



# Key Implications of the First Omnibus Package on the Corporate Sustainability Due Diligence Directive

## INTRODUCTION

On 26 February 2025, the European Commission (“**Commission**”) published the first set of its long-awaited “Omnibus” packages which aim to simplify EU sustainability reporting regulations, including the Corporate Sustainability Due Diligence Directive (“**CSDDD**”). The Commission hopes that the package will improve the EU’s competitiveness as a place of doing business, thereby encouraging growth and increasing its economic security. The package consists of three proposals: (i) [Omnibus IA](#) which proposes a postponement to the CSDDD (amongst other Regulations); (ii) [Omnibus IB](#) which proposes substantive changes to the CSDDD (amongst other Regulations); and (iii) [Omnibus II](#) which proposes simplifications to EU investment programmes such as [InvestEU](#). At the same time, the Commission also published [proposed](#) amendments to delegated acts under the EU [Taxonomy Regulation](#) and a [proposal](#) for a regulation simplifying the EU’s Carbon Border Adjustment Mechanism.

Of these sustainability regulations, the CSDDD is of particular interest given the impact of its mandatory due diligence obligations on companies operating in the EU. In sum, the CSDDD requires EU and non-EU companies (which meet the thresholds set out below) to conduct due diligence on the adverse social and environmental impacts in their supply chains and establishes a framework for liability for breach of these due diligence obligations. Below is a table setting out the main aspects of the CSDDD, as it currently stands, as well as the key changes proposed by the Commission. We also set out our thoughts on the broader implications of these changes for businesses operating in the EU.

## KEY CHANGES

	CSDDD	Proposed Changes
Covered entities	<p><u>EU companies (incl. parent companies):</u></p> <ul style="list-style-type: none"> <li>with <b>1000+ employees</b> and net worldwide turnover of <b>EUR 450 mln+</b> (“<b>general threshold</b>”); or</li> <li>which enter into certain franchising or licensing agreements where the royalties amount to more than <b>EUR 22,5 million+</b> and they have a net worldwide turnover of <b>EUR 80 million+</b> (“<b>royalties threshold</b>”).</li> </ul> <p><u>Non-EU companies (incl. parent companies):</u></p> <ul style="list-style-type: none"> <li>with net EU turnover of <b>EUR 450 mln+</b> (“<b>general threshold</b>”); or</li> <li>which enter into certain franchising or licensing agreements where the royalties amount to more than <b>EUR 22,5 million+</b> and with an <b>EU turnover</b> of EUR 80 million+ (“<b>royalties threshold</b>”).</li> </ul>	No changes proposed.

	CSDD	Proposed Changes
	Financial undertakings included (if they meet one of the criteria listed above) but only concerning their <b>upstream</b> activities. <b>Review clause</b> on potential additional sustainability due diligence requirements tailored to regulated financial undertakings.	Review clause removed.
Scope of the obligations	Applies to <b>upstream</b> and <b>partially to downstream</b> business partners in the covered entities' "chain of activities" (i.e. distribution, transport and storage).	No changes proposed.
	Applies to <b>direct</b> and <b>indirect</b> business partners.	Applies to <b>direct</b> business partners unless (i) there is "plausible information" that suggests an adverse impact at the level of the operations of an indirect business partner or (ii) the indirect nature of the relationship results from an artificial arrangement that does not reflect economic reality. Covered companies must still seek contractual assurances from their direct business partners that they will ensure compliance with its code of conduct by establishing corresponding contractual assurances from their business partners (contractual cascading).
Main obligations imposed on covered entities	<b>Integrate</b> risk-based due diligence into company policies and risk management systems and <b>communicate</b> due diligence policy (including an annual statement).	No changes proposed.
	<b>Identify and assess</b> adverse environmental and social impacts in their own operations, those of their subsidiaries and business partners in their chain of activities through mapping and carrying out in-depth assessment of adverse impacts which are most likely to occur and are most severe.	Imposes limits on the <b>information</b> companies can ask of direct business partners with fewer than 500 employees during the mapping exercise.
	Take steps to <b>prevent, bring to an end and remedy</b> adverse impacts including establishing a notification and complaints procedure and, as a last resort, terminating business relationships.	Covered entities are no longer expected to <b>terminate</b> business relationships where they cannot prevent or bring to an end an adverse impact (instead, they would be expected to <b>suspend</b> business relationships).
	<b>Consult</b> with "stakeholders" when: (i) identifying, assessing and prioritising adverse impacts; (ii) developing prevention and corrective action plans; (iii) terminating or suspending business relationships; (iv) adopting remediation measures; and (v) developing monitoring indicators.	<ul style="list-style-type: none"> <li>Companies will only need to consult "relevant" stakeholders.</li> <li>Consultation is no longer necessary when deciding to suspend business relationships or developing monitoring indicators.</li> <li>Narrower definition of "stakeholders".</li> </ul>
	Periodically assess and monitor their operations and due diligence measures, and those of their business partners in their chain of activities, <b>every year</b> (and on an <i>ad hoc</i> basis where there are reasonable grounds).	Periodic assessment and monitoring expected <b>every 5 years</b> (and on an <i>ad hoc</i> basis where there are reasonable grounds).
Climate transition plans	Companies must <b>adopt and put into effect</b> a transition plan for climate change mitigation.	Companies must <b>adopt</b> a transition plan for climate change mitigation, including implementing actions.

