Luxembourg, 13 May 2025

FEDIL Position Paper

On the Commission's proposal amending the CSRD, the CSDDD and the EU Taxonomy

1. Introduction

This position paper presents FEDIL's views on the substance of the European Commission's proposal for a Directive amending Directive 2006/43/EC (Audit Directive), Directive 2013/34/EU (Accounting Directive), Directive 2022/2464/EU (Corporate Sustainability Reporting Directive, CSRD), Directive 2024/1760/EU (Corporate Sustainability Due Diligence Directive, CSDDD), and certain EU Taxonomy Delegated Acts, all under the Omnibus I package (the "**Amendment Directive**"). It addresses key content revisions to these legislative frameworks at the EU level, as well as associated implementation challenges.

FEDIL welcomes the Commission's efforts to streamline and simplify sustainability-linked rules, while remaining ready to contribute to achieving the objectives of these legislations. However, we encourage extending this simplification and harmonisation agenda to the broader EU sustainable finance framework, including the Sustainable Finance Disclosure Regulation (revision expected), the Benchmark Regulation, the Capital Requirements Regulation, and the Capital Requirements Directive. Simplification should be guided by access to reliable, standardised sustainability data, as data gaps remain a structural barrier to effective compliance, particularly under the CSRD.

Given that additional EU sustainability-linked measures (e.g. the revision of the SFDR) and Omnibus packages are expected and that revision of other level-two regulations will require time (e.g. revision of the ESRS), FEDIL urges a sequenced and coordinated legislative strategy to reduce regulatory overlap and uncertainty. It is essential that resulting texts promote coherence across compliance regimes and ensure that regulatory requirements remain consistent, user-friendly, and supportive of the competitiveness of EU companies. Clarity and predictability in implementation are key to preventing legal uncertainty, investment hesitation, and operational fragmentation across the Single Market.

2. On the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards

a. Wave 1 companies and transitional arrangements

Wave 1 Companies

As regards Wave 1 companies, our members consider disproportionate requiring such companies to report sustainability information for FY2024 and/or FY2025 under the original CSRD/ESRS framework, when simplifications are imminent. Specific reliefs or transitional mechanisms should be introduced to avoid premature compliance burdens and ensure companies benefit from upcoming revisions. In this regard, we consider the European Commission's proposal to amend Article 5(2) of the CSRD to be much more appropriate than the version circulated by the Council, as it would enable Wave 1 companies to begin reporting on 1 January 2027.

FEDIL also calls for clarity that no retroactive effect whatsoever shall be foreseen for the reporting periods preceding the entry into force of CSRD in the relevant Member States.

Voluntary reporting

Pending the implementation of the Stop-the-Clock in the countries that have transposed CSRD, clarity is needed on the legal value of voluntary ESRS reporting by companies awaiting final confirmation of their inclusion in scope. FEDIL recommends EU-level recognition of such reporting as viable compliance measure for: (i) discharging consolidated reporting obligations at EU-parent company level regardless of the transposition of CSRD into the national law of such consolidating parent and (ii) fulfilling preexisting reporting obligations under the NFRD, the Transparency Directive, and the EU Taxonomy. In any case, voluntary reporting should not expose companies to enforcement nor sanction risks. Harmonisation shall be achieved to avoid different reporting/consolidation and assurance requirements pending the approval of the Amendment Directive. The Commission should issue formal guidance confirming this and promote consistency with assurance expectations, thus ensuring a level playing field without disproportioned burdens in this interim phase.

b. Standards review (Set 1 ESRS)

FEDIL welcomes the planned revision of sector-agnostic standards and calls for:

(i) clarification of EFRAG's plans in the upcoming review,
(ii) a longer and more comprehensive stakeholder consultation in the revision process,
(iii) narrowing down the number of datapoints and the narrative elements of the ESRS, and
(iv) explicit guarantees of continued interoperability with global standards (e.g. ISSB, GRI).

The Commission should uphold the "Once-Only" principle by eliminating duplicative disclosures within the ESRS and across other EU legislation.

c. Voluntary sustainability reporting standards for SMEs and "value chain cap"

FEDIL supports the development of voluntary sustainability reporting standards for SMEs (VSMEs). FEDIL welcomes the intended limitation of the trickle-down effect for non-CSRD companies. However, the proposed regime for the "value chain cap" fails to consider the operational needs of interested undertakings

and lacks clarity on how companies shall approach data gathering in such context. Clarity, more detailed provision and regulatory guidance are needed in this respect.

d. Phased-in application and other considerations on the revised scope

FEDIL acknowledges the proposed reduction in scope under the Amendment Directive for EU entities and parents, notably as regards the 1,000-employee threshold.

Considering that this proposed amendment is subject to continuous negotiation, in case the amendment shall not be confirmed, FEDIL calls for a progressive, phased-in application of CSRD obligations and sanctions. Specifically, Wave 1 companies with less than 1,000-employees shall have a phased-in application of CSRD obligations, given the limited visibility on the timing of the adoption of the Amendment Directive and the short timeframe such companies will have available to implement compliance measures thereafter.

