

ICI Summary

EU Omnibus Simplification: Key Changes to the EU CS3D

February 28th, 2025

On 26th February 2025, the European Commission unveiled its [proposal for an omnibus simplification package](#), which aims at reducing regulatory burden through simplifying and therefore amending the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D), and taxonomy delegated acts. Please see [ICI's briefing on the Omnibus proposal here](#).

This document summarizes the main aspects of the proposed amendments between the CS3D (adopted in July 2024) and the Omnibus proposal issued on the 26th February 2025.

Main elements of the proposed changes to the EU CS3D

The table below summarises the main aspects of the proposed amendments between the CS3D published in July 2024 and the Omnibus proposal issued on the 26th February 2025.

	CS3D (adopted in June 2024)	Proposed changes by the omnibus (February 26 th 2025)
Objective	- The Directive shall not constitute grounds for reducing the level of protection of human, employment and social rights.	<i>Unchanged</i>
Scope	<ul style="list-style-type: none"> - EU companies which fulfil one of the following conditions: <ul style="list-style-type: none"> ▪ > 1000 employees ▪ > € 450 million turnover - Non-EU companies which fulfil one of the following conditions: <ul style="list-style-type: none"> ▪ > € 450 million turnover generated in the EU - In both cases, companies that did not meet the threshold but are a parent company of a group that reaches it, are also concerned. - Also concerns companies that entered into franchising agreements in return for royalties of >€ 22.5 million 	<i>Unchanged</i>
Reach	- Own operations, their subsidiaries, and the value chain operations carried out by established (direct and indirect) business relationships.	- Limits due diligence obligation to the companies' own operations, those of their subsidiaries and their direct business partners where related to their chains of activities. [indirect business relationships removed].

	<p><i>Value chain includes the production of goods or provision of services. It should encompass upstream business partners related to the production of goods or the provision of services (incl. the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of the products); and downstream business partners related to the distribution, transport and storage where the business partners carry out those activities for the company or on behalf of the company</i></p> <p><i>Established business relationships means direct and indirect business relationships which are, or which are expected to be lasting, in view of their intensity and duration and which do not represent a negligible or ancillary part of the value chain. The nature of business relationships as “established” should be reassessed periodically, and at least every 12 months. If the direct business relationship of a company is established, then all linked indirect business relationships should also be considered as established regarding that company.</i></p>	<ul style="list-style-type: none"> - Recognizes that there can be situations where companies have to look beyond their direct business partner, namely where they have plausible information (through credible NGO or media reports) that suggests an adverse impact at the level of an indirect business partner.
<p>Obligation</p>	<ul style="list-style-type: none"> - Conduct risk-based human rights and environmental due diligence, through meaningful stakeholder engagement, in line with the OECD Due Diligence Guidance: <ul style="list-style-type: none"> ▪ <u>Integrating due diligence into company’s policies and risk management systems:</u> Have a due diligence policy (should be developed in prior consultation with the company’s employees and their representative; describes the approach; includes a code of conduct and description of the process. Updated every 2 years). ▪ <u>Identifying and assessing actual or potential adverse impacts, and where necessary prioritise:</u> Should be based on quantitative and qualitative information; <ul style="list-style-type: none"> ▪ Map own operations and supply chains. ▪ Based on results, carry out in-depth assessment of own operations, those of subsidiaries and related chain of activities <u>Identifying and assessing actual or potential adverse impacts, and where necessary prioritise.</u> Due account should be taken of the ‘level of involvement of the company in an adverse impact’ and the company’s ability to influence the business partner causing/jointly causing the adverse impact. ▪ <u>Preventing and mitigate adverse impacts that they cause themselves. Implies, where relevant, to:</u> <ul style="list-style-type: none"> ▪ Develop and implement a prevention action plan ▪ Seek contractual assurances from direct business partners ▪ Make necessary financial or non-financial investments, adjustments, upgrades, incl. provide support to SMEs. ▪ In case of adverse impacts that could not be prevented/adequately mitigated, the company shall be required as a last resort to refrain from extending/entering into new relations with a business partner connected to the impact. ▪ <u>Bring actual adverse impacts to an end and minimise the extent:</u> 	<ul style="list-style-type: none"> - Amends – identifying and assessing actual and potential impacts: Where the company has plausible information that adverse impacts at the level of indirect business partners have arisen or may arise, it shall carry out an in-depth assessment. For the purpose of this mapping, companies shall not seek to obtain information from direct business partners with < 500 employees, unless they need additional information they cannot obtain in any other reasonable way. - Amends - Bring actual adverse impacts to an end and minimise the extent: Possible suspension (instead of termination at last resort) of a business relationship with respect to the activities concerned, based on assessment of the adverse impacts in doing so. - Amends - Stakeholder engagement: Limited to “relevant” stakeholders, meaning those stakeholders that have a link to the specific stage of the due diligence process being carried out (instead of “meaningful engagement with stakeholders”) - Amends - Monitoring the effectiveness of the due diligence measures: Where possible, shall be based on qualitative and quantitative indicators and be carried out at least every five years (instead of annually) and

