Reality Check: What the New CSRD and CSDDD Really Mean for Companies (Omnibus Update)

What's in, what's out, and what no longer applies - without the noise.

by G J

Understanding the New Regulatory Landscape

The European sustainability regulatory framework has undergone significant changes, with both the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) seeing major revisions that dramatically reduce their scope and impact.

These changes represent a fundamental shift in the EU's approach to corporate sustainability governance, with fewer companies falling under mandatory requirements and longer implementation timelines.

CSRD Scope Reduction

€450M+

Annual Turnover

Minimum threshold for companies to fall under CSRD requirements

1,000+

Employees

Minimum employee count required for mandatory reporting

85%

Companies Exempt

Estimated percentage of companies now outside the scope of mandatory reporting

The revised CSRD has dramatically reduced its scope, capturing only companies that meet both size thresholds. This represents a sharp drop from the original version, which would have captured over 50,000 companies across Europe.

Value Chain Reporting Limitations

Key Changes to Value Chain Reporting

While larger companies are still expected to report on their value chains, the revised CSRD places significant limitations on what they can demand from smaller suppliers.

If a supplier has fewer than 1,000 employees, they now have a legal right to decline ESG data requests. This creates a fundamental shift in supply chain transparency expectations and data collection approaches.

Supply Chain Transparency Gaps

Legally permitted gaps in reporting will become the norm rather than the exception

Smaller Firms Protected

Companies under the threshold have legal protection from compliance demands

Data Collection Challenges

Large companies must develop new approaches to sustainability data gathering

Simplified Reporting Standards

Slimmed Down Standards

European Sustainability Reporting Standards (ESRS) will remove low-priority datapoints to reduce reporting burden

Quantitative Focus

Greater emphasis on numerical metrics rather than qualitative narratives

Cost Reduction

Restructured to minimize reporting costs and operational complexity

The sector-specific standards originally promised have been cancelled, with only optional guidance potentially following. This represents a significant scaling back of the original ambition for detailed, industry-specific reporting requirements.

Extended Implementation Timelines

1

Original Timeline

Rapid implementation with first reports due within 1-2 years for most companies in scope

2

Revised Timeline

Staggered implementation with some companies **exempt until 2027 or beyond**

3

Member State Flexibility

Countries can choose to delay implementation further in certain cases

Even for companies that remain in scope, the extended timelines provide significantly more preparation time. This staggered approach acknowledges the complexity of implementing comprehensive sustainability reporting systems.

Strategic Voluntary Reporting

For companies that fall outside the mandatory scope, voluntary reporting becomes a strategic choice rather than a regulatory requirement. This shift emphasizes the importance of understanding why you're reporting and what value it brings.

Investor pressure remains a significant driver for voluntary sustainability disclosure, even in the absence of legal requirements. Companies should approach voluntary reporting strategically rather than performatively.

CSDDD Scope Reduction

€1.5B+	5,000+	95%+
Annual Turnover	**Employees**	**Companies Exempt**
Minimum threshold for companies to fall under CSDDD requirements	Minimum employee count required for mandatory due diligence	Estimated percentage of companies now outside the scope of mandatory due diligence

The Corporate Sustainability Due Diligence Directive has seen an even more dramatic scope reduction than the CSRD. Only the largest European and multinational firms now fall under its requirements, with nearly all medium and even many large enterprises exempt.

National Law Limitations

Harmonization Downward

The revised CSDDD now blocks Member States from implementing stricter national laws on key obligations. This represents a significant shift from the EU's traditional approach of setting minimum standards that countries could exceed.

Countries with existing stricter laws, such as France's Vigilance Law and Germany's Lieferkettengesetz, will need to adjust their requirements downward to align with the EU directive.

Non-Binding Transition Plans

Plan Required, Performance Optional

Companies must adopt transition plans but are only required to make "reasonable efforts" toward climate goals, with actual performance not being enforceable

Two-Year Grace Period

For the first two years of implementation, even having a transition plan is optional, further reducing immediate compliance pressure

Advisory Approach

Supervisory authorities are encouraged to provide guidance rather than impose penalties, creating a more collaborative regulatory environment

This approach represents a significant departure from the original vision of binding companies to Paris Agreement alignment through enforceable transition plans.

Limited Supply Chain Due Diligence

Tier 1 Focus

Companies only need to map their direct suppliers, significantly reducing the scope of due diligence requirements

