OMNIBUS EXPLAINED: KEY CHANGES TO CSDDD PROPOSED BY THE EUROPEAN COMMISSION

Factsheet

FACTS.

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INTRODUCTION

Accountancy Europe's has issued three factual analysis of the European Commission's (EC) recent Omnibus proposal focusing on the Corporate Sustainability Reporting Directive (CSRD), sustainability reporting standards, and Corporate Sustainability Due Diligence Directive (CSDDD). These papers aim to give stakeholders an initial overview of the key proposed changes expected to reshape sustainability reporting and due diligence practices across Europe. Read also our statement on the EC Omnibus sustainability proposal.

This paper will focus on the proposed changes for CSDDD

For more information on CSDDD, check out our factsheet *Corporate Sustainability Due Diligence Directive – what the accountancy profession should know.*

OMNIBUS BACKGROUND

The EC launched the Omnibus sustainability rules simplification package on 26 February 2025. This is the first step of an ambitious simplification agenda to enhance European economic competitiveness. It aims to reduce administrative and reporting burdens on companies and unlocking businesses' investment potential.

The new simplification agenda set bold targets, including a 25% cut in reporting burdens for companies and 35% for SMEs. The EC expects this effort to boost European companies' competitiveness while maintaining climate and decarbonisation goals of the Green Deal. The Omnibus package proposes amendments to several sustainability laws. These include the CSRD, the CSDDD, the EU Taxonomy for sustainable activities, and the Carbon Border Adjustment Mechanism (CBAM).

KEY CHANGES

Amongst key changes, around 80% of companies in the CSRD scope are estimated to be exempted from reporting obligations. Reporting requirements will focus on the largest companies with more than 1000 employees. The EU Taxonomy has been simplified, for instance, by limiting reporting to largest companies, introducing a financial materiality threshold for the reporting. The proposed amendments to the CSDDD text will limit due diligence obligations to direct business partners and reduce the frequency of assessments from annually to once every five years. The EC has also proposed to exempt importers of small quantities of CBAM goods that are mostly SMEs and individuals.

WAY FORWARD

It is important to note that the EC proposals are not final. The EC will submit the proposal to the two co-legislators - the European Parliament (EP) and the Council of the European Union - for their review, input and adoption. These institutions hold the power to amend the currently proposed Omnibus sustainability package.

OMNIBUS PROPOSED AMENDMENTS FOR CSDDD

The EC issued two separate proposals amending the CSDDD under the Omnibus package:

- the first proposal focuses on the amendments to the due diligence requirements[1]
- the second proposal focuses on the dates from which Member States are to apply due diligence requirements[2]

KEY TAKEAWAYS

- Narrowed 'stakeholder' definition
- Member States are restricted from introducing more stringent rules to tackle human rights and environmental abuse
- Value chain due diligence is limited to direct suppliers
- Companies are required to consider SME support measures
- Companies are no longer obligated to terminate the business relationship
- Monitoring frequency reduced from every year to once every five years
- The obligation to "put into effect" a transition plan has been removed
- Approach to pecuniary penalties has been revised
- EU wide civil liability regime is deleted, leaving this to the discretion of Member States
- Requirement for a report on financial undertakings is removed
- Application deadline is postponed whilst deadline for guidelines is brought forward

The table below provides a detailed overview of the Omnibus proposed amendments to the CSDDD.

[1] Proposal for a Directive amending the Audit Directive, Accounting Directive, Corporate Sustainability Reporting Directive, and the Corporate Sustainability Due Diligence Directive - Omnibus I - COM(2025)81

[2] Proposal postponing the application of some reporting requirements in the Corporate Sustainability Reporting Directive and the transposition deadline and application of the Corporate Sustainability Due Diligence Directive - Omnibus I - COM(2025)80

Topic	Omnibus proposed changes to the CSDDD
‘Stakeholder’ definition	**Narrowed ‘stakeholder’ definition** The Omnibus Directive revises the ‘stakeholders’ definition by limiting its scope to: • “directly” affected workers and their representatives, and individuals and communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners • the proposed definition excludes consumers, groupings, entities, national human rights and environmental institutions, civil society organisations • in addition, the proposed amendments further limit the due diligence process stages at which companies are required to engage with stakeholders. *(ref. Article 4 (2), Omnibus Directive amends Article 3, (1), (n), CSDDD)*
Harmonisation	**Member States are restricted from introducing more stringent rules to tackle human rights and environmental abuse** The Omnibus Directive broadens the scope of maximum harmonisation by adding provisions that regulate due diligence process’ core aspects. This ensures that Member States do not go beyond these requirements. This includes key obligations such as: • identifying, assessing and addressing actual and potential adverse impacts • engaging with stakeholders in certain cases, and • establishing a complaints and notification mechanism. However, Member States may still introduce stricter or more specific rules in other areas, particularly to address emerging risks related to new products or services. *(ref. Article 4 (3), Omnibus Directive amends Article 4, CSDDD)*