	<ul style="list-style-type: none"> ▪ Develop and implement a prevention action plan where necessary (can be done in cooperation with industry initiatives or MSIs). Seek contractual assurances from business partners with whom it has a direct business relationship. ▪ Provide targeted and proportionate support to SMEs. ▪ Disengagement at last resort, based on assessment of the adverse impacts in doing so. ▪ <u>Remediation of actual adverse impacts:</u> Where a company has caused/jointly caused an actual adverse impact, it shall provide remediation. Where it is caused by a business partner, voluntary remediation may be provided. The company may also use its ability to influence. ▪ <u>Establishing and maintaining a notification mechanism and complaints procedure:</u> Should be fair, publicly available, accessible, predictable and transparent. Complains may be submitted by: <ul style="list-style-type: none"> ▪ natural or legal persons who are affected and their legal representation ▪ trade unions and other workers' representatives representing individuals working in the chain of activities concerned ▪ civil society organisations active and experienced in the areas ▪ <u>Monitoring the effectiveness of the due diligence measures:</u> Where possible, shall be based on qualitative and quantitative indicators and be carried out at least every 12 months and whenever there are reasonable grounds to believe that new risks may arise. ▪ <u>Publicly communicating on due diligence:</u> annually. <p>- Companies should retain documentation regarding the actions adopted to fulfil their due diligence obligations to demonstrate compliance for min. 5 years.</p> <p>- Rules for disengagement:</p> <ul style="list-style-type: none"> ▪ Adopt and implement an enhanced prevention action plan for the specific adverse impact by using or increasing the company's leverage through the temporary suspension of business relationships with respect to the activities concerned. The action plan shall include a specific and appropriate timeline for the adoption and implementation of all actions therein, during which the company may also seek alternative business partners. ▪ If there is no reasonable expectation that these efforts would succeed, or if the implementation of the enhanced prevention action plan failed to prevent, mitigate or bring to an end the adverse impact, terminate the business relationship with respect to the activities concerned if the potential adverse impact is severe. ▪ Prior to temporarily suspending or terminating the business relationship, the company shall assess whether the adverse impacts of doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. Should that be the case, the 	<p>whenever there are reasonable grounds to believe that new risks may arise.</p>
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	<p>company shall not be required to suspend or to terminate the business relationship, and shall be in a position to report to the competent supervisory authority about the duly justified reasons of such decision.</p> <ul style="list-style-type: none"> ▪ Where the company decides to temporarily suspend or terminate the business relationship, the company shall take steps to prevent, mitigate or bring to an end the impacts of suspension or termination, provide reasonable notice to the business partner and keep that decision under review. ▪ Where the company decides not to temporarily suspend or terminate the business relationship, the company shall monitor the potential adverse impact and periodically reassess its decision and whether further appropriate measures are available. <p>- Targeted and proportionate support that companies should provide for an SMEs, incl. by providing or enabling access to capacity-building, training or upgrading management systems, and, where compliance with the code of conduct or the prevention action plan would jeopardise the viability of the SME, providing targeted and proportionate financial support, such as direct financing, low-interest loans, guarantees of continued sourcing, or assistance in securing financing.</p> <p>-</p>	
Complaints	<ul style="list-style-type: none"> - Persons who are affected or might be affected, trade unions and other workers' representatives shall be granted the possibility to submit complaints in case of legitimate concerns regarding the potential or actual adverse impacts. - Any natural or legal person that has reasons to believe that a company does not appropriately comply with its due diligence obligations is entitled to submit substantiated concerns. 	<i>Unchanged</i>
Sanctions / Penalties	<ul style="list-style-type: none"> - Penalties should be dissuasive, proportionate and effective, including: <ul style="list-style-type: none"> ▪ Pecuniary penalties commensurate with the company's turnover (min 5%) ▪ Civil liability for damages caused to a natural or legal person, provided that the company intentionally and negligently failed to comply. - For companies belonging to a group, pecuniary penalties are calculated taking into account the consolidated turnover at the level of the parent company. - A company cannot be held liable if the damage was caused only by its business partners in its chain of activities. - Victims should have the right to a full compensation for the damage occurred, in accordance with national law. NGOs can bring actions to court, limited to national rules of civil procedures. 	<ul style="list-style-type: none"> - Amends: The level of penalties will be defined by guidelines (removes the need for fine to be commensurate to the company's net worldwide turnover, with a minimum of 5% of global turnover). - Removes the civil liability.
Guidelines & supporting measures	<ul style="list-style-type: none"> - Guidance assessing the fitness of industry and multi-stakeholder initiatives (MSI). - Guidance with fitness criteria and methodology of third-party verifiers. - Establish a single helpdesk through which companies may seek information, guidance and support about how to fulfil their obligations <p>- Guidelines for specific sectors or specific adverse impacts should include:</p>	<ul style="list-style-type: none"> - Amends the timeline for the guidelines: <ul style="list-style-type: none"> ▪ Guidance and best practice to be made available by 26 July 2026 ▪ Guidance on the assessment of company-level business operations and geographic context to be made available by 26 January 2027