	CSDD	Proposed Changes
Civil liability	Member States must establish <b>civil liability</b> for damage caused intentionally or negligently by natural and legal persons who fail to comply with the due diligence obligations.	Removes EU-wide civil liability scheme. Instead, Member States will decide whether to impose civil liability for failure to comply with the due diligence requirements.
Penalties	Member States must provide for effective, proportionate and dissuasive penalties, including pecuniary penalties in line with a detailed list of factors to consider when imposing penalties and public statements where <b>fines</b> are not paid. Where fines are imposed by a Member State, their maximum limit must not be less than <b>5%</b> of the company's net worldwide turnover.	The provision imposing a minimum maximum fine limit and requiring fines to be based on companies' net worldwide turnover has been removed. Instead, the Commission will, in collaboration with the Member States, develop <b>fining guidelines</b> .
Level of harmonisation	<ul style="list-style-type: none"> <li>Member States cannot diverge from provisions which require companies to identify, assess, prevent and bring to an end adverse impacts.</li> <li>Member States can enact more stringent (but not less stringent) rules for the other provisions.</li> </ul>	<ul style="list-style-type: none"> <li>Member States cannot diverge from provisions which require companies to identify, assess, prevent and bring to an end adverse impacts (including the criteria for doing so), nor those allowing due diligence support at a group level and requiring a notification mechanism and complaints procedure to be established.</li> <li>Member States can enact more stringent (but not less stringent) rules for the other provisions. This can relate in particular to "regulating specific products, services or situations".</li> </ul>
Implementation timeline	<ul style="list-style-type: none"> <li><b>26 July 2026:</b> transposition deadline.</li> <li><b>26 January 2027:</b> publication of best practices guidance deadline.</li> <li><b>26 July 2027:</b> application to EU companies meeting the general threshold with <b>5000+ employees</b> and net worldwide turnover of EUR 1.5 bln+ or non-EU companies with net EU turnover of <b>EUR 1.5 bln+</b>.</li> <li><b>26 July 2028:</b> application to EU companies meeting the general threshold with <b>3000+ employees</b> and net worldwide turnover of <b>EUR 900 mln+</b> or non-EU companies with net EU turnover of <b>EUR 900 mln+</b>.</li> <li><b>26 July 2029:</b> application to all other covered entities.</li> </ul>	<ul style="list-style-type: none"> <li><b>26 July 2026:</b> publication of best practices guidance deadline.</li> <li><b>26 July 2027:</b> transposition deadline.</li> <li><b>26 July 2028:</b> application to EU companies meeting the general threshold with <b>3000+ employees</b> and net worldwide turnover of <b>EUR 900 mln+</b> or non-EU companies with net EU turnover of <b>EUR 900 mln+</b>.</li> <li><b>26 July 2029:</b> application to all other covered entities.</li> </ul>

## KEY IMPLICATIONS

At the outset, the "Omnibus" package is notable because it marks a complete change in the Commission's rhetoric surrounding sustainability obligations. It highlights the growing tension between the EU's competitiveness and climate goals, with competitiveness appearing to take the upper hand in this increasingly uncertain geopolitical environment. It casts a shadow over other European Green Deal legislation as the Commission prepares other "Omnibus" packages. Nonetheless, for the reasons set out below, it is debatable whether, when looking more closely at the detail of the proposal, the proposed changes will be sufficient to achieve the Commission's aims.

- There is continued uncertainty surrounding the CSDDD's application to indirect business partners. Despite the Commission's proposed changes, businesses will not be able to ignore these indirect businesses relationships. In particular, companies will still be expected to conduct checks on indirect business partners where there is "plausible information" (a notion which in the absence of specific definition may be subject to different

interpretations) indicating adverse impacts at this level of their supply chains. Companies will also always need to be alert to the possibility that their direct business partners have been created for the purpose of circumvention. Moreover, it is still expected that companies use due diligence clauses in contracts throughout supply chains, indirectly extending the scope of the CSDDD.

- There remains a risk of divergent implementation: the Commission's proposals take steps to ensure a more consistent implementation of the CSDDD throughout the EU Member States, notably through expanding the scope of provisions from which they cannot diverge. However, the proposed amendments also create new aspects upon which the EU Member States can diverge, leading to complexity for companies operating across borders. For example, the "plausible information" threshold is vague and might be interpreted differently by competent national authorities. Likewise, if the EU-wide civil liability is removed, as the Commission proposed, there is a risk of differing approaches between EU Member States – an issue which the CSDDD was designed to avoid.
- There remains a tight timeline for implementation: The Commission claims that, through postponing the date for the first companies which must comply with the CSDDD by one year until 26 July 2028 and bringing forward to 26 July 2026 the publication of best practices guidelines, companies will be given at least two years to prepare for the CSDDD. However, there are still many guidelines documents which will not be published until later, such as model contractual clauses or the climate transition plan guidance which will not be adopted until 26 January 2027 and 26 July 2027, respectively.

In sum, companies should continue to prepare for implementation of the CSDDD as, even if these simplifications are adopted, covered companies will need to conduct due diligence. Moreover, there remains a question mark over whether these proposals will be adopted by the European Parliament and the Council of the EU and, if so, in what form. Both institutions will now consider the proposals, adopt their internal positions (which may include further amendments) and enter negotiations. It cannot be excluded that while the proposed delay (Omnibus IA) might be adopted relatively quickly, finding an agreement on the substantive changes (Omnibus IB) will require additional time. Recommended next steps for companies include continuing to map their supply chains, preparing due diligence policies, drafting new contractual clauses and monitoring closely the legislative developments.

## KEY CONTACTS



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