

SUMMARY

Towards a Balanced Omnibus Proposal

Simplifying the CSDDD and CSRD while upholding human rights and environmental standards

[The full policy brief is available here.](#)

The **Corporate Sustainability Due Diligence Directive (CSDDD)** and the **Corporate Sustainability Reporting Directive (CSRD)** are central pillars of the EU's Green Deal, designed to ensure responsible business conduct, strengthen corporate accountability, provide reliable sustainability information for markets and stakeholders, and promote the protection of human rights and the environment in global supply chains.

Amid growing concerns over sluggish economic growth in the EU, the European Commission put forward the Omnibus I package in February 2025. Influenced by the Draghi Report calling for simplification and the reduction of 'regulatory' burdens for businesses. Against this macroeconomic and political backdrop, the Omnibus initiative was rolled out with the objective of 'simplification' of both the CSRD and CSDDD to boost the competitiveness of companies. While practitioners and researchers alike have rightly pointed to the complexities and challenges associated with both Directives, the current Omnibus 'simplification' proposals risk undermining their effectiveness by prioritising deregulatory cuts rather than meaningful simplification. We argue that **meaningful simplification** is both possible and necessary: improving coherence, reducing complexity, and easing compliance without weakening human rights and environmental protections.

Key recommendations to policymakers on achieving meaningful simplification in the ongoing negotiations:

CSDDD & CSRD

- Scope:** Reducing the scope of the CSDDD will significantly weaken its effectiveness in protecting human rights and the environment. Several analyses have concluded that reducing the scope will neither lead to meaningful cost savings nor increase long-term competitiveness of EU businesses. Its scope should remain at the same level as the original CSDDD. Regarding the CSRD, lawmakers should follow one of two frameworks. The first option is to extend existing phase-in rules by two years for mid-cap companies (250-750 employees) until the financial year 2029. This mechanism, already familiar to companies through the Commission's earlier 'quick fix' proposal, delays around 40% of current ESRS requirements, particularly Scope 3 emissions, biodiversity, and several social standards. The second option is the introduction of a simplified reporting standard for mid-cap companies. Such a simplified reporting standard would build on the ESRS and preserve compatibility with it. While less onerous, this simplified standard would retain its mandatory character, avoiding the pitfalls of voluntary standards.

- **Value chain cap & information requests:** The ESRS already protects SMEs by not requiring companies to get information from their suppliers if doing so is unfeasible, requires disproportional effort, or the data would be unreliable. If a risk-based and materiality-focused approach is applied, it becomes clear that companies do not have to request information from every supplier, but only from those suppliers that are particularly relevant from a materiality perspective. This thus constitutes an important point of departure for simplification. Moreover, if the CSRD scope is significantly limited, the exclusion from a mandatory reporting regime compromises the standardisation and quality of reported data.
The language in Article 8 of the CSDDD could be reviewed to clarify at which stage companies may request information from their business partners. This could be achieved by making clear that companies should first make an effort to obtain publicly accessible information for the scoping exercise before contacting their business partners. To ensure coherence with the CSRD, the European Sustainability Reporting Standard for Listed Small and Medium-sized Enterprises (LSME) should be used instead of the VSME.

CSRD:

- **Assurance level:** We recognise the challenges involved in conducting first-time reasonable assurance. We also appreciate that requirements for mid-caps must be proportional. Therefore, we propose limited assurance for companies of this size category, consistent with advice by practitioners. For large companies with more than 750 employees, we endorse a transitory phase with limited assurance that should be succeeded by reasonable assurance. We further recommend that decision-makers stick to the timeline for adopting guidance on assurance, a demand the Council and the EPP have both made.

CSDDD:

