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SUSTAINABILITY
EQUITY CAPITAL MARKETS AND
CORPORATE GOVERNANCE

Listed companies and the sustainability reform

A summary to assist listed companies in the current climate of uncertainty

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KEY ASPECTS

- Listed companies face a **scenario of uncertainty** in the area of sustainability due to:
  - The **delay in the transposition of the CSRD Directive**.
  - The reform of EU regulations promoted through **Omnibus Package I**.
- To assist listed companies, this document concisely sets out:
  - The purpose of the Omnibus I reform.
  - Steps taken to date and upcoming key milestones.
  - The practical implications of the reform.

Context

1. Situation of uncertainty in Spain

In Spain, listed companies are facing a particularly uncertain scenario in the area of sustainability due to the convergence of two factors:

- On the one hand, there is a continuing **delay in the transposition** of several directives, most notably **the Corporate Sustainability Reporting Directive** (2022/2464/EU) ("CSRD"), which should have been incorporated into Spanish law by July 6, 2024. However, the Spanish Draft Law on Sustainability Reporting ("LIES") is still being processed by the lower house of the Spanish parliament, and the amendment deadline has been extended until September 3, 2025.
- On the other hand, because the European Union ("EU") is conducting a thorough review of both current and future disclosure and due diligence regulations through **Omnibus Package I** (for further details, see our post: The EU Competitiveness Compass and the first omnibus proposals).

These two factors mean that, from the perspective of the information that listed companies must provide, the only regulation currently in force in Spain is Act 11/2018, which has been superseded by market practice. During the 2025 proxy season, we have seen that most listed companies have chosen to follow the joint recommendation issued in November 2024 by the Spanish Securities and Exchange Commission ("CNMV") and the Spanish Accounting and Audit Institute ("ICAC"), to ensure that their 2024 reports would be comparable with those of peers in the EU.

The issue has become even more complex in fiscal year 2025 because, as we have just indicated, after the first half of the year, Spain has yet to transpose the CSRD, which is also undergoing a thorough review. Moreover, there is no updated recommendation from the CNMV and the ICAC similar to that of last year.

2. Omnibus I: postponement and flexibility regarding obligations

Given the broad scope of the Omnibus I reform, additional time and greater flexibility have been granted to certain companies:

- **Sustainability information.** In April 2025, the 'Stop-the-Clock' Directive (2025/794/EU) was adopted, which postpones by two years the application of the CSRD for "second and third wave" companies: large companies that were required to report in 2026 will now do so in 2028, and listed SMEs that were required to report in 2027 will do so in 2029. This does not rule out the possibility that any substantive review of the CSRD could ultimately exclude some of these companies from its scope of application.

  As a consequence of this postponement, "second and third wave" companies must assess whether they are required to prepare non-financial information statements under Act 11/2018, including, where appropriate, the information required by the taxonomy regulation.

  The 'Stop-the-Clock' Directive does not postpone the disclosure obligations for "first wave" companies, a category that includes the majority of listed companies. However, for these companies, the European legislature has adopted a Delegated Regulation (the "**ERSR Quick Fix**") to defer certain disclosure obligations, allowing for the phased implementation of the first package of common disclosure standards for fiscal years starting on or after January 1, 2025. For more details, see our post: Post | Omnibus I:ERSR Quick Fix.

  The status of the transposition of the CSRD and the 'Stop-the-Clock' Directive in each Member State can be consulted in the CSRD *Transposition Tracker* prepared by Ropes & Gray, with contributions from Cuatrecasas.

- **Due diligence**. The 'Stop-the-Clock' Directive postpones until July 2027 the deadline for transposing the Corporate Sustainability Due Diligence Directive (2024/1760/EE) ("CS3D") and postpones until July 2028 its application to larger companies (more than 5,000 employees and €1.5 billion in revenues).

The deadline for transposing the 'Stop-the-Clock' Directive is December 31, 2025, and, so far, Spain has yet to begin its parliamentary processing.

3. Maintaining the EU's commitment to climate neutrality

Before summarizing the progress made regarding the proposed amendments to the CSRD, the CS3D, and the taxonomy regulations under the Omnibus Package I, it is important to emphasize that the European Commission is combining this simplification with its commitment to climate neutrality. Accordingly, on July 2, it presented a proposal to amend the European Climate Law, which sets a binding target to reduce net greenhouse gas emissions by 90% by 2040 compared to 1990 levels, as an intermediate milestone toward climate neutrality by 2050.