In any case, to ensure consistency and prevent companies from shifting in and out of scope due to minor fluctuations in employee numbers, the 1,000-employee threshold shall be assessed over two consecutive years' balance sheet dates.

Clarity is needed as to whether the threshold "on a consolidated basis" refers to the same consolidation regime companies use for their financial statements. Doing so would make scoping easier and help maintain consistency across the EU. In line with the ESRS, EC Q&As and EFFRAG Q&As, we believe the CSRD's scope for consolidated reporting should match the approach used for financial reporting under the Accounting Directive. Accordingly, any consolidation exemptions applied in financial statements should remain available under the CSRD.

e. Non-EU reporting

The draft Amendment Directive fails to address structural inconsistencies in the CSRD as regards non-EU entities required to report under Article 40a. In cases where an EU subsidiary already reports sustainability information (at a standalone or EU sub-consolidated level), requiring such EU subsidiary to also make available a report at third-country parent presents concrete risks of duplication of reporting exercises and costs, with limited additional information becoming available. The risk is specifically present considering that the report done by the EU subsidiary would cover its relevant value chain already. FEDIL requires therefore that the Amendment Directive clarifies that non-EU reporting under Article 40a is optional if the EU subsidiary already disclose sustainability information in line with CSRD. This option shall be available to EU subsidiaries regardless to whether they prepare such disclosures on a mandatory or voluntary basis.

f. Flexibility and harmonisation of timelines

The draft Amendment Directive falls short of its ambitions as regards providing flexibility specifically with respect to certain options available under the original implant of the CSRD/ESRS. In particular, FEDIL calls on making permanent the option to resort to the so-called artificial consolidation under Article 48i.

Should this position not be retained by the EU co-legislators, FEDIL respectfully requests at least that the various deadlines and transitional measures under the CSRD/ESRS should be adjusted and postponed in light of the Stop-the-Clock measure. In particular, FEDIL calls on a postponement of the expiry date in Article 48i (artificial consolidation), and an alignment to the updated schedule of the three-year exemption from providing VC information as well as the phase-in of certain ESRS datapoints.

3. On the Corporate Sustainability Due Diligence Directive

a. Implementation delay and transposition period

A two-year extension to the CSDDD timeline would have allowed businesses to adapt effectively in parallel with CSRD reforms. FEDIL calls for structured transitional arrangements detailing disclosure timelines, enforcement phasing, and entry into force of sanctions. Legal certainty during each stage, including for value chain due diligence, is essential for planning.

Furthermore, to give Member States sufficient margin and ensure predictability for companies, the transposition period should begin only after Omnibus I is adopted and should last no less than two years.

Currently the CSRD is postponed for companies reporting in 2026 to report in 2028, so formally the deadlines are aligned, however, if we postpone by only one year the companies will have relatively less time to adjust, best to report by 2 years also for CSDDD.

b. Alignment with the CSRD

Furthermore, FEDIL stresses the importance of aligning CSDDD implementation timelines and data requirements with the CSRD, particularly regarding value chain information, to reduce duplication and regulatory friction.

Furthermore, the CSDDD should not result in competitive disadvantages for EU-based companies relative to non-EU undertakings.

a. Harmonisation clause (Article 4)

We welcome that the proposal extends the coverage of the single market (harmonisation) clause to more articles of the Directive. Nevertheless, it still falls short of ensuring uniformity and preventing fragmentation during the transposition phase, as several important provisions remain under minimum harmonisation.

Article 4(2) and Recital 31, which include language that directly contradicts the single market clause and even encourage Member States to add new rules during transposition, have not been changed. This maintains a legal loophole that could undermine the goal of a unified framework. There is a substantial risk that even if all the changes proposed by the Omnibus are adopted, they will be circumvented by Member States.

FEDIL emphasises that effective due diligence cannot be implemented through 27 different legal regimes. A harmonised framework is vital to preserve the integrity of the Single Market and legal clarity for companies.[1]

- The harmonisation clause should extend to provisions on scope, definitions, authority powers, prioritisation, transition plans, and stakeholder involvement.

[1] See on this the 2022 FEDIL's position "Single market clause in the directive on corporate sustainability due diligence" https://fedil.lu/en/positions/single-market-clause-csdd/

- An interinstitutional declaration should be adopted to coordinate transposition and promote long-term harmonisation. The Commission and Member States should coordinate transposition and future amendments to work toward full harmonisation
- Article 4(2) should be deleted, and the contradictory language in Recital 31 revised accordingly to eliminate ambiguity and reinforce the intent of legal coherence across Member States.

b. Tier 1+ approach (Article 8)

FEDIL acknowledges the intention to streamline due diligence obligations to a company's own operations, subsidiaries, and direct business partners. However, the current "tier 1+" drafting introduces ambiguity that might deviate from internationally recognised risk-based approaches. Risk identification and scoping should remain targeted and prioritised. It should focus on the most severe and salient risks, rather than require exhaustive checks across the entire supply chain.