- **Risk-based approach:** The CSDDD should clearly follow the risk-based approach and not create an artificial hierarchy of risks by forcing companies to focus on Tier 1 of their supply chain. The language in Article 8 should clarify the types of information that can be requested, and from whom, during different stages of the risk analysis, without prohibiting companies from assessing their entire value chain. The Directive should make clear that companies must first proactively gather information themselves instead of contacting their business partners, preventing the practice of companies sending general questionnaires to all of their suppliers, regardless of the likelihood or severity of adverse impacts. In the areas where risks are identified to be most likely and most severe, the company can contact its business partners for information for an in-depth assessment.
- **Stakeholder definition and engagement:** The wording in Article 13 of the CSDDD could further be clarified to specify the types of CSOs to be consulted, instead of completely removing them from the stakeholder definition. The duty to consult stakeholders when suspending or terminating a business relationship should be retained instead of eliminated to ensure the minimisation of possible negative impacts on affected rights holders.
- **Climate transition plans:** In further negotiations, the duty to implement climate transition plans should be re-included in the CSDDD, as well as the wording on best efforts to maintain legal clarity. The CSDDD guidance on climate transition plans should be aligned with the guidance being developed by EFRAG for the CSRD.
- **Civil liability:** Removing the harmonised approach and the overriding mandatory provision of the CSDDD's liability rules would result in 27 different liability regimes across the EU and potentially expose companies to 206 liability regimes worldwide. The proposals by the Commission,

Council, and Warborn to remove the harmonised civil liability regime should be rejected in favour of a harmonised civil liability regime to establish legal certainty across the EU and ensure crucial access to justice provisions for rights holders.

Further recommendations for effective simplification and greater legislative coherence

Although the numerous pieces of EU legislation adopted as part of the Green Deal are complementary in nature and interlinked, the scope, definitions, concepts, criteria, obligations, enforcement, and supervision mechanisms among them differ. Our view is that many of the Omnibus proposals currently on the table would further exacerbate complexities and fragmentation. At the same time, relatively easy-to-implement measures exist that could lead to effective simplification without compromising the protection of human rights or the environment:

The CSRD and CSDDD address complementary aspects of sustainability - disclosure and due diligence, yet are often managed by different departments within the same company. For companies, this means that they must establish similar processes and deal with related topics, but have to comply with them under two different directives – a circumstance that should have been a starting point in the Commission’s simplification proposals.

- **Streamlining auxiliary definitions regarding the ESRS and CSDDD:** Key definitions and legal concepts are not aligned across CSRD and CSDDD. The EU Commission should ensure alignment between the CSRD/ESRS and the CSDDD to harmonise key auxiliary definitions in the form of implementing guidelines or delegated acts that ensure consistent terminology and mutually reinforcing obligations across both directives. Such alignment would reduce legal uncertainty, prevent duplicative efforts, and enable companies to implement due diligence and sustainability reporting in an efficient and coherent manner.
- **Implementation guidelines:** There is a potential for the Commission to enhance coordination among Directorate-Generals regarding effective implementation of legislative files. The need for this is not limited to CSRD and CSDDD. Rather, the Commission should consider such consideration for the Green Deal files in general. The CSRD and CSDDD would benefit from user-friendly, joint implementation guidance that applies the same concepts for both laws. Drawing on positive experiences such as Germany’s Federal Office for Economic Affairs and Export Control issuing comprehensive FAQs and guides for its national supply chain law as well as the comprehensive advisory services offered by the German Business & Human Rights Helpdesk, we recommend establishing a single, EU-wide business and human rights helpdesk that would integrate support and interpretative advice for companies regarding all relevant sustainability and human rights obligations embedded in the Green Deal—including CSRD, CSDDD, the EU Deforestation Regulation, and others. This centralised helpdesk could provide tailored practical assistance to companies of all sizes and sectors, enhancing regulatory certainty.
- **Preventing the shifting of due diligence obligations and excessive information requests:** While the CSDDD already requires contracts with SMEs to be “fair, reasonable, and non-discriminatory” and encourages appropriate sharing of responsibility, the report advises making such prohibitions clearer and more prescriptive in primary legislation to prevent common malpractices, such as indiscriminate cascading without risk-based justification. Model contractual clauses considered under the CSDDD should be developed and made available promptly to provide legal certainty and practical templates for equitable contracting.

- **Clearly prescribe a risk-based approach and create a single database:** The materiality (CSRD) and risk-based (CSDDD) approaches should be applied more stringently. The proper application and interpretation of both principles is in and of itself a key lever to reduce reporting volume: risk- and materiality-based prioritisation avoids disproportionately extensive supply chain requests. German SMEs have proposed the creation of a publicly maintained one-stop shop database for sustainability-related information. This database could be based on the LSME; suppliers would have to enter the respective information only once (and regularly update it). Business partners could directly retrieve the information from there and would only need to approach suppliers directly for the few very specific questions not addressed in the database. Such a system could also replace the costly private sustainability rating schemes that large companies frequently demand of their suppliers. Ideally, the database would be adapted specifically to the typical risks of different sectors.

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