Progress in the substantive reform of Omnibus I

Below, we describe the progress made in processing the substantive reform of the CSRD, the CS3D, and the taxonomy regulations by highlighting first the measures that have already been approved, and afterwards, those that are still at the proposal stage.

1. Approval of the simplification of the environmental taxonomy

On July 4, the Commission approved the delegated act that simplifies and reduces the cost of the information required by the environmental taxonomy. Since then, the Parliament and the Council have a period of four months—extendable by a further two months—to review this text, which will be directly applicable from January 1, 2026 (with respect to fiscal year 2025). For more details, see our post: Omnibus I: Commission approves simplification of taxonomy.

2. Reform of the European Sustainability Reporting Standards (ESRS)

In addition to the deferral approved by the ESRS Quick Fix, the deadline for EFRAG to issue its technical advice on the simplification of the first set of ESRS has been extended until November 30, 2025. The public consultation on this proposal to simplify the ESRS will take place from late July to late September.

3. CSRD and CS3D Reform: Aspects related to the legislative process

The proposal to simplify the CSRD and CS3D is proceeding through the ordinary EU legislative procedure, although it is currently under investigation by the European Ombudsman in response to allegations of possible procedural non-compliance by the Commission.

On June 23, the European Council adopted its formal position on the Omnibus I proposal submitted by the Commission on February 26. For its part, the Parliament continues to refine its position following the publication, on July 12, of the report issued by the rapporteur of the European Parliament's Committee on Legal Affairs (JURI) (the "Warborn Report").

The vote on the Parliament's final report is scheduled for October 13. This will be followed by the "trilogue" period between the three institutions with a view to reaching a final agreement, likely by the end of 2025 or early 2026.

4. CSRD and CS3D Reform: Substantive aspects

Below we include some tables summarizing the main amendments proposed by the Commission in Omnibus Package I and, where relevant, the alternative positions of the Council and the Warborn Report. Although certain issues may not have a direct impact on listed companies, we have included them because they may be relevant to some companies within your group.

With respect to the CSRD, we consider the most relevant proposals to be the following: (a) the reduction of the scope of application—it appears that at least 80% of companies currently subject to the regulation would be excluded—and (b) the elimination of the requirement to subject sustainability information to future “reasonable assurance.” The Commission, the Council, and the Parliament maintain divergent positions regarding the first issue, but agree on eliminating the transition to “reasonable assurance” for sustainability information. Moreover, during the negotiations of the CSRD reform, a reduction in the use of the ESRS and the taxonomy has been proposed, as well as a limitation on the request for information within the value chain.

On the other hand, the scope of the CS3D reform is greater. The proposed amendments affect fundamental issues, such as (a) the subjective scope, (b) the focus and scope of the due diligence, (c) climate transition plans, and (d) the liability regime and fines. The alternatives proposed by the Commission, the Council, and the Warborn Report present significant differences, particularly regarding the determination of the companies subject to the regulation and the nature of the due diligence standard itself (risk-based approach).

In conclusion, the divergence of positions that the Commission, the Council, and the European Parliament have maintained to date regarding essential issues, together with the strong disagreements among parliamentary groups on key aspects, and the positions defended by major stakeholders, such as the European Central Bank, certain institutional investors, and several civil society organizations, highlight that the scope of the reform is currently highly uncertain.

At Cuatrecasas, we will continue to monitor this reform and will keep listed companies updated on the practical implications of any developments as they arise.

Summary table. Omnibus I: most significant substantive amendments to the CSRD and CS3D