Furthermore, the vague notion of "plausible information" raises additional concerns. This concept may create uncertainty around when and how companies are expected to conduct deeper assessments beyond tier 1. The same risk-based logic applied to tier 1 partners should equally apply when addressing indirect business relationships, focusing on severity and relevance.

Due diligence obligations should remain within the "appropriate measures" standard of Article 2. Ensuring proportionality is also essential to prevent downstream effects on SMEs, who may otherwise face undue burdens through contractual trickle-down or complex data collection requirements.

FEDIL recommends refining Article 8 to preserve flexibility, ensure legal clarity, and support proportionate implementation.

c. Termination vs suspension of business relationships

FEDIL supports the removal of mandatory termination requirements but expresses concern over the suspension provisions. These could lead to similarly disruptive consequences, particularly in the absence of a time limit for enforced suspensions and in cases where third-country authorities are uncooperative or alternative suppliers are unavailable.

Suspension should remain a measure of last resort. It should be assessed on a case-by-case basis and applied according to the principle of proportionality. Companies should be permitted to demonstrate good-faith efforts to mitigate risks without being penalised for residual non-compliance by suppliers.

FEDIL calls for greater flexibility in the drafting of suspension provisions, ensuring that any suspension obligation enables companies to consider key factors such as product criticality, risk severity, market alternatives, and broader economic or geopolitical contexts.[2]

d. Guidelines

FEDIL welcomes the early publication of implementation guidelines, which are essential to support both companies and national authorities in the practical application of the directive. Nonetheless, several key provisions remain vague—particularly regarding the scope of substantiated complaints, the role and discretion of enforcement bodies, and the structure and obligations related to transition planning.

[2] See the Council's general approach on CS3D, available at: https://data.consilium.europa.eu/doc/document/ST-15024-2022-REV-1/en/pdf, page 91.

Greater legal precision is needed to provide companies with a clear and secure compliance framework, and to minimise the risk of diverging interpretations across Member States.

e. Transition plans

FEDIL acknowledges the amendment removing the obligation to "put into effect" transition plans but notes that ambiguity remains. Companies should only be required to disclose a transition plan if they have formally adopted one.

The scope and format of such plans should be aligned with existing EU legislation (e.g., CSRD, IED[3], EU ETS[4]) to avoid duplication or inconsistencies in reporting. FEDIL reiterates the need for a harmonised framework to prevent conflicting requirements under different directives. A standardised template for disclosing transition plans across multiple legislative instruments could be considered to facilitate compliance.

f. Group obligations

Article 6 currently limits the ability of parent companies to fulfil due diligence obligations on behalf of subsidiaries. FEDIL recommends expanding this provision to include Articles 7 to 16 of the Directive. Enabling group-level compliance would reduce administrative duplication and reflect operational realities within corporate structures. Such alignment would also ensure that companies can implement risk management systems centrally while preserving accountability.

g. Sanctions

With specific reference to the Council's negotiating position, FEDIL considers that problematic elements previously removed by the Omnibus proposal should not be reintroduced. In particular, the reintroduction of the 5% turnover-based fine, which had been deleted from the original Omnibus proposal, raises serious concerns, notably regarding its potential impact on companies. FEDIL therefore believes that this provision should be excluded from the Council's mandate.

[3] Industrial Emissions Directive
[4] Emission Trading System

4. On EU Taxonomy

a. Operational Expenditure (OpEx) reporting

The Amendment Directive allows certain large undertakings with turnover below €450 million to opt out of OpEx reporting. FEDIL calls for the Commission to:

- Confirm that this exemption applies exclusively to non-financial undertakings as defined in Articles 2(3) and 2(5) of the Amendment Directive;
- Make OpEx reporting voluntary across the board, given its complexity and limited decision-usefulness in current market practice.

FEDIL emphasises that OpEx indicators often do not reflect long-term sustainability performance, particularly for service-oriented and asset-light business models. Imposing mandatory disclosure obligations around OpEx risks introducing misleading signals and inflating compliance costs without generating commensurate added value for stakeholders. In this light, the Commission should consider more meaningful, outcome-oriented KPIs that are both sector-relevant and proportionate in scope.

About FEDIL

Founded in 1918, FEDIL – The Voice of Luxembourg's Industry is a multisectoral business federation that represents over 750 companies across industry, services, and construction. These members significantly contribute to Luxembourg's economy, accounting for 95% of the nation's industrial production, 75% of private research activity, 25% of national employment, and 35% of the GDP.

As a founding member of BusinessEurope, the European employers' association, FEDIL maintains a dedicated representative office in Brussels to advocate on behalf of its members at the European level. The federation is also registered in the Chamber of Deputies' transparency register and the EU Transparency Register (number 28619451602233), underscoring its commitment to transparent and ethical advocacy.

This position paper has been prepared by FEDIL's Sustainability Legislation Expert Forum (SLE Forum), a collaborative platform that addresses evolving sustainability regulations. The SLE Forum offers member companies regulatory insights, advocacy support, and structured collaboration to effectively tackle sustainability legislation challenges.

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