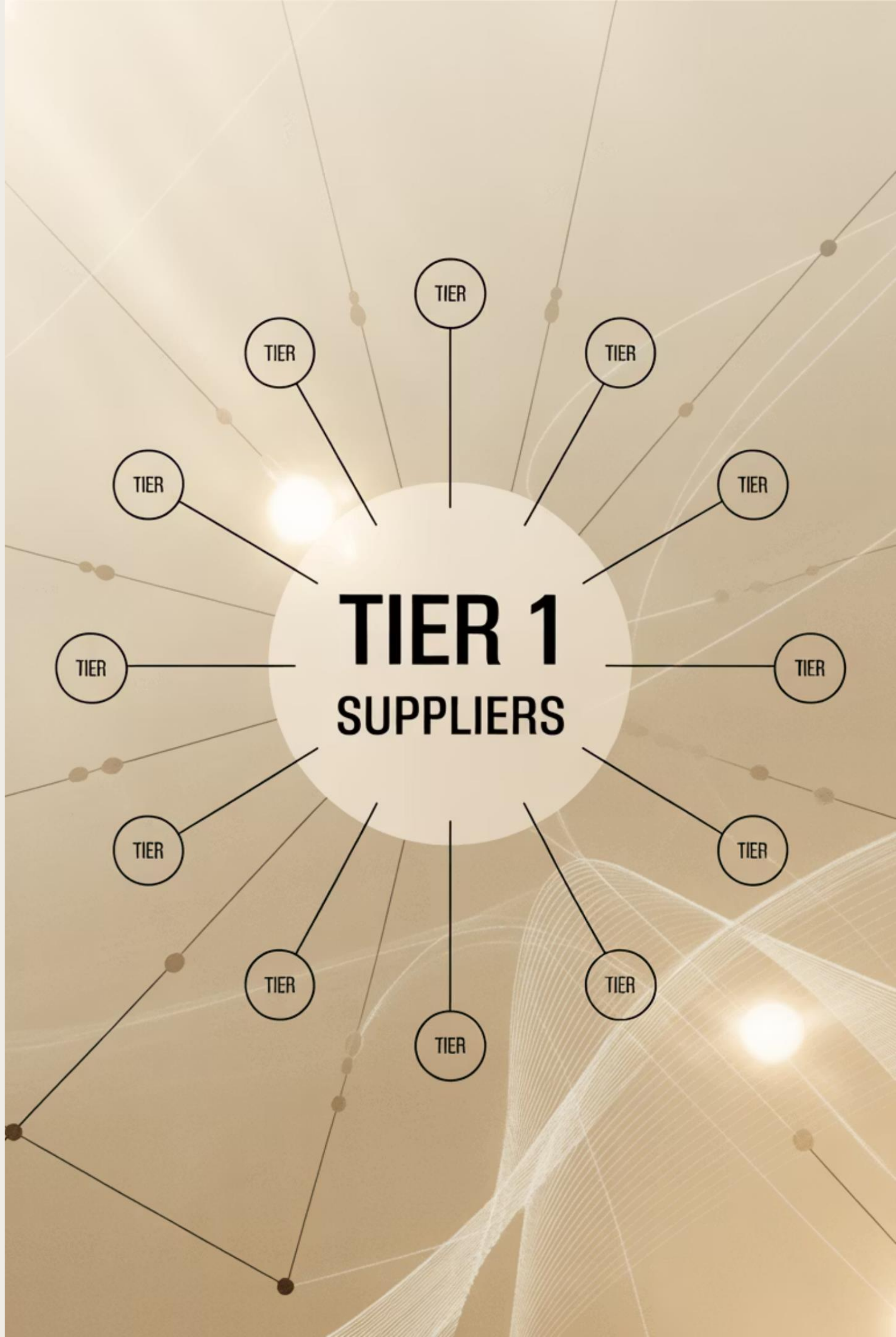
Risk-Based Deeper Checks

Only when clear and verifiable risks are identified do companies need to look deeper into their supply chains

End of Global Mapping

The comprehensive supply chain mapping originally envisioned is no longer required under the revised directive

This tiered approach significantly reduces the due diligence burden on companies while maintaining focus on areas of highest risk. It represents a more pragmatic approach to supply chain governance.



Reduced Civil Liability Exposure

National Law Approach

The original draft of CSDDD included standardized EU-wide rules for civil liability related to sustainability harms. The revised version leaves liability entirely to national law, creating a more fragmented legal landscape.

This change removes the uniform rules for legal action across the EU and eliminates new class action provisions that would have increased corporate exposure to sustainability-related litigation.

Delayed Application Timeline

2027

EU guidance on implementation expected to be published

1

2029

Official start of CSDDD application for companies in scope

2

2031

End of two-year transition period with full implementation expected

3

The significantly delayed timeline provides companies with four more years to prepare and an additional two-year transition period after official implementation. This extended schedule allows for greater clarity and preparation time.

Comparing Original vs. Revised CSRD

Aspect	Original CSRD	Revised CSRD
Company Scope	50,000+ companies	Only companies with €450M+ turnover AND 1,000+ employees
Value Chain Reporting	Comprehensive requirements	Limited, with smaller suppliers having right to decline
Reporting Standards	Extensive with sector-specific details	Simplified, focused on numbers, no sector standards
Implementation Timeline	Rapid rollout	Staggered with some exempt until 2027+

The revised CSRD represents a significant scaling back of ambition from the original directive, with fewer companies in scope, less detailed reporting requirements, and longer implementation timelines.

