your sustainability report with your key strategic themes, the VSME report can be supplemented with other ESRS metrics and disclosures related to your key strategic themes (e.g. scope 3 GHG emissions)

Milestones in the CSRD implementation roadmap

Key milestones	Q2-3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	Q1 2028	Q2 2028
Milestone 1: ESG strategy, defining the material sustainability matters												
Understand the sustainability strategy in the context of the company and confirm plan in terms of reporting												
Completion of the double materiality assessment												
Completing the CSRD gap assessment , updating the CSRD roadmap and timeline and establish an ESG reporting manual												
Obtain limited assurance from your external auditor on the DMA and/or selected key KPI's												
Milestone 2: Refining the ESG Strategy, improving performance and preparing for compliance												
Refining the ESG strategy and defining policies, action plans and targets (e.g. climate transition plan)												
Reporting on selected sustainability information and key metrics and refine action plans to improve performance												
Progress monitoring on the CSRD gap analysis and implementation plan / roadmap												
Assurance (readiness) on selected key KPIs, further expanding your scope to the whole sustainability report												
Milestone 3: A validated ESG strategy, clear policies / action plans / targets and a CSRD compliant report												
Prepare dummy draft of the sustainability statement in line with ESRS and your sustainability reporting manual												
Completion of all policies, action/transition plans and targets												
Completion of the first CSRD compliant report												

Thank you for joining



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