

Proposed Omnibus Directive: what implications for the CS3D?

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Introduction

Although the road to get there may have been long and bumpy, the European Union (EU) finally adopted the Corporate Sustainability Due Diligence Directive (CS3D or CSDDD) in a trilogue¹ on 24 May 2024. A cornerstone of the European Green Deal², this directive is expected to be transposed into French law by 26 July 2026 at the latest. Its aim is to promote sustainable and responsible corporate behaviour, and to have companies integrate human rights and environmental considerations into their corporate governance activities throughout their value chain, both within and outside the EU. The CS3D complements the French *Loi Devoir de Vigilance* (Due Diligence Law) of 2017 and Germany's LkSG (Supply Chain Due Diligence Act), which came into effect in 2023. It amends these laws to extend their obligations to all European countries.

Barely a few months later, following the election of Donald Trump, his economic policies, the withdrawal of the United States from the Paris Agreement, and in the face of increasingly fierce international competition, particularly from China, the European Commission and its President, Ursula von der Leyen, presented a proposal for an omnibus directive on 26 February 2025. The aim of this proposal, the EU Omnibus Simplification Package, is to amend the major pieces of legislation on sustainable finance and the environment introduced during the previous term, in order to reduce the bureaucratic burden on companies by proposing the simplification of three texts in the name of competitiveness: the CSRD (Corporate Sustainability Reporting Directive), the CS3D and the EU Taxonomy Regulation.

The package adopted by the Commission aims to simplify and drastically reduce the administrative burden on businesses, especially small ones. It aims to cut red tape by 25% and generate savings of at least 6.3 billion euros. It is important to remember, however, that this new legislation must also be formally approved by the Council of Europe and the European Parliament.

The proposal, the content of which we outline below, has not been welcomed by non-governmental organisations (NGOs) in the same way as it has by the business community. The former believe that we are witnessing a legislative unravelling that represents a step backwards in terms of the protection of human rights, the environment and sustainability. The latter welcome the administrative simplification that is essential to maintain the competitiveness of European businesses in the face of fierce international competition.

¹ A trilogue is an informal tripartite negotiation between representatives of the European Parliament, the Council of the European Union and the European Commission.

² The European Green Deal is an action plan to ensure that the European Union becomes carbon neutral by 2050.

1. Key measures proposed in the Omnibus Simplification Package in relation to the CS3D

The package proposes to reduce due diligence requirements. Companies will only have to assess their negative environmental and human rights impacts every 5 years instead of annually. The obligations now focus on direct business partners, which de facto excludes a large part of the value chain. This significantly reduces the scope of the CS3D, as indirect business relationships are no longer covered.

The proposed package also removes certain obligations. First, the duty to terminate business relationships in the event of serious adverse impacts has been eliminated. Companies are encouraged to take a more nuanced approach, such as temporarily suspending the business relationship. The obligation to achieve results in the implementation of climate transition plans has been removed. The requirements in this area are aligned with those of the CSRD, i.e. there is only a best-efforts obligation.

Another consequence is the limitation of consultations and responsibilities. The package proposes to simplify the definition of “stakeholder” by reducing the number of actors considered to be stakeholders. It also limits the cases in which their consultation is mandatory. It proposes an “SME shield” to limit the information that large companies with due diligence obligations can request from smaller companies with fewer than 500 employees, thus reducing the scope of controls. The Commission also proposes to abolish the single European civil liability regime originally introduced in the CS3D. This responsibility would now be transferred to the national level, which could make access to justice more difficult for victims.

Finally, the **Omnibus package would postpone the application of requirements** by extending the transposition deadline for Member States to one year later, on 26 July 2027. The application of the directive to companies with over 5,000 employees and an annual turnover exceeding €1.5 billion would be postponed until 26 July 2028.

2. The Commission's justification for its proposal

The European Commission has put forward several arguments in favour of simplifying the CS3D. Firstly, it believes that a reduction of the administrative burden is necessary and that the due diligence requirements should be streamlined to **minimise the costs borne by companies and to simplify their obligations**. The reduction target is at least 25%. Secondly, such a reform is necessary to **improve the competitiveness of European companies**, in particular vis-à-vis non-European companies that are not subject to the same standards. Thirdly, the Commission wishes to establish clearer and simpler rules to safeguard trade relations. This objective justifies focusing due diligence requirements on direct business partners rather than on the entire value chain. Finally, the simplification is part of a broader move to **harmonise the various existing regulatory frameworks** and avoid redundancy between the different regulations already in place, including the CSRD, the CS3D and the EU Taxonomy Regulation.

3. How NGOs perceive the package

This EU Omnibus Simplification Package, presented as an administrative simplification tool, is perceived by many NGOs as a massive deregulation that could undermine recent progress in protecting human rights and the environment. They feel that **this proposal jeopardises the role of the CS3D in the sustainable transition**. They have several arguments to support this view:

On the one hand, they argue that **the European Commission's Omnibus Simplification Package weakens due diligence obligations and risks jeopardising the protection of human rights and the achievement of climate**

goals. In the absence of obligations, companies may be less attentive to abuses such as child labour or pollution.

They also consider that **this package represents a rollback of an essential element of the European Green Deal**; they regret the lack of consultation by the European authorities on these changes, and they denounce the opacity of the revision process for a piece of legislation adopted less than a year earlier. For them, the timing is inappropriate, as the CS3D is still being transposed and the CSRD has only just entered into force.

In short, NGOs see this proposal as a very serious threat that could undermine the progress made on corporate responsibility to protect the environment and human rights.

4. How companies perceive the package

For companies, the administrative simplification proposed in the Omnibus Simplification Package would bring several important benefits:

Firstly, **time savings** through the **reduction of red tape** and the **elimination of certain regulations**, thereby easing obligations currently considered too burdensome.

Secondly, this simplification of procedures would lead to **financial savings** by reducing administrative management costs: Fondation iFRAP, the French Institute for Research on Administrations and Public Policies, estimates that European standards cost businesses 120 billion euros in 2022³. Companies would also have more time to devote to their core business and their development, which should **improve their competitiveness**.

Thirdly, these simplifications, clarifications and the streamlining of control practices will also **make it easier for companies to understand their obligations, and enhance legal certainty**. In other words, with a clearer and more precise framework, the risk of ambiguity in the interpretation of best practice will be reduced and, as a consequence, legal risk will be eliminated.

In conclusion, companies believe that this package will create a more favourable environment for doing business and for boosting competitiveness in a fiercely competitive global market, while maintaining the objectives of the European Green Deal. This seems to be a necessity in an increasingly tough economic environment.

³ Meistermann, M. Servière, S-F. (2024) [Poids des normes européennes : le chiffrage de la Fondation iFRAP](#). Fondation iFRAP.