Comparing Original vs. Revised CSDDD

Aspect	Original CSDDD	Revised CSDDD
Company Scope	Tens of thousands of companies	Only companies with €1.5B+ turnover AND 5,000+ employees
National Laws	Member States could exceed EU minimums	No stricter national laws allowed on core obligations
Transition Plans	Binding alignment with Paris Agreement	Only "reasonable efforts" required, not enforceable
Supply Chain Due Diligence	Comprehensive across all tiers	Limited to Tier 1 suppliers unless specific risks identified
Civil Liability	EU-wide standard rules	Left to national law, no uniform EU approach
Implementation Timeline	Near-term application	Delayed until 2029 with guidance in 2027

Impact on Medium-Sized Enterprises

Exempt from Direct Reporting

Most medium-sized enterprises now fall outside the scope of both CSRD and CSDDD direct reporting requirements

Protected from Data Demands

Legal right to decline ESG data requests from larger companies if under the employee threshold

Strategic Voluntary Reporting

Opportunity to approach sustainability reporting as a strategic choice rather than compliance exercise

Extended Preparation Time

Even if growth brings a company into scope, the delayed implementation provides significant preparation time

Impact on Large Enterprises

Reduced but Still Significant Requirements

For large enterprises meeting both the turnover and employee thresholds, reporting and due diligence requirements remain, albeit in a more limited form than originally proposed.

These companies will need to develop strategies for value chain reporting that acknowledge the legal limitations on data collection from smaller suppliers. They will also need to prepare transition plans, though with less stringent implementation requirements.

Data Collection Challenges

Need to develop new approaches given supplier exemptions

Transition Planning

Required but with flexible implementation expectations

Extended Timelines

More time to develop compliant systems and processes

Impact on Multinational Corporations

Highest Level of Scrutiny

The largest multinationals remain firmly in scope for both CSRD and CSDDD requirements

Simplified Reporting

Benefit from streamlined standards and more focused due diligence requirements

Extended Implementation

Gain additional time to develop comprehensive compliance approaches

For multinational corporations, the revised directives still represent significant compliance requirements, but with more manageable scope and timelines than originally proposed. The focus on Tier 1 suppliers particularly benefits companies with complex global supply chains.

Implications for Sustainability Consultants

The dramatic scope reduction of both directives has significant implications for sustainability consultants. The market for compliance-driven sustainability services will be substantially smaller than anticipated under the original directives.

Consultants will need to shift their value proposition from regulatory compliance to strategic value creation, helping companies understand when voluntary reporting makes business sense beyond regulatory requirements.

Investor Expectations vs. Regulatory Requirements

Investor Pressure Continues

Despite regulatory rollbacks, investor demand for ESG data remains strong and may drive voluntary reporting

Balancing Act

Companies must navigate between regulatory minimums and market expectations for transparency

Targeted Reporting

Focus on material issues that drive business value rather than comprehensive disclosure

Strategic Approach

Developing a clear rationale for what to report beyond regulatory requirements becomes essential

The Future of National Sustainability Laws

Harmonization Downward

The revised CSDDD's prohibition on stricter national laws represents a significant shift in EU regulatory philosophy. **Countries like France and Germany will need to adjust their existing due diligence laws to align with the less demanding EU standard.**

This creates a more uniform but less ambitious regulatory landscape across Europe, with a ceiling rather than a floor on sustainability due diligence requirements.

Strategic Approach to Voluntary Reporting

Assess Stakeholder Expectations

Understand what investors, customers, and partners actually need rather than assuming comprehensive reporting is required

Focus on Material Issues

Identify the sustainability topics that genuinely impact business value and stakeholder decisions

Develop Targeted Metrics

Create focused reporting that addresses material issues with clear, measurable indicators

Communicate Strategic Value

Frame sustainability reporting as a business strategy rather than a compliance exercise

Questioning "You Have To" Narratives

A key takeaway from the revised directives is the importance of questioning "you have to" narratives around sustainability reporting and due diligence. With dramatically reduced scope and requirements, most companies are no longer legally obligated to comply.

Before investing significant resources in ESG programs based on perceived regulatory requirements, companies should carefully assess whether they truly fall within the scope of the revised directives.

Preparing for Future Regulatory Evolution

1

2025-2027

Period of regulatory clarification with guidance documents and potential further adjustments

2

2027-2029

Initial implementation for largest companies with potential for practical application lessons

3

2029-2031

Broader implementation with possible reassessment of scope and requirements based on early experience

While the current revisions represent a significant scaling back of ambition, companies should remain attentive to potential future changes. The sustainability regulatory landscape continues to evolve, and future adjustments could expand scope or requirements.

Key Takeaways for Business Leaders

Check Your Actual Obligations

Most companies are now exempt from both CSRD and CSDDD requirements. Verify your status before investing in compliance programs.

Understand Lighter Requirements

Even for companies in scope, obligations are lighter and delayed, with value-chain pressure legally capped.

Question "You Have To" Narratives

Consultants and pressure groups may still reference old rules. Verify requirements against the revised directives.

Focus on Strategic Value

If pursuing sustainability reporting voluntarily, ensure it creates genuine business value rather than just regulatory compliance.