



STAR Network

MINI ARTICLE

HREDD OMNIBUS PROPOSAL Need to Know for Suppliers

26-Feb-2025 EU Omnibus Package Impacts on CS3D & CSRD



The CSRD & CS3D ensure EU businesses contribute to sustainability goals & implement Human Rights & Environmental Due Diligence (HREDD). **At a high level: CS3D mandates EU companies perform due diligence, CSRD mandates them to report their performance on it & other sustainability activities.** Both are part of the wider EU Green Deal.

What is the CS3D?

The Corporate Sustainability Due Diligence Directive (CSDDD, or CS3D) promotes responsible corporate behaviour. Approved on 24-Apr-2024, and enacted on 25-Jul-2024, **it legally mandates large EU companies to identify & address adverse impacts on human rights and the environment throughout their supply chain.** They are responsible for their supplier factories and will ask more of them! This involves:



Identifying & Addressing Risks to human rights and the environment in their operations and supply chains



Adopting Climate Plans that align with the goal of achieving climate neutrality by 2050.

Who needs to Comply?



Large EU Companies: Companies with 1,000+ employees and global turnover exceeding EUR 450 million.



Large Non-EU Companies: Those with a net turnover of more than EUR 450 million within the EU in any sector.

What is the CSRD?

The Corporate Sustainability Reporting Directive (CSRD) was approved on 10-Nov-2022 and enacted 05-Jan-2023. **It mandates relevant companies to report on how they implement sustainability practices and due diligence.**

Omnibus Changes to CS3D & CSRD

The European Commission introduced the **"Omnibus Proposal" on 26-Feb-2025** to amend and simplify the CS3D and CSRD. MEPs then voted to "stop the clock" on 03-Apr-2025. The proposal reduces the administrative burden of CS3D & CSRD implementation. It means most companies and their suppliers have longer to prepare for full implementation.

Key Changes to CS3D

1

Value Chain Scope

There is now a limitation to direct (1st tier) business partners - indirect partners are only in scope if there is "plausible information".

2

Disengagement

There is now no obligation to terminate supplier relationships when faults are found - only to place suspensions if necessary.

3

Impact Monitoring

If no significant change in risk profile occurs (e.g. no new big supplier), impact monitoring is only required every five years.

4

Stakeholder Engagement

The definition of "meaningful stakeholder dialogue" is reduced. Notably, this makes disengaging from a non-compliant supplier easier.

5

Civil Liability

Companies can still be sued if they fail their due diligence obligations, but under national laws only.

6

Enforcement at National Level

There is now no harmonised (EU-wide) system of penalties for failing due diligence obligations. Penalties are set at national level.

7

Requesting Information

There will be fewer requests for information from EU authorities for EU companies under 500 employees.

8

Climate Plans

Affected EU companies must still create a climate transition plan, but there is no legal enforcement for not meeting it.

Key Changes to the CSRD

Expanded CSRD reporting already began for ~11,700 companies previously subject to the Non-Financial Reporting Directive (NFRD – Directive 2014/95/EU), **but the Omnibus Proposal also affects the CSRD:**

Reduction of Company Scope

To companies that meet any two criteria:

1) More than 1,000 staff; 2) 50 Mio. EUR turnover; 3) 25 Mio. EUR balance sheet total.

Note: ~10,000 new companies in scope.

EU SMEs Exempted from Reporting

Listed SMEs (some ~700) are for now exempt from CSRD reporting requirements.

Information requests limited

EU authorities are strictly limited to making information requests only to in-scope companies.

Cross-sector standards reduced

There will be fewer quantitative data points that EU companies have to report against, creating an overall lighter reporting load.

Sector-specific standards removed

The plan to create specialised ESG standards for each sector (textiles, agriculture) has been cancelled for now.

Extended Deadlines

A key change is the extension of the *transposition* (when EU Member States must translate the directives into national law) and *application* (when companies must act) deadlines:

For CS3D

- **Transposition Deadline:** Now Jul-2027.
- **Application Deadline:** Now Jul-2028 & 2029, depending on company size. Other large companies start in Jul-2028.

For CSRD

- First wave reporting for the ~11,700 EU NFRD companies has already begun.
- Second wave (~10,000 large companies with 1,000+ staff, 50 Mio turnover, 25 Mio. balance sheet) are not required to report until 2028. Publicly listed SMEs are now exempt from reporting.

German Coalition Agreement

In line with the Omnibus Proposal, the German government has also amended its national Supply Chain Due Diligence Act (LkSG). The LkSG will be replaced by a new law on international corporate responsibility, aligning with the CS3D.

Reporting obligations under the LkSG are immediately abolished, and the government supports the Omnibus Proposal to reduce regulatory burdens, especially for SMEs.

Conclusion

Mandatory EU HREDD is still a reality, anchored by the CS3D and CSRD. These laws *are* moving forward - suppliers who want to stay competitive in the EU market must be ready. Wave 1 of CSRD reporting is already underway for the largest EU companies (~11,700), Wave 2 is postponed but will still affect ~10,000 additional companies by 2028.

The 26-Feb-2025 Omnibus Proposal gives more time & significantly simplifies requirements, but due diligence expectations are still rising. Big EU companies will legally require strong, transparent supply chains - and will hold their suppliers to account (or they themselves risk legal penalties). Other states are planning similar legislation.

Our message to STAR suppliers: use this pause wisely and stay one step ahead!