	<ul style="list-style-type: none"> ▪ guidance and best practices on how to conduct due diligence ▪ guidance on the assessment of company-level, business operations, geographic and contextual, product and service, and sectoral risk factors, ▪ references to data and information sources available for the compliance and to digital tools and technologies that could facilitate and support compliance, ▪ information for stakeholders and their representatives on how to engage throughout the due diligence process. 	<ul style="list-style-type: none"> ▪ References to data and information sources available for compliance to be made available by 26 January 2027
Entry into force	- On the 20 th day following that of its publication in the Official Journal of the EU (25 July 2024)	- On the 20 th day following that of its publication of the omnibus package in the Official Journal of the EU
Transposition	<ul style="list-style-type: none"> - Applies to companies with > 5000 employees and > €1500 million turnover 3 years after the entry into force - Applies to companies with > 3000 employees and > €900 million turnover 4 years after the entry info force - Applies to companies with > 1000 employees and > €450 million turnover after 5 years after the entry info force <p>- Member States shall adopt and publish by 26 July 2026 the laws, regulations and administrative provisions necessary to comply with this Directive.</p>	<ul style="list-style-type: none"> - Amends - transposition timeline delayed by one year for batch 1 and over two years instead of three: <ul style="list-style-type: none"> ▪ Applies to companies with >5000 employees and >1500 million turnover from July 2028 (instead of 2027) ▪ Applies to companies with >3000 employees and >€900 million turnover from July 2028 ▪ Applies to companies with >1000 employees and >€450 million turnover from July 2029 - Amends: Member States shall adopt and publish by 26 July 2027 the laws, regulations and administrative provisions necessary to comply with this Directive.