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CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

CHANGES PROPOSED BY OMNIBUS



Presented by

EUROPEAN CONFEDERATION OF
INSTITUTES OF INTERNAL AUDITING



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Introduction

On **February 26, 2025**, the European Commission introduced significant amendments proposals to Corporate Sustainability Due Diligence Directive (CSDDD). The objective is to reduce the burden for companies while preserving the Green Deal objectives.

Purpose of the directive

01

Enhance the protection of the environment and human rights in the EU. Member states are now restricted from introducing more stringent rules to tackle human rights and environmental abuse.

02

Increase stakeholders' awareness of key sustainability issues and trust in business through a harmonised legal framework in the EU. The Omnibus adds provisions to regulate the due diligence core aspects and ensures Member States do not go beyond.

03

Introduce requirements for companies to identify, prevent and mitigate the actual and potential impact on their activities on the environment and the human rights abuses.

Content of the Directive

Identify, bring to an end, prevent, mitigate and account for negative human rights and environmental impacts in the company's own operations, their subsidiaries, and their direct suppliers (focusing on direct/tier 1 business partners). The Omnibus limits the scope to direct suppliers only.

Civil liability arises for damage caused by a company through intent or negligence, **based on national law (new Omnibus requirement)**, and includes the obligation to end business relationships with non-compliant partners.

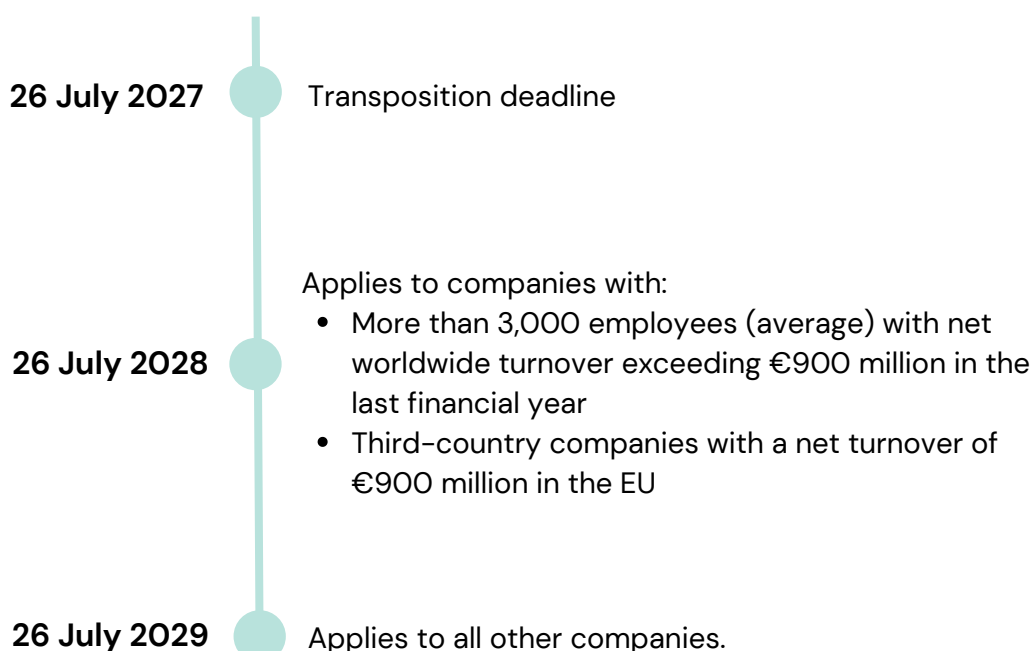
Having a business strategy compatible with sustainability and climate change mitigation & obligations for large companies to put in place a climate transition plan (in line with the Paris agreement). There is no obligation to implement the transition plan—only to adopt an action plan.

List of specific rights and prohibitions that constitute adverse human rights impacts when violated (App.1). Clarification on measurable environmental degradations.

Omnibus also includes:

- an extension to the timeframe for companies to review their due diligence measures'adequacy and effectiveness from 1 to 5 years.
- a narrow stakeholders definition to "directly" affected workers and their representatives.
- more flexibility for suspension, of business relationship; only in case the adverse impacts are less severe for the company than the unmitigated adverse impact.

Timeline of the new implementation: 2 years postponement proposed



Scope

- Large EU companies with more than 500 employees and a turnover of €150 million
- High-risk sector EU companies with more than 250 employees and a turnover of €40 million
- Non-EU companies with more than €150 million net turnover generated in the EU (three years from the entry into force of the directive)
- OMNIBUS proposal:
 - Financial services will be **permanently excluded** from the scope of the Directive
 - Large companies can not request information from direct partners with less than 500 employees

Impact of the Directive as proposed by OMNIBUS



Adoption of a climate transition plan with time-bound targets for climate change mitigation by companies, to ensure that their business strategy is compatible with limiting global warming to 1.5 °C

Obligation to conduct due diligence on the company's own business, its subsidiaries, and entities in the value chain:

- Direct business partners
- Indirect business partners (only if there is credible information indicating potential issues)



New duties for Directors of companies in the scope: they are responsible for overseeing due diligence requirements on environment, climate change and human rights

Compliance with the Directive could be included as a criterion for the award of public contracts and concessions



Proportionate and dissuasive monetary penalties. Fining guidelines to be created jointly between the commission and the member states

NEW: Requirement to adopt plans with implementing actions but no obligation to put them into effect.

Next Steps

- Ordinary legislative procedure (Parliament and Council)
- Possible presentation to EU Parliament on Plenary 10-14 March
- Timeline unclear at this point



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