STUDY

Requested by the JURI Committee

REPORTING OBLIGATIONS

Policy Department for Justice, Civil Liberties and Institutional Affairs
Directorate-General for Citizens' Rights, Justice and Institutional Affairs
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EN

REPORTING OBLIGATIONS

Abstract

This study of Reporting Obligations was commissioned by the European Parliament's Policy Department for Justice, Civil Liberties and Institutional Affairs at the request of the JURI Committee.

It provides an overview of regulatory reporting and disclosure overlaps that businesses face across the recently enacted *Corporate Sustainability Reporting Directive (CSRD)*, the *Corporate Sustainability Due Diligence Directive (CSDDD)*, and the *EU Taxonomy*. It provides recommendations on how to mitigate the burdens caused by these overlaps, together with a preliminary assessment of the Commission's efforts to reduce burdens in the proposed Omnibus Directives.

This document was requested by the European Parliament's Committee on Legal Affairs.

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LIST OF ABBREVIATIONS

CEPS	Centre for European Policy Studies
CSRD	Corporate Sustainability Reporting Directive
CSDDD	Corporate Sustainability Due Diligence Directive
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets
JURI	European Parliament Committee on Legal Affairs
EFRAG	European Financial Reporting Advisory Group
ESRS	European Sustainability Reporting Standards
EUGB	European Green Bonds
OECD	Organization for Economic Cooperation and Development
SFDR	Sustainable Finance Disclosure Regulation

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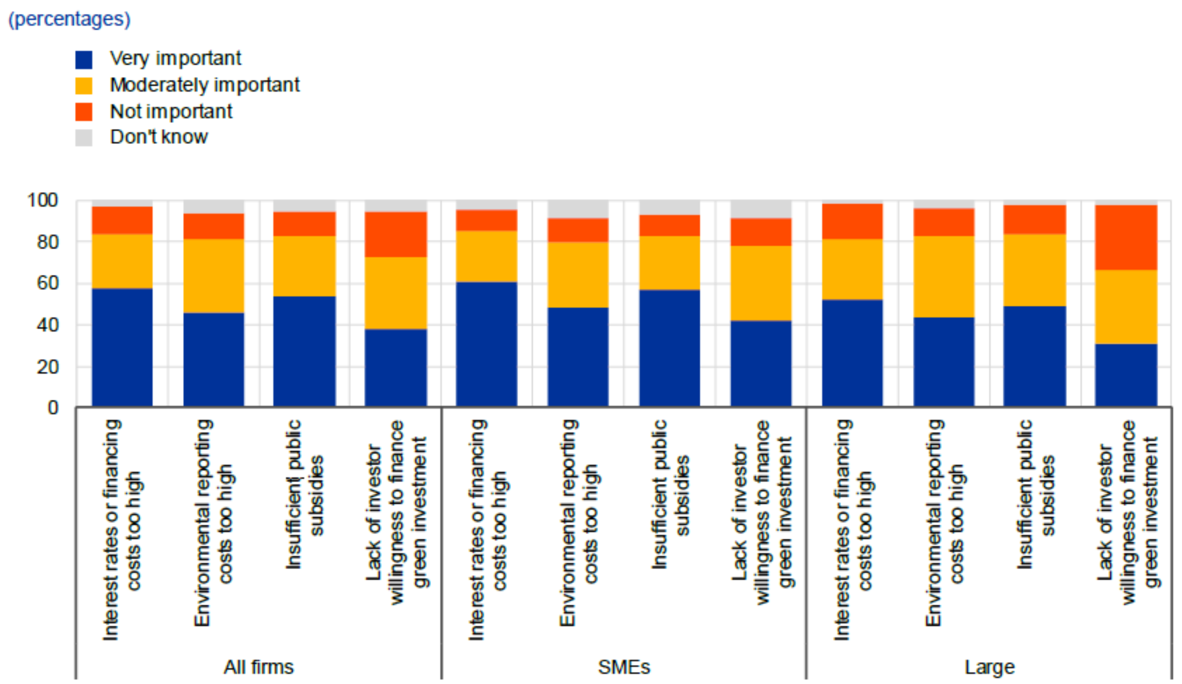
EXECUTIVE SUMMARY

