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Council of the European Union Agrees Mandate to Streamline CSRD and CSDDD Requirements

Regulatory & Compliance on **June 25, 2025**

On 23 June 2025, the Council of the European Union ("Council") endorsed its negotiating mandate on the European Commission's Omnibus I proposal, which aims to streamline the Corporate Sustainability Reporting Directive ((EU) 2022/2464) ("CSRD") and the Corporate Sustainability Due Diligence Directive ((EU) 2024/1760) ("CSDDD"). This initiative forms part of a broader EU strategy to reduce regulatory complexity and enhance the competitiveness of European businesses.

The application of CSRD requirements for companies not yet reporting has already been delayed by two years under the "Stop-the-clock" mechanism adopted on 14 April 2025, with CSDDD's implementation also delayed. The mandate now agreed by the Council is with regards to the proposed changes in scope of companies needing to comply with CSRD and CSDDD, alongside some of the substantive requirements of CSDDD.

Key Positions in the Council's Mandate

1. Corporate Sustainability Reporting Directive (CSRD):

- **Scope Reduction:** The Council supports raising the employee threshold to 1,000 employees (up from 250), that must be met as mandatory criteria and excluding listed SMEs from the CSRD's scope.
- **New Financial Threshold:** A new €450 million net turnover threshold is introduced to further limit the number of in-scope companies — this is a significant uplift from needing to meet either a financial threshold of €50 million in net turnover and/or a balance sheet total exceeding €25 million. It also aligns with the existing threshold for CSDDD.
- **Review Clause:** A provision is included to allow future reassessment of the scope, ensuring sufficient availability of sustainability data across the market.

2. Corporate Sustainability Due Diligence Directive (CSDDD):

- **Higher Applicability Thresholds:** The Council proposes limiting CSDDD to companies with at least 5,000 employees and €1.5 billion in net turnover, focusing on those best equipped to manage due diligence obligations. This is a very significant uplift from €450 million net turnover and 1,000 employees as had previously been proposed.
- **Risk-Based Approach:** The due diligence model shifts from an entity-based to a risk-based approach, targeting areas where adverse impacts are most likely. Companies will therefore conduct a general scoping exercise rather than comprehensive mapping.
- **Tier 1 Limitation:** Obligations to be confined to a company's own operations, subsidiaries and direct business partners, with a review clause for potential future expansion.
- **Climate Transition Plans:** Companies must adopt climate change mitigation transition plans, but the obligation is deferred by two years. Supervisory authorities will be empowered to advise on their design and implementation.
- **Civil Liability:** The Council maintains the Commission's proposal to remove the EU-wide harmonised liability regime, leaving enforcement to national legal systems.
- **Transposition Deadline:** The deadline for Member States to transpose the CSDDD is postponed to 26 July 2028.

Next Steps

The Council's mandate paves the way for interinstitutional negotiations with the European Parliament and the European Commission. However, formal discussions can only commence once the European Parliament has established its own negotiating position, which is ongoing.

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