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Edging Closer to CSRD Clarity on Scope

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On 9 December 2025, negotiators from the European Parliament (EP), the Council of the European Union (the Council) and the European Commission reached a provisional political agreement on the final text of their "Omnibus" package amending the Corporate Sustainability Reporting Directive (CSRD).

Though the final text is not yet published, the publicly-available press-releases confirm a substantial narrowing of the CSRD's scope, representing around five to 10 percent of the original number of entities that were captured:

- **For EU companies**: 1,000 employees *and* at least €450 million net turnover.
- **For non-EU companies**: At least €450 million net turnover in the EU. Any minimum net turnover thresholds for EU branches/subsidiaries were not announced and will need to be reviewed in the final text.
- **Exemptions/Transition:** Financial holding undertakings are exempt; "wave one" companies that started reporting for FY2024 but fall out of scope will benefit from a transition exemption for FY2025–2026.

The change reflects a broader recalibration that the EU is seeking to simplify sustainability reporting obligations and reduce the compliance burden on companies, particularly for smaller firms.

What next?

The EP is expected to formally adopt the Directive at its plenary session on 15-18 December 2025. The Council must also formally adopt the text before publication in the Official Journal, after which the new thresholds and related amendments will enter into force.

What about the standards themselves?

The development on scope comes at the same time as progress on the content and form of sustainability reporting under the revised reporting standards.

On 3 December 2025, EFRAG submitted to the Commission its technical advice on draft simplified European Sustainability Reporting Standards (ESRS) as part of the Omnibus initiative.

These draft-simplified ESRS reduce the mandatory data points by 61 percent, streamline the materiality assessment, remove a range of voluntary disclosures and introduce greater flexibility and proportionality in reporting, including relaxed requirements for value-chain data collection and more emphasis on fair presentation and decision-usefulness of information.

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