

ERCST Reflection Note

*Omnibus Simplification
Package: CSRD, CSDDD -
Where Do We Stand?*

Authors

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1. Introduction

The proposed Omnibus simplification package, intended to alleviate administrative burdens and enhance legal clarity of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D), is raising fundamental questions about the purpose, scope, and future of corporate sustainability regulation in Europe. While the ambition to streamline reporting goes in the right direction, the risk remains that simplification becomes a euphemism without delivering significant or meaningful regulatory improvements.

This Reflection Note aims to discuss key remarks and considerations that emerged from ERCST event ‘Omnibus Simplification Package: CSRD, CSDDD - Where Do We Stand?’ which took place on July 16, 2025.

2. Outstanding key issues

- Article 22 and transition plans for climate change mitigation: the requirement under CS3D to adopt transition plans “compatible with the 1.5°C trajectory” introduces legal uncertainty. The Paris Agreement sets a global objective that should be pursued at the national level. While companies can contribute to this goal, the burden of developing a plan compatible with the 1.5°C trajectory results inappropriate¹.
- Ambiguity of the term “best efforts”: the use of “best efforts” in relation to transition plans implementation risks being interpreted as an obligation of result in some legal systems. If the intent is to establish an obligation of means, this should be clearly reflected in the text, not in recitals only.
- Role of supervisory authorities: the role of supervisory authorities in assessing and potentially intervening in corporate transition plans might raise concerns about interference with companies’ strategic autonomy.
- Extraterritorial application of CS3D: the directive potentially applies to non-EU parent companies and affiliates with no operational nexus in the EU. This overreach creates friction with international partners and may expose companies to disproportionate compliance risks.
- Civil liability provisions: broad and vaguely defined liability risks, especially in cross-border contexts, may lead to legal uncertainty and discourage investment rather than enhancing due diligence.
- Fragmentation risk within the EU single market: without strong harmonisation, national variations in interpretation and enforcement could create regulatory divergence and undermine the level playing field in the EU.

¹ As ERCST has argued in its paper ‘OMNIBUS SIMPLIFICATION PACKAGE: CSRD and CSDDD’ It is also important to note that the Agreement’s goals are not focused on limiting warming to 1.5°C; instead, the aim is to “hold the increase in the global average temperature to well below 2°C, while pursuing efforts to limit the increase to 1.5°C.

3. What does simplification exactly mean?

Simplification has become the central promise of the Omnibus package, but the term itself appears both overused and underdefined. Simplification is often understood as cutting red tape and reducing administrative burdens. Yet in practice, its interpretation can span from minor technical changes to the structural removal of reporting obligations for segments of the economy. Without a shared understanding of what simplification entails, there is a risk that it is used to justify policy decisions that weaken regulatory coherence or fail to deliver meaningful improvements². Looking at the EU Commission proposal, EU Council position and EU Parliament rapporteur's draft report simplification can be interpreted as follows:

1. A change in the scope of the Directives, leading to the removal of certain categories of companies from reporting and due diligence obligations. The original text of the CSRD approximately covered 47,000 companies. Looking at the proposed changes to the CSRD scope:
 - A threshold of 1,000 employees plus either €50 million in turnover or €25 million in total assets, as proposed by the European Commission, would reduce this to about 9,235 firms (-80%).
 - A threshold of 1,000 employees and €450 million in worldwide turnover, as proposed by the Council, would further reduce the number to approximately 4,870 companies (- 90%).
 - A threshold of 3,000 employees, as proposed by the European Parliament rapporteur, would narrow the scope to around 3,000 businesses (- 94%)³.
2. Adjustments to existing requirements reducing the number of data points, clarifying definitions, simplifying overly complex provisions with the aim to improve legal clarity and usability without altering core obligations. When structural reform proves too difficult, simplification often comes through technical tweaks, but these rarely deliver significant relief in terms of administrative effort or compliance costs.
3. Beyond scope and technical fixes, simplification also invites a broader reflection on the role of public regulation in sustainability governance. With many companies already following international standards such as the ISSB, SBTi, or OECD guidelines, the added value of EU-specific regulation must lie in enhancing consistency, credibility, and comparability. If legislative frameworks instead introduce fragmentation or diverge from global regulations, they may unintentionally weaken market trust and investor confidence.

² In its previous paper 'OMNIBUS SIMPLIFICATION PACKAGE: CSRD and CSDDD' ERCST argued that beyond the content of the laws to be included in the Omnibus package, there are also several doubts around what "simplification" might imply. It might at least mean:

- Technical simplification: i.e., limited amendments across several legal acts, revisions to the legal wording, harmonization of legal definitions, elimination of legal inconsistencies, clarification of the legislator's intent through recitals, streamlining obligations, or eliminating complex wording or provisions.
- Political simplification: i.e., more substantive changes due to a growing political desire to revisit the requirements for sustainability reporting and due diligence generally in the name of European competitiveness. Non-EU countries affected by EU reporting obligations may also turn to their political leaders to apply pressure in an effort to reduce these burdens.
- Cosmetic simplification: e.g., a delay in implementation without achieving any reduction in the scope of reporting, or a change to thresholds to achieve a reduction of companies in scope, but with no reduction in the scope of value chain reporting.

³ 'Scenarios for CSRD Scope Amendments – Advancing Reporting Scope While Reducing Further Burden', A. Rasche & others - Available at [link](#)

4. Role of the government

As previously mentioned, simplification efforts under the Omnibus package aim to streamline regulatory frameworks to reduce unnecessary burdens. However, it is essential that these simplifications avoid introducing elements of central planning or a level of state intervention that exceed what is appropriate for a functioning market economy. Excessive government involvement risks undermining the flexibility companies need to adapt swiftly to rapidly evolving technological, economic, and market conditions.

State intervention in corporate management is incompatible with the dynamic realities of modern markets. Similarly, supervisory authorities should not overreach by overseeing compliance in a way that secures management decisions. Such overextension risks stifling creativity, innovation, and competitiveness.

The government's role should therefore focus on creating clear, stable, and proportionate regulatory frameworks that ensure a level playing field while enabling businesses to innovate and compete effectively. Simplification should ensure regulatory coherence and reduce fragmentation, providing businesses with the clarity and predictability necessary for confident investment and strategic decision-making.

5. Conclusions

- While simplification is the central aim of the Omnibus package, the concept remains vague and open to multiple interpretations. Generally seen as reducing bureaucracy and easing administrative burdens, its meaning can vary from small procedural tweaks to eliminating major reporting requirements. It is essential that simplification brings about meaningful change by tackling inefficiencies, rather than relying on superficial adjustments that neither produce significant impact nor boost competitiveness.
- Excessive complexity and overlapping rules have created legal uncertainty, compliance burdens, and disincentives for business innovation and investment in the EU. Simplification efforts under the Omnibus package seek to streamline regulatory frameworks and cut unnecessary burdens. It is crucial that these efforts avoid introducing elements of central planning or excessive state intervention that go beyond what is appropriate for a well-functioning market economy.
- Key priorities should include (i) removing duplicative and disproportionate requirements that hamper competitiveness; (ii) clarifying the scope of obligations, particularly around due diligence, liability, and extraterritoriality; (iii) Assessing the rationale and the viability of transition plans for climate change mitigation compatible with the 1.5°C Paris Agreement target, with a view to revising or withdrawing them if/where appropriate.