

22 January 2025

President of the European Commission
Ms Ursula von der Leyen

Executive Vice-President for Prosperity and Industrial Strategy
Mr Stéphane Séjourné

Executive Vice-President for a Clean, Just and Competitive Transition
Ms Teresa Ribera

Commissioner for Financial Services and the Savings and Investments Union
Ms Maria Luís Albuquerque

Commissioner for Economy and Productivity; Implementation and Simplification
Mr Valdis Dombrovskis

Commissioner for Climate, Net Zero and Clean Growth
Mr Wopke Hoekstra

Commissioner for Democracy, Justice, the Rule of Law and Consumer Protection
Mr Michael McGrath

Subject: Views from business and human rights advisory practice and academia on the EU omnibus proposal

Dear President von der Leyen,
Dear Executive Vice-President Ribera,
Dear Executive Vice-President Séjourné,
Dear Commissioner Albuquerque,
Dear Commissioner Dombrovskis,
Dear Commissioner Hoekstra,
Dear Commissioner McGrath,

We are a group of business and human rights (BHR) professionals drawn from legal practice, consulting, academia and the business world. We are writing to express our concern about the 'Omnibus Simplification Package' that is due to be announced on 26 February 2025 by the European Commission. This legislation seeks to 'streamline' at least three recently passed laws: the Corporate Sustainability Due Diligence Directive (CSDDD), the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy for Sustainable Activities (Taxonomy).

We recognise that concerns have been expressed regarding the complexity of the regulations. However, as we set out below, we believe that these concerns can be met **without reopening the legal texts**.

Our key messages are:

- The concerns expressed relate to corporate reporting. The CSDDD is not a reporting law and therefore should be excluded from the ‘Omnibus’.
- The CSRD is focused on reporting, but the European Sustainability Reporting Standards (ESRS) underpinning the CSRD can be amended without recourse to primary legislation. Similarly, the Taxonomy can be amended via its delegated acts.
- Changing the rules at this late stage will punish leaders in corporate sustainability who have invested in the compliance process, and reward laggards who have not.
- We should focus on the efficient implementation of the laws through delegated acts and guidance to help companies and their advisors avoid misguided implementation.

Before we turn to the detail of our concerns, it is worth restating the **principal goals of due diligence and reporting legislation**:

1. **To continuously improve human rights and environmental outcomes.** This is, of course, the most important goal of all. There is no value in reporting or due diligence for its own sake. The point is for companies in scope to ask the right questions and act on the findings, in order to prevent, prioritise, mitigate, remediate or avoid human rights and environmental impacts. This process aims for continuous improvement based on prioritisation, not overnight perfection. Companies have obligations of means not outcomes, and are only required to take appropriate measures after a process of reasonable risk prioritisation.
2. **To guide companies towards more sustainable and resilient operational and supply chain choices.** This is achieved through a mix of broad due diligence principles drawn from key international frameworks such as the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines), alongside more detailed legislation, as well as guidance issued by competent authorities.
3. **To provide a level playing field for corporations.** This is achieved by ensuring that the same rules apply to all companies that fall within the scope of the laws and by providing regulatory certainty and predictability. It ensures that there is no marginal benefit to be obtained by undercutting competitors on human rights or environmental grounds in global value chains.
4. **To standardise reporting protocols.** This is achieved by setting out requirements for the data and information that is to be collected and the format in which it is to be published. This leads to greater corporate transparency and ultimately drives up standards.

Turning to our **concerns about the ‘Omnibus’ proposal**, these fall into three main categories:

- (i) It is creating further **confusion and false incentives** within the business community.
- (ii) It is **unnecessary**, as the laws are already harmonised and the desired ‘streamlining’ effect on reporting obligations can be achieved through changes on the level of delegated acts as well as effective guidance and member state implementation.

(iii) Given the present context, there is a risk that **reopening the legislation could weaken key elements of the EU Green Deal**, setting back core EU goals by many years, time that we do not have in our fight against climate change and human rights and environmental harms.

1. Confusion and false incentives

- The ‘Omnibus’ has resulted in a great deal of confusion and uncertainty; we are seeing evidence of companies pausing their compliance activity pending a clear resolution to this process.
- The CSDDD, CSRD, and Taxonomy have been under development for several years. Many companies have closely monitored this legislation over time, investing substantial financial, human, and operational resources to establish new procedures and prepare for its implementation. Delaying the enforcement of these legal acts, or diluting their requirements, would penalise companies that have diligently invested and prepared. This creates perverse incentives by rewarding those who have lagged behind in their preparations.
- Whilst there is a degree of complexity to the requirements of the CSRD, CSDDD and Taxonomy, they are increasingly being understood by companies, many of whom are embracing not just the letter of the laws but their spirit, as articulated in the UNGPs and OECD Guidelines. This is leading to improvements in corporate understanding of supply chains and a more collaborative engagement with suppliers. The ‘Omnibus’ risks setting back this progress.

