

# The 2025 EU Sustainability Agenda:

## What opportunities for industry?

### Overview

The European Commission has proposed a set of legislative amendments under the 1st Omnibus package on sustainability. The reforms aim to simplify corporate sustainability reporting, extend implementation timelines, and reduce administrative burdens on businesses. Key areas affected include:

- **Corporate Sustainability Reporting Directive (CSRD):** The proposed amendments reduce the number of companies subject to CSRD by about 80%. Reporting obligations will apply only to large companies with over 1,000 employees or turnover above EUR 50 million, and deadlines for 2026 and 2027 reports are delayed by two years. Sector-specific reporting standards are removed, and voluntary standards will apply to SMEs.
- **Corporate Sustainability Due Diligence Directive (CSDDD):** The implementation deadline is extended to 2028. Due diligence obligations are limited to direct business partners unless adverse impacts are suspected. SMEs and small mid-cap companies are shielded from excessive information requests, and periodic reviews are now required every five years instead of annually.
- **Carbon Border Adjustment Mechanism (CBAM):** The CBAM is streamlined by exempting small importers (less than 50 tonnes annually) from compliance, covering 90% of affected companies. Simplified procedures for authorisation, emissions calculations, and reporting will ease the burden on remaining businesses.
- **EU Taxonomy:** Reporting will be voluntary for companies with turnover below EUR 450 million. Simplified templates will reduce data points by 70%, and companies will be exempt from assessing non-material activities. Changes to key performance indicators, such as the Green Asset Ratio (GAR), are also proposed.

These measures reflect a shift towards a more business-friendly regulatory environment while maintaining core sustainability objectives

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### Next steps

- The proposed amendments to the CSRD, CSDDD, and CBAM will go through the co-decision process – meaning that both the European Parliament and the Council need to review the Commission’s proposal and prepare their respective positions. Once this is done, interinstitutional negotiations will begin, where they will work to find a compromise.
- In the European Parliament the EPP is calling for an accelerated procedure with a vote on the Parliament’s position before April 2025.
- Likewise in Council, the Polish Presidency is hoping to facilitate agreement on a position within its presidency – before the end of June 2025.
- The changes to the EU Taxonomy are introduced through a draft Delegated Act which means the co-legislators will have limited influence over the final contents. Final adoption is expected in mid-2025.

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## Business relevance

### Opportunities

- Reduced compliance costs: Fewer companies will be subject to CSRD, potentially reducing reporting-related expenses.
- Extended preparation time: Delayed CSRD and CSDDD deadlines could provide companies with more time to adapt to the regulations.
- Simplified Taxonomy reporting: Simplified templates and lower reporting thresholds may reduce data collection requirements and administrative burdens.
- Streamlined CBAM process: Simplified procedures will ease regulatory burdens for affected importers.

### Risks:

- Uncertainty during transition: While simplifications are welcome, the shifting legislative landscape may create short-term uncertainty for businesses – especially those that have already begun preparations for compliance with the existing rules.
- Sector-specific exemptions: Certain industries, such as financial services, will need to reassess their sustainability strategies due to changes in reporting obligations.

## What should businesses do?

To capitalize on the available opportunities, companies in the defence sector should:

- **Stay ahead of the curve:** Track the progress of co-decision negotiations, particularly the urgency from the European Parliament and Council, to stay ahead of emerging requirements and adjust compliance timelines accordingly.
- **Leverage your USP:** Thousands of businesses are engaging on Omnibus I, so companies should focus on what makes their perspective unique. Identify the specific issues that matter most to your business and craft your messages creatively, highlighting why your viewpoint is essential in shaping the legislative outcome.
- **Engage with policymakers:** Companies should actively engage with the European Parliament rapporteurs and shadow rapporteurs, as well as the Council presidencies (Poland and Denmark), to ensure their concerns are heard. Additionally, businesses should build or restart relationships with member states where they have a presence and connect with national representatives to influence positions in Council.