1st Omnibus Simplification Package: the EU Commission's proposal risks increasing the burden on business without a positive impact on workers and the environment

amfori, Cascale, Ethical Trade Norway, ETI Sweden, Fair Labor Association, Fair Wear, and Social & Labor Convergence Program (SLCP), with many years of practical experience and bring together over 6.000 members and affiliates, call on EU policymakers to keep the core elements of the EU sustainability due diligence and reporting framework aligned with internationally recognised standards: the UNGPs and the OECD Guidelines. Our initial reflections on the Omnibus are detailed below and will be revisited as the situation develops.

We appreciate the European Commission's efforts to simplify and reduce the administrative burden on European businesses via streamlining the due diligence and reporting requirements. However, this simplification should not come at the expense of reducing the effectiveness of due diligence. We believe the current proposal introduces unintended consequences for risk management through greater unpredictability and complexity, and risks increasing corporate burden and costs while limiting the impact for workers in the supply chain. We urge the European legislators to uphold the core principles of the Corporate Sustainability Due Diligence Directive (CSDDD) and Corporate Sustainability Reporting Directive (CSRD).

Businesses need legal certainty, pragmatic guidance for implementation and a clear signal that the EU sustainability due diligence and reporting framework are two sides of the same coin. Therefore, simplification should be achieved by actively supporting implementation and better articulating how the two Directives are part and parcel of the same. Our key recommendations to EU policymakers are:

1. CSDDD: Proportionate and risk-based approach must be preserved

The EU CSDDD was designed to translate decade-long voluntary standards on responsible business conduct into a mandatory framework. **Maintaining alignment with those very standards remains crucial for businesses**.

The current Omnibus proposal alters the obligation to conduct due diligence based on a proportionate, pragmatic, and continuous risk-based approach grounded in internationally recognised frameworks for responsible business conduct: the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. It introduces arbitrary limits and restricts the scope of the due diligence obligation to cover direct suppliers only - unless a company has plausible information regarding indirect business partners.

Due diligence and supply chain risk management

From our experience, we know that severe risks to people and planet in global supply chains commonly lie beyond direct suppliers - in deeper tiers such as raw material extraction and manufacturing semi-finished products. Effective due diligence and risk management are a continuous process and cannot be achieved by monitoring only certain suppliers once every five years. An arbitrary limitation could expose businesses to more risks and higher costs, with detrimental impacts for workers. If businesses know their supply chain better, they will be better prepared to deal with any problem that might materialise. **Effective risk management, therefore, makes business sense since it reinforces both preparedness and supply chain resilience**. Moreover, by focusing only on direct suppliers, the proposal puts more ambitious companies that invest in transparency and traceability along their supply chain at a disadvantage.

Stakeholder engagement for preventative risk identification and corrective action plans
The proposal removes national human rights and environmental institutions and civil society organisations from the scope of stakeholder engagement with whom companies must carry out meaningful engagement as part of their due diligence efforts. This will significantly reduce the effectiveness of any due diligence – particularly for preventative and correction action plans – as it is exactly these organisations that have the knowledge and experience required.

2. CSDDD: Harmonised enforcement for more legal certainty

EU-wide mandatory due diligence legislation that is implemented in a harmonized way across the EU Member States will translate into greater efficiency, increased clarity of expectations and greater legal certainty for businesses.

The harmonisation should encompass not just the due diligence standard but also the enforcement mechanism attached to it. We see a risk that the current proposal will create a **fragmented litigation landscape and legal uncertainty** compared to the adopted version.

3. CSRD: Create certainty for businesses that have invested in CSRD reporting

By narrowing the scope of the CSRD, 80% of companies subject to it will no longer be included. This significant reduction means that even companies that have been reporting on sustainability under the Non-Financial Reporting Directive and those that have been preparing and investing for reporting according to the new standards will now be exempt. This goes against the Commission's and experts' assessment that more sustainability information is needed. It also sends the wrong signals to companies that have been heavily investing and preparing for reporting under the CSRD. They are now confronted with legal uncertainties and internal struggles. Reports argue that business see due diligence as a strategic opportunity[i] and do not feel overburdened by reporting obligations[ii].

The Omnibus proposal aims to limit the "trickle-down effects" of the CSRD on companies that are not required to report on sustainability. While this proposal was designed to ease the burden on SMEs, it risks hindering harmonization with other EU regulations (such as EUDR, FLR, Battery Regulation, CMR) which de facto require companies to work with their suppliers and collect value chain information. Moreover, the emphasis on simplifying datapoints by prioritising quantitative datapoints carries the risk of diluting social metrics which are predominantly qualitative.

Simplifying due diligence and reporting requirements can be achieved without moving away from the spirit of international standards on responsible business conduct. We call on the co-legislators to engage with our organisations to make the simplification exercise both effective and meaningful.

Signatories

amfori, 2400 member companies
Cascale, 309 member companies
Ethical Trade Norway, 215 members
Ethical Trading Initiative (ETI) Sweden, 51 members
Fair Labor Association, 2660 members and affiliates
Fair Wear, 130 member companies
Social & Labor Convergence Program (SLCP), 269 signatories

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[i] Report by the Handelsblatt Research Institute analysing German companies confirmed that the majority of businesses was supportive of due diligence and saw strategic opportunities: https://research.handelsblatt.com/wp-content/uploads/2024/10/2024_HRI_Creditreform_LKSP.pdf

[ii] Evaluation report by KPMG on the Norwegian Transparency Act: https://www.regjeringen.no/contentassets/01d712ab61f340bb9321b40ceeb80a36/review-of-the-norwegian-transparency-act.pdf