2. Necessity

- The EU Commission talks of an arbitrary target of reducing reporting requirements by 25% and of otherwise ‘streamlining’ legislative requirements. As professionals who regularly interact with or work inside companies that fall within the scope of these laws, we understand and sympathise with the goal of ensuring that requirements related to human rights and environmental aspects are streamlined, integrated and efficient. However, we do not think that reopening the legislative procedures around the CSDDD, CSRD and Taxonomy is required to achieve this. The instruments are already largely harmonised and based on the same principles. Moreover, we must ask why sustainability reporting in particular is being targeted for ‘burden reduction’ while other forms of reporting requirements, including financial, are not.
- The detailed requirements are laid out mainly on a sublegal level and in delegated acts: the ESRS, the delegated acts for the Taxonomy and the (future) CSDDD guidelines. These requirements can be modified without touching primary legislation and could be an effective vehicle for ‘streamlining’ on an ongoing basis.
- We encourage the Commission to issue the CSDDD guidance as soon as possible, as we believe that it will be very helpful to in-scope companies in their preparation for CSDDD implementation, along with providing additional context to member states for transposing the directive into national law.
- To achieve the Commission goal of reducing reporting obligations, it is not necessary to reopen the CSDDD as it does not impose new reporting obligations.

3. Green Deal at risk

- A significant revision of the existing texts would be seen by some as yet another illustration of the inherent weakness of Europe, and would increase the eagerness to push for a review and revision of other pieces of legislation.
- If the ‘Omnibus’ involves reopening the CSDDD, CSRD and Taxonomy, we fear that this could lead to intense calls by those lobbying in favour of the corporate status-quo-

ante to renegotiate core questions about these laws. This could cause the entire Green Deal project to collapse, which we cannot afford in the face of climate change and ongoing human rights and environmental harms.

- The CSDDD, CSRD and Taxonomy were developed jointly by the Commission, Parliament and Council in a transparent legislative process over three years; the result was a compromise all can accept. The 'Omnibus' is being developed just months after the conclusion of this process and within a few weeks, with little or no consultation so far. This is not in line with the transparent procedures that EU law making requires and puts in question the credibility and strength of the EU process.

We do, however, believe there are **improvements that can be made to enhance due diligence and reporting requirements**. None of this requires reconsidering the legislation itself. We suggest that:

- a. The Commission should quickly issue guidance to show how the obligations of the CSDDD, CSRD, Taxonomy and related instruments (Battery Regulation, EUDR and EUFLR) can be implemented in a coherent and integrated corporate process.** For example, this should include describing how the CSRD double materiality assessment and the CSDDD risk analysis (notion of severity) can be interlinked as a unified or modular work stream. It should also be clarified that the rules contained in the CSDDD that protect SMEs from overburdening also apply in the context of the CSRD and ESRS, and the wrong corporate practice of one-size fits all questionnaires should be replaced by questionnaires that are tailored to sector-specific risks and respect SMEs' often limited capacity.
- b. Companies in scope should prioritise more effectively and focus on effective interventions with the highest risk supply chains, and avoid overwhelming SMEs.** The current practice of issuing one-size-fits-all questionnaires and shifting risk and responsibility to SME suppliers is counterproductive and unlawful. It is also the main reason for the perceived overburdening of companies. By prioritising more effectively, companies in scope will reduce the amount of information required of SMEs. The Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) should be adopted as soon as possible to guide companies on this.
- c. In their initial enforcement action, the authorities should prioritise dialogue with companies and all stakeholders.** This would help build good practices and highlight areas for improvement.

We know from climate scientists that we have only a few years left to make significant reductions in our carbon emissions, and we know from numerous studies that human rights violations continue to be widespread. If we are to tackle these issues seriously, we need reliable and secure laws for business. The practical and sublegal implementation of the CSDDD, CSRD and Taxonomy can be iteratively improved. They represent the best hope we have for tackling our shared problems. Let us not undo the great strides forward we have achieved together by prematurely reopening hard-won laws.

Yours sincerely,

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