	CSRD (original)	Omnibus I (Commission)	Parliament (Warborn Report)	Council
Reduction of subjective scope	The CSRD affected the following companies in a staggered manner: - Wave 1: large public interest entities ("PIEs") (> 500 employees), 2025. - Wave 2: other large companies, 2026. - Wave 3: listed SMEs, certain small and non-complex credit institutions, captive insurance/reinsurance undertakings, 2027. - Third-country companies with significant activity in the EU, 2029. In April 2025, the 'Stop-the-Clock' Directive postponed the application of the CSRD by two years for companies in the second and third waves.	› Limitation of the subjective scope (exclusion of nearly 80% of companies currently subject to the CSRD). New thresholds: - ≥ 1,000 employees plus €50 million in revenues or total balance sheet of €25 million. - Parent company of a large group (as per Article 3.7 of Directive 2013/34/EU) with over 1,000 employees. - Exclusion of listed SMEs(*). - Third-country companies: increase in the threshold to determine significant activity (from €150 million to €450 million). › Companies excluded from the CSRD could choose to report voluntarily according to future standards to be adopted by the Commission, which would be inspired by those developed by EFRAG for SMEs (the "VSME"). For more details, see our post: Voluntary sustainability reporting standard for SMEs.	› Unify and significantly limit the scope of the CSRD, CS3D, and taxonomy by establishing a single threshold of ≥ 3,000 employees and €450 million in revenues. › It includes an exemption from direct reporting obligations for pure holding companies and extends the exemption for subsidiaries (including listed companies) when a consolidated report is prepared by the parent company.	› It maintains an intermediate position between the Commission and the Warborn Report: it keeps the employee threshold (≥ 1,000) but raises the revenue threshold to €450 million. › It empowers the Commission to review the substantive scope.

	CSRD (original)	Omnibus I (Commission)	Parliament (Warborn Report)	Council
Verification of information: elimination of the transition to "reasonable assurance"	It requires verification of the information by an independent third party, which will initially be "limited assurance" (no significant errors) and will transition to "reasonable assurance" (true and fair view) in 2028.	It excludes the transition from "limited assurance" to "reasonable assurance" in 2028.		
Disclosure requirements	**Double materiality principle.** Companies must disclose information that enables an understanding, on the one hand, of the ESG impact of their activities and, on the other, how sustainability matters affect their development, performance, and position.	No changes are proposed regarding the double materiality principle.		
	Use of common disclosure standards. General ESRS and future development of sector-specific ESRS.	› Simplification of general ESRS (ongoing). EFRAG will issue its technical report in November 2025. › Elimination of the mandate to develop sector-specific ESRS.		
	Information on the value chain. After a three-year transitional period, information on the value chain must be included when it is relevant to the business.	To mitigate the indirect impact of the CSRD on SMEs integrated into value chains, it is proposed to limit the information that may be requested from companies with < 1,000 employees. The VSME would serve as a reference for narrowing the scope of the required data. The Commission has adopted an official recommendation to use the VSME for voluntary sustainability reporting for SMEs.	Replace the term "value chain" with "chain of activities" as used by the CS3D. This change is not merely a terminological matter; it would affect the scope of the information.	In line with the Commission's proposed limit on the information that may be requested, but it requires SMEs to be informed of their right to refuse requests that exceed the VSME.

	CSRD (original)	Omnibus I (Commission)	Parliament (Warborn Report)	Council
	Mandatory use of the taxonomy (Article 8 of Regulation 2020/852/EU on the Taxonomy).	The use of the taxonomy would only be mandatory for large companies with ≥ 1,000 employees and €450 million in revenues.	It further restricts the mandatory use of the taxonomy by establishing a single threshold for the CSRD, CS3D, and the taxonomy: ≥ 3,000 employees and €450 million in revenues.	

(*) For these purposes:

- "Medium-sized listed companies" are those that do not exceed two of the following thresholds: total balance sheet of €20 million, revenues of €40 million, and an average of 250 employees.
- "Small listed companies" are those that do not exceed two of the following thresholds: total balance sheet of €4 million, revenues of €8 million, and an average of 50 employees.

Delegated Directive 2023/2775/EU, which is pending transposition following the expiration of the deadline on December 24, 2024, raises these thresholds: to €25 million (total balance sheet) and €50 million (revenues) for medium-sized companies, and to €5 million (total balance sheet) and €10 million (revenues) for small companies.