Supplier risk assessment	**Value chain due diligence is limited to direct suppliers** The Omnibus Directive limits due diligence measures to a company's own operations, its subsidiaries, and its direct business partners ('tier 1') in relation to its activity chains. This means that companies would only be required to conduct in-depth assessments for their direct business partners. However, the proposal acknowledges that companies may need to look beyond their direct partners—specifically, when plausible information indicates potential adverse impacts at the level of an indirect business partner. Additionally, companies should strive to ensure compliance with their code of conduct throughout the chain of activities through contractual cascading. *(ref. Article 4 (4), Omnibus Directive amends Article 8, CSDDD)*
SME protection	**Companies are required to consider SME support measures** The Omnibus Directive introduces a safeguard for SMEs requiring companies to consider SME support measures. It proposes to restrict the amount of information large companies may request for value chain mapping to limit the trickle-down effect on companies with fewer than 500 employees. Such requests are limited to the information specified in the voluntary sustainability reporting standards under Article 29a of Directive 2013/34/EU. However, the company may request additional information from its business partner if it necessary for value chain mapping and cannot be obtained otherwise. *(ref. Article 4, (4), (d), Omnibus Directive amends Article 8, CSDDD)*
Business relationship termination	**Companies are no longer obligated to terminate the business relationship** If potential or actual adverse impacts cannot be prevented or adequately mitigated, the company must, as a last resort: • refrain from entering into new or extending existing business relations • adopt and implement an enhanced prevention action plan, where legally permitted, or • use its leverage by suspending the business relationship. The current CSDDD text requires companies to terminate the business relationship as a last resort if the potential or actual adverse impact is severe and if efforts to address the adverse impact are unlikely to succeed.

	Before suspending a business relationship, the company must assess whether the adverse impacts of suspension would be manifestly more severe than the unmitigated adverse impact. If that is the case, the company will not be required to suspend the business relationship and must be prepared to report the duly justified reasons for its decision to the competent supervisory authority. If the company suspends the relationship, it must take steps to prevent, mitigate, or end the impacts of the suspension, provide reasonable notice, and keep the decision under review. *(ref. Article 4 (5), (6), Omnibus Directive replaces Article 10 (6) and Article 11 (7), CSDDD)*
Monitoring frequency	**Monitoring frequency reduced from every year to once every five years** The Omnibus Directive extends the timeframe for companies to review their due diligence measures' adequacy and effectiveness from one year to five years. However, companies must still conduct ad hoc assessments if significant changes occur or if there are reasons to believe that existing measures are no longer sufficient or that new risks may arise. *(ref. Article 4 (8), Omnibus Directive amends Article 15, CSDDD)*
Transition plans	**The obligation to "put into effect" a transition plan has been removed** Under the Omnibus Directive, companies are no longer required to 'put into effect' a transition plan for climate change mitigation. Instead, they must adopt a plan that includes implementing actions. *(ref. Article 4 (10), Omnibus Directive amends Article 22 (1) CSDDD)*
Penalties	**Approach to pecuniary penalties has been revised** The Omnibus Directive proposes to remove the pecuniary penalty of at least 5% of a company's net worldwide turnover. Instead, it tasks the Commission, in collaboration with Member States, to issue guidelines to determine penalty levels. It also prohibits Member States from setting a fines cap that would prevent supervisory authorities from imposing penalties based on the factors and principles outlined in Article 27(1) and (2). These changes aim to clarify enforcement rules and ensure a consistent approach across the EU. *(ref. Article 4 (11), Omnibus Directive replaces Article 27 (4), CSDDD)*

Civil liability	**EU wide civil liability regime is deleted, leaving this to the discretion of Member States** The Omnibus Directive removes the EU-wide liability regime to reduce litigation risks. Member States must still ensure victims have effective access to justice and full compensation under national law while preventing overcompensation. Additionally, requirements on representative actions and overriding mandatory application of liability rules are deleted, leaving these matters to national law. *(ref. Article 4 (12), Omnibus Directive amends Article 29, CSDDD)*
Report on due diligence for financial undertakings	**Requirement for a report on financial undertakings is removed** The Omnibus Directive removes the requirement for the Commission to submit a report on additional due diligence rules for financial undertakings by 26 July 2026, as it does not allow time to assess the new general due diligence framework. *(ref. Article 4 (13), Omnibus Directive deleting Article 36 (1), CSDDD)*
Timeline	**Application deadline is postponed whilst deadline for guidelines is brought forward** The Commission's deadline for adopting due diligence guidelines is moved up to 26 July 2026, while the application deadline for the first group of companies is postponed to 26 July 2028. This delay aims to allow companies time to implement due diligence measures based on the Commission’s guidance. *(ref. Article 4 (9), Omnibus Directive amends Article 19 (3), CSDDD and Article 2, Omnibus COM(2025)80 amends Article 37 (1), CSDDD*

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