

ANNEX:

As the leading business organisations from France, Germany and Italy, we welcome your commitment to prioritize simplification and burden reduction. Swift and strategic action is essential to foster investment in innovation and the sustainable transition, creating growth, quality jobs, and achieving the Green Deal objectives. In this regard, we strongly support your recent announcement of an Omnibus regulation to streamline and simplify key regulations:

On Corporate Sustainability Due Diligence Directive (CS3D):

The CS3D imposes burdensome provisions in terms of scope, applicable rules, liability and sanctions, causing legal uncertainty, excessive bureaucracy and incalculable risks for companies. To ensure businesses can adapt effectively and thrive, we recommend the following:

- **Suspend the implementation of CSDDD** to evaluate its cumulative impact, alongside CSRD, taxonomy regulations, and anti-deforestation measures, on European competitiveness. Then, it is essential to **conduct a comprehensive and detailed competitiveness assessment of the directive in consultation with businesses to identify and address areas for simplification**. Revise or repeal the directive if necessary to prevent market fragmentation and safeguard competitiveness.
- **Restrict the scope to large enterprises over 5,000 employees and an annual turnover above €1.5 billion**. Smaller entities often lack the financial and human capital to fulfil these stringent requirements, and this adjustment will promote a more balanced and feasible implementation.
- **Limit due diligence responsibilities to the direct suppliers (tiers -1) with whom businesses have direct contractual and thus influential relationships**. Moreover, purely European supply chains must generally be assessed as low risk and a so-called whitelist for countries with a high level of law enforcement must be introduced.
- **Remove civil liability provision to avoid excessive liability risks and uncertainty**. Companies cannot be held accountable for harm caused by business relationships they cannot fully control, and where many other actors in third countries are involved. We also advocate for caution when it comes to granting far-reaching litigation powers to bring claims against EU companies before the courts. Access to justice should be limited to the directly affected party.
- **Remove turnover-based financial penalties and focus on remediation and cooperative compliance measures to promote innovation and resilience**.
- **Eliminate or at least clarify Article 22 on climate objectives as an obligation of means, not results, ensuring business are not held accountable for factors beyond their control**. The current wording creates legal uncertainty.
- **Shorten and simplify obligations listed in Annex I** (especially in environmental protection agreements). The requirements should be streamlined to rules aligned the UN Guiding Principles.
- **Create a real maximum harmonization clause** and avoid further internal market fragmentation with 27 different regimes, which would be costly and burdensome for companies.

It is essential to delete Article 4, paragraph 2, to prevent Member States from introducing divergent rules and doing gold plating.

- **Avoid “cut and run” practices in certain regions of the world or certain areas of business by removing the obligation to suspend or terminate a contract.** The CSDDD will make the necessary diversification and resilience of supply chains in critical technologies much more difficult and will tend to lead to a withdrawal from difficult markets due to unimplementable requirements linked to liability risks.
- **Exempt financial institutions’ clients from mandatory due diligence on their clients,** as this creates impractical requirements, hinders competitiveness by leading to higher costs for clients and reducing investment in critical sectors.

On Corporate Sustainability Reporting Directive (CSRD):

The directive requires reporting on up to 1,100 data points, with 70% being narrative disclosures. These disclosures are complex to prepare, less comparable and impose significant challenges, particularly for medium-sized companies. Furthermore, SMEs, that are not directly subject to reporting requirements, receive a lot of heterogeneous data requests from business partners. This results in high costs and burdens for both large, globally active companies, and SMEs, placing them at a competitive disadvantage internationally. To address these issues and maintain competitiveness, targeted adjustments are essential:

- **The first-time application for new companies subject to reporting requirements should be postponed by at least two years** so that companies have more time for implementation, in the light of the feasible changes under discussion.
- **The scope of application of the CSRD must be significantly reduced.** This could be based on the current scope of application of the CS3D (1000 employees or more and net sales of more than 450 million euros).
- **The bureaucratic burden on companies envisaged under the CSRD must be greatly reduced.** This includes a significant reduction in the (primarily qualitative) data points and a concentration on a few key indicators that are relevant to management. Furthermore, the development of further sector-specific standards should be frozen.
- **The value chain approach (‘trickle-down’ effect) must be severely limited** by making enquiries in the value chain not necessary until at least 2027. Moreover, only direct suppliers (tier 1) outside of the company's own business activities should have to be considered. As non-listed SMEs generally do not have comparable capacities to listed SMEs, the so-called ‘value chain cap’ should be lowered from the current LSME-standard to the VSME-standard.
- **The various sustainability-related reporting obligations must be brought together and reduced** in the sense of a ‘once-only’ principle.

On Taxonomy

The central purpose of the taxonomy, providing relevant and easy-to-use information to capital markets on economic activities, has not been fulfilled, due to major design flaws. The burden for companies in almost all fields is clearly huge and out of proportion. Therefore, substantial changes are warranted.

On Carbon Border Adjustment Mechanism (CBAM):

Concerning CBAM, we understand that the Omnibus proposal will focus on the issue of excessive administrative burdens associated with its implementation. In our view, this must include establishing a higher *de minimis* threshold (currently €150) directly in the CBAM Regulation and independent of the Union Customs Code, as the administrative costs are often disproportionate in relation to the climate impact of small shipments of CBAM goods. Moreover, many businesses are faced with uncertainties regarding suppliers' ability or willingness to provide reliable emissions data, making it essential to allow the use of default values for the entire transition period, especially for low-value imports. Further simplifications should include allowing semi-annual instead of quarterly reporting, extending submission deadlines to two months after the end of each reporting period, and allowing companies with Authorised Economic Operator (AEO) status to be automatically eligible for authorisation as CBAM Declarants.

However, beyond these implementation challenges, CBAM faces numerous structural issues, making it unlikely (in its current form) to effectively mitigate carbon leakage risks, thereby threatening to undermine the competitiveness of EU industries. This is primarily for two main reasons: (i) EU industries exporting goods outside the Union would face a competitive disadvantage in external markets due to higher carbon costs; (ii) CBAM could be easily circumvented through imports of downstream products or 'resource shuffling'. Additionally, the new mechanism would negatively affect EU downstream industries by increasing the costs of input materials. The lack of straightforward solutions makes the situation even more difficult. In fact, acting within the CBAM – for instance by extending its scope to downstream sectors to prevent circumvention – can sometimes be prohibitively costly, overly complex, or simply unfeasible due to limited access to necessary data. Similarly, there are concerns about the compatibility of an export solution with WTO law. However, despite these challenges, inaction cannot be an option, as “the outcome of ‘doing nothing’ would be loss of the EU’s industrial base”.¹ Therefore, should CBAM prove to be ineffective in preventing carbon leakage, the Commission should follow the Draghi Report and “evaluate whether to postpone the reduction of free ETS allowances”.²

¹ [1] ERCST (2024): [Including products further down the value chain in the EU CBAM](#), p. 11.

² [1] Draghi Report, Part B (2024): [The future of European competitiveness](#), p. 110.