	CS3D (original)	Omnibus I (Commission)	Parliament (Warborn Report)	Council
Reduction of subjective scope	The CS3D applies to: - EU companies: for two consecutive financial years ≥ 1,000 employees + ≥ €450 million in annual revenues. - Third-country companies: ≥ €450 million in revenues within the EU.	It does not propose a review of the subjective scope of the CS3D.	Unify and significantly limit the scope of the CSRD, CS3D, and taxonomy by establishing a single threshold of ≥ 3,000 employees and €450 million in revenues.	Limitation of the subjective scope by raising the thresholds to: ≥ 5,000 employees + ≥ €1.5 billion in revenues.
Date of transposition and application	The CS3D was to be transposed by July 26, 2026, and a staggered implementation was envisaged: - 2027: EU companies with > 5,000 employees and revenues > €1.5 billion / third-country companies with revenues > €1.5 billion in the EU. - 2028: EU companies with more than 3,000 employees and revenues > €900 million / third-country companies with revenues > €900 million in the EU. - 2029: the remaining companies that do not fall into the above categories.	In April 2025, the 'Stop-the-Clock' Directive postponed the transposition deadline to July 2027 and the application date for the largest companies (≥ 5,000 employees and ≥ €1.5 billion in revenues) to July 2028.		Beyond what is provided for in the 'Stop-the-Clock' Directive, the Council proposes to postpone the transposition date by one year (until July 26, 2028) and the application date (until July 26, 2029).
Extension of the maximum harmonization scope (to avoid "gold plating")	Member States cannot deviate from the requirements set out in Articles 8.1, 8.2, and 10.1 of the CS3D.	It extends the scope of maximum harmonization (e.g., the duty to detect and manage adverse impacts and the duty to cooperate with stakeholders).	It extends the scope of maximum harmonization proposed by the Commission (e.g., definitions, prioritization, and supervisory mechanisms).	

	CS3D (original)	Omnibus I (Commission)	Parliament (Warborn Report)	Council
Amendment of due diligence obligations	**Due diligence scope** The CS3D due diligence procedure applies to the entire chain of activities: (a) “upstream,” to both direct and indirect business partners; and (b) “downstream,” to direct business partners, as well as distribution, transportation, and storage activities (except those subject to export control from a Member State). Waste management activities are excluded.	➤ It restricts due diligence to the operations of the company itself, its subsidiaries, and its direct business partners (level 1). ➤ It is extended to indirect partners only when there is “plausible information” about adverse impacts. In other words, objective information that allows the conclusion that it is reasonably likely that the information is true. ➤ Consequently, companies would not be required to conduct comprehensive and systematic assessments of adverse impacts related to their indirect partners, which would also relieve them from the remaining obligations associated with managing these adverse impacts of their indirect partners. Nevertheless, they would have to ensure, through contractual clauses, that direct partners transmit compliance with the code of conduct to indirect partners within the chain of activities.	➤ As with the Council, it proposes a change in the approach to due diligence, shifting to a risk-based approach focused on level 1. This would mean limiting the analysis to areas, operations, partners, or segments of the chain of activities where, *a priori*, the risks are more likely or more severe. ➤ The analysis should only be extended to indirect partners when there is “objective, factual, and verifiable” information regarding adverse impacts. ➤ It eliminates the obligation to “cascade” the code of conduct to indirect partners in the chain of activities.	➤ Like the Warborn Report, it proposes replacing the entity-based model—which requires a comprehensive and systematic mapping of all level 1 companies—with a risk-based model within that same level. In practice, the comprehensive entity-based risk mapping would be replaced by a more general risk scoping exercise based on reasonably available information. ➤ The analysis should only be extended to indirect partners when there is “objective and verifiable information” to proceed to lower levels. ➤ Future review clause.
	Request for information from partners The CS3D does not establish a specific limit.	To control trickle-down effects, it proposes to limit the information that can be requested from direct business partners with fewer than 500 employees, except where there is a justified need and no alternative means are available. Voluntary standards inspired by the	➤ It excludes the request for information from business partners in the initial phase of identifying adverse impacts. At that stage, the company should rely	It raises the threshold of the Commission’s proposal to direct business partners with up to 1,000 employees.

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		VSMEs would serve as guidance to limit the data required. The Commission has adopted an official recommendation to use the VSME for voluntary sustainability reporting for SMEs.	on reasonably available information (public information, prior searches, or data from previous collaborations). › Only in subsequent phases could additional information be collected from companies with fewer than 3,000 employees when there are indications of adverse impacts and the information is not accessible through other means.	
Amendment of due diligence obligations	**Measures of last resort**. Where it is not possible to prevent, mitigate, minimize or bring to an end an adverse impact in the chain of activities, companies may—as a last resort—temporarily suspend or terminate the business relationship;	› It eliminates the obligation to terminate the business relationship as a measure of last resort. When it is impossible to prevent or eliminate (potential or actual) adverse impacts throughout the chain of activities, the company would only be required to suspend the relationship, seeking to collaborate with the supplier to find a solution. › The mere act of continuing to collaborate with the business partner would not give rise to liability for the company.	It incorporates a series of exceptions and safeguards to prevent the suspension from causing disproportionate harm to the company.	

