

PRESS RELEASE

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Council signs off simplification of sustainability reporting and due diligence requirements to boost EU competitiveness

With a view to boosting EU competitiveness, the Council gave today its final green light to a simplification of the **sustainability reporting and due diligence requirements** for companies. This legislation simplifies the directives on corporate sustainability reporting (**CSRD**) and corporate sustainability due diligence (**CS3D**) by reducing the reporting burden and limiting the trickle-down effect of obligations on smaller companies.

The **Omnibus I** simplification package reduces complexity and unnecessary barriers, cuts red tape, enhances efficiency and introduces more flexibility for companies that remain subject to its scope with the aim to boost EU competitiveness, especially in a constantly changing geopolitical framework.



Simplification constitutes a top priority for the Cyprus presidency. With today's decision, we are delivering on our commitment for a European Union which is more competitive. Through the package adopted, we are reducing unnecessary and disproportionate burdens on our businesses, with simpler, more targeted and more proportionate rules, both for our companies and our citizens. For a more autonomous Union, which also means a more competitive Union.

Marilena Raouna, Deputy minister for European affairs of the Republic of Cyprus

Corporate sustainability reporting directive

The CSRD's **scope** is narrowed by raising its thresholds to companies with more than **1,000 employees** and above **€450 million net annual turnover**. Regarding third-country undertakings, the updated requirements will apply only to companies with a net turnover above €450 million for the parent undertaking within the EU and above €200 million generated turnover for the subsidiary or branch.

The amending directive also provides for a transition exemption for companies that had to start reporting from financial year 2024 (the so-called '**wave one**' companies) falling out of scope for 2025 and 2026. It also includes an exemption for certain EU and non-EU financial holding companies from consolidated reporting.

Corporate sustainability due diligence directive

The CS3D's **scope** is narrowed by raising its thresholds to companies with more than **5,000 employees** and above **€1.5 billion net turnover**, considering that such large companies have the biggest influence on their value chain and are best equipped to make a positive impact and absorb the costs and burdens of due diligence processes.

On the identification and assessment of adverse impacts, companies can focus on the areas of their chains of activities where actual and potential adverse impacts are most likely to occur. To provide companies with **flexibility**, when a company has identified adverse impacts equally likely or equally severe in several areas, this company is given the ability to prioritise assessing adverse impacts which involve direct business partners. Companies are also supposed to base their efforts on **reasonably available information**, which will reduce the trickle-down effect of information requests on smaller business partners.

To provide for a significant burden relief, the obligation for companies to adopt a **transition plan** for climate change mitigation under the CS3D has been removed.

The updated rules also remove the **EU harmonised liability regime** and the requirement for member states to ensure that the liability rules are of overriding mandatory application in cases where the applicable law is not the national law of the member state.

When it comes to **penalties**, businesses will be liable at a national level for failure to apply the rules correctly. The new directive provides for a **maximum cap of 3%** of the company's net worldwide turnover, with the Commission issuing the necessary guidelines in this regard.

Finally, the amending directive **postpones** the CS3D's transposition deadline by member states into national law by another year, to **26 July 2028**. Companies will have to comply with the new measures by July 2029.

Next steps

The text of the legislative act will be published in the EU's official journal in the coming days and will come into force on the twentieth day after this publication.

Member states will have one year after the entry into force of the directive to transpose its provisions into national legislation except for article 4 on the level of harmonisation, with which they must comply by 26 July 2028 at the latest.

Background

In October 2024, the European Council called on all EU institutions, member states and stakeholders, as a matter of priority, to take work forward, notably in response to the challenges identified in the reports by Enrico Letta ('Much more than a market') and Mario Draghi ('The future of European competitiveness'). The Budapest declaration of 8 November 2024 subsequently called for 'launching a simplification revolution', by ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs. On 26 February 2025, as a follow-up to EU leaders' call, the Commission put forward the so-called 'Omnibus I' package, aiming to simplify existing legislation in the field of sustainability.

- [Directive on sustainability reporting and due diligence requirements, 24 February 2026](#)
- [Simplification: Council agrees position on sustainability reporting and due diligence requirements to boost EU competitiveness \(press release, 23 June 2025\)](#)
- [Directive on certain corporate sustainability reporting and due diligence requirements, Commission proposal, 26 February 2025](#)
- [Simplification of EU rules \(background information\)](#)
- [Corporate sustainability \(background information\)](#)

Press office - General Secretariat of the Council of the EU

Rue de la Loi 175 - B-1048 BRUSSELS - Tel.: +32 (0)2 281 6319

press@consilium.europa.eu - www.consilium.europa.eu/press