

ICI Briefing

EU omnibus simplification package on sustainability rules

February 26th 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. Building on recommendations of the last year's "[Draghi report](#)" which addresses EU's competitiveness, this proposal follows announcements made by Ursula von der Leyen in November 2024 and the European Commission's vision to make EU's economy more prosperous and competitive, as set out in the [Competitiveness Compass](#) published earlier this year.

This document summarizes the main aspects of the proposed amendments relevant to the CS3D and the CSRD.

EU Corporate Sustainability Due Diligence Directive (CS3D)

The main changes from the CS3D, which entered into force in July 2024 include:

Scope	- Companies' due diligence obligation focuses on their own operations, subsidiaries, and direct business partners (tier 1). They <i>should assess indirect partners only if</i> there is credible evidence of harm (from media sources or NGOs)
Obligation	- Where a company has plausible information that adverse impacts at the level of indirect business partner 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 that information in any other reasonable way. - Companies shall seek contractual assurances from a direct business partner that the latter will ensure compliance with the company's code of conduct. - Companies' assessments of their own operations and measures taken shift from annual to every five years and whenever there is a reasonable ground to believe that the measures are no longer adequate or effective, or that new risks may arise.
Disengagement	- The possibility of terminating a business relationship (at last resort) has been replaced by a possibility to (temporarily) <i>suspend</i> their business relationships after attempting to address severe adverse impacts.
Stakeholder engagement	- Companies engage with " <i>relevant stakeholders</i> " that have a link to the specific stage of the due diligence process being carried out, including when gathering the necessary information on actual or potential adverse impacts, in order to identify, assess and prioritise adverse; and developing prevention and corrective action plans.
Penalties	- Pecuniary penalties: Guidelines will be issued to determine the level of penalties (removes the minimum of 5% of global turnover) - Civil liability: Removed - Where a company is held liable by failure to comply with the due diligence requirements victims shall have a the right to full compensation for the damage (without "leading to overcompensation").
Guidelines	- Shall be made available by July 2026
Transposition	- As of July 2028 for largest companies (one year after the date originally planned)

EU Corporate Sustainability Reporting Directive (CSRD)

The main changes from the CSRD which entered into force in January 2023 include:

- **Scope:** Applies to companies with *over 1,000 employees and a turnover exceeding €450 million*, thus aligning with the CS3D (previously applied to a net turn over exceeding €50 million)
- **Reach:** SMEs would no longer be required to partake in sustainability reporting.
- **Reporting standards:** The European Sustainability Reporting Standards (ESRS) will be reassessed to focus on fewer, more meaningful data points.
- **Sector specific reporting standards:** Sector specific reporting standards to be removed.
- **Implementation:** Reporting requirements are postponed by two years, with companies in scope now starting in 2028 instead of 2026

Next steps

These proposals will be presented to the European Parliament and to the Council for consideration and adoption.

Amendments to the CSRD and the CS3D will take effect once co-legislators reach an agreement and the changes are published in the EU Official Journal. While no timeline has been communicated, the European Commission invites the co-legislators to treat this omnibus package with priority.

What is an omnibus legislation?

An omnibus legislation is a proposed law that puts several measures into one single legislative package. Omnibus bills are designed to streamline the legislative process, allowing lawmakers to address multiple policy objectives simultaneously.