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Amendment of due diligence obligations	**Collaboration with "stakeholders"** Companies must consult with stakeholders at certain stages of the due diligence process.	On the one hand, it proposes to limit the concept of "stakeholders"—by excluding groups, consumers, institutions, and civil environmental and human rights organizations—and, on the other hand, to reduce the scope of the consultation duty: - It will only be necessary to carry it out with the relevant "stakeholders." - It will not be necessary either to suspend the business relationship or to determine oversight indicators for the due diligence system.		
	Climate transition plans. Companies must adopt and implement a plan.	› It eliminates the obligation to "implement" the transition plan. › It clarifies that the plan must include both projected and completed actions.	It eliminates the obligation to adopt climate transition plans.	› It postpones adoption until July 2031. › It softens the substantive requirements. › It authorizes the supervisory authorities to advise companies in the design and implementation of these plans.
	Periodic assessments. Companies must evaluate, at least once a year, their own operations, those of their subsidiaries, and those of their partners in the chain of activities to monitor the effectiveness of	Extend the interval for these assessments from one to five years.		

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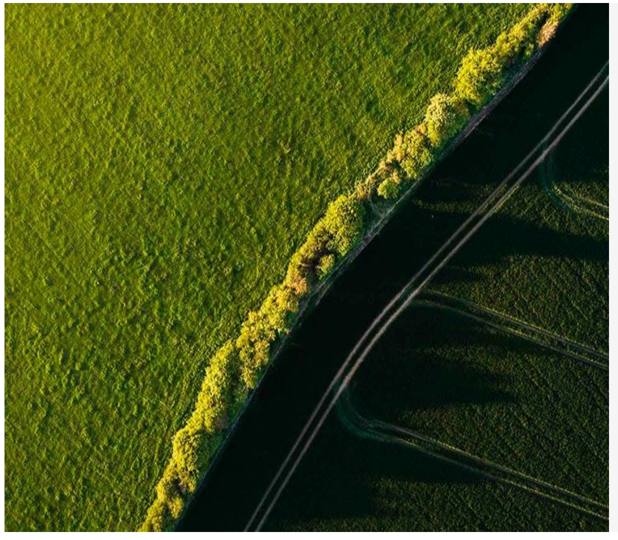
	the measures adopted to address adverse impacts.			
Guidelines	Article 19 of the CS3D provides that the Commission must issue guidelines to support companies and authorities in fulfilling their due diligence obligations. Specifically, the guidelines on best practices for due diligence, risk factor assessment, and available data and information sources must be issued by January 26, 2027. The guidelines on transition plans, resource and information sharing, and collaboration with stakeholders must be issued by July 26, 2027.	Bring forward the publication of these guidelines, giving priority to those relating to best practices in corporate due diligence, which must be published before July 26, 2026.		
Fines	The fines imposed by Member States will include fines of at least 5% of the revenues in the previous financial year.	• Eliminate the minimum fine threshold of 5% based on revenues in the event of non-compliance. • Prohibit Member States from setting a maximum amount that would prevent supervisory authorities from imposing fines according to the established principles and factors. • Issuance of a Commission guidebook on the determination of fines by national supervisory authorities.		• It does not share the Commission's position of preventing Member States from setting maximum fines. • It proposes setting a maximum limit for fines of 5% of global revenues.
Civil liability regime	Article 29 of the CS3D establishes a unified civil liability regime for the whole EU.	With the aim of respecting the differences between the legal systems and traditions of the Member States and limiting the risk of litigation, it proposes		

	CS3D (original)	Omnibus I (Commission)	Parliament (Warborn Report)	Council
		to eliminate the specific liability regime at the European level. However, each Member State must ensure full compensation for damages caused to an individual or legal entity according to its legal system. The requirement is eliminated for Member States to establish the mandatory nature of civil liability rules in cases where the law applicable to the dispute is that of a third country.		
Financial services	According to the CS3D, financial institutions are only subject to due diligence obligations for the "upstream" part of their chain of activities. However, the Commission must submit, "no later than July 26, 2026," a report on the need to establish additional due diligence requirements for regulated financial companies.	Eliminate the review clause that obliges the Commission to issue a report before June 26, 2026		



For additional information, please contact our Knowledge and Innovation Group lawyers or your regular contact person at Cuatrecasas.

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