The European Parliament's Committee on Legal Affairs has requested a timely review of the European Commission's legislative proposal for an *Omnibus Directive*,[1] which seeks to address **burdensome and overlapping reporting requirements** in three EU laws: the *Corporate Sustainability Reporting Directive (CSRD)*[2], the *Corporate Sustainability Due Diligence Directive (CSDDD)*,[3] and the *EU Taxonomy Regulation.*[4] These three laws comprise the main elements of the EU's *sustainability reporting and due diligence framework.*

The problem is real. A new ECB study found that not only are these laws burdensome in terms of environmental reporting, but they also constitute a serious impediment to sustainability investments.

Figure 1: Obstacles to securing financing for planned investment for climate transition



Sources: ECB and European Commission SAFE and ECB calculations.
Notes: Firms were asked to indicate how important the obstacles are to securing financing for planned investment over the next five years to comply with stricter climate standards on a scale of 1 (not at all important) to 10 (extremely important). On the chart, the scale has been divided into three categories: not important (1-3), moderately important (4-6) and very important (7-10).

Source: (Nerlich, et al., 2025)

Products of a different era

The three laws need to be understood as products of an earlier day. **The impact on firms, especially on SMEs**, was definitely considered when the laws were designed; however, it **was not given as much weight** as would be accorded today, especially in light of reports by (Draghi, 2024) and (Letta, 2024). The measures also reflect a desire, especially after Russia's unprovoked invasion of Ukraine, for the EU

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1 COM(2025) 81 final.
2 Directive (EU) 2022/2464.
3 Directive (EU) 2024/1760.
4 Regulation (EU) 2020/852.

to urgently wean itself from dependence on Russian energy and to use the "Brussels effect" to lead the world to sustainability.

Two new factors now enter the mix due to the rapidly evolving transatlantic relationship. First, the **prospects of the EU championing a triumphal global march toward sustainability and climate neutrality seem**, it must be said with great regret, **even more remote** than was the case in the recent past. Second, **with the EU facing an increasingly adversarial United States in an increasingly transactional and multi-polar world, the need to increase the EU's competitiveness becomes even more urgent and compelling than in the recent past** – and regulatory simplification is an important element of improving the EU's global competitiveness. (Draghi, 2024) Some re-tuning of objectives is now necessary, appropriate, and even unavoidable.

Haste makes waste

We generally prefer to speak to the **substance** of policy measures rather than to the **process** by means of which they were created. In this case, the process deficiencies are so great that they make it difficult to properly evaluate the substance. **Bad process leads to bad outcomes.**

The process failures associated with the formulation of the legislative proposal for the Omnibus Directive are legion. Even if we grant that the proposal was done on an aggressive schedule, the Commission failed to consider even the evidence that it already had ready at hand. Among the obvious defects:

- The Commission **failed to publish the required *factual summary report* of the responses of the *call for evidence* that they conducted late in 2023**. It should have been published in early 2024 under standard *Better Regulation* procedures (European Commission (Toolbox), 2023, p. 449) and should have helped to allay concerns about possible bias in the current legislative proposal. Other than having established that inefficiencies and overlaps among the three laws were important to stakeholders, we see no indications that the call for evidence played any role whatsoever in the formulation of the legislative proposal for the Omnibus Directive.
- The Commission **neglected to publish an Impact Assessment for the Omnibus Directive**. This is a common defect, but that does not make it right. The Omnibus Directive is too complex to wave through without a proper analysis.
- The Commission does not appear to have paid enough attention to the Impact Assessment that it prepared in 2021 for CSRD (European Commission (CSRD IA), 2021), nor to the preparatory studies for CSDDD. Largely as a result, we see **scant consideration in the proposals made for the fact that the three laws also produce benefits for firms and for the public**. Trade-offs that needed to be considered were neglected.
- In their Impact Assessments for CSRD and CSDDD, the Commission cogently argued against a number of the very measures that they are now proposing in the legislative proposal for the Omnibus Directive. The Commission is entitled to change its mind, but it would have been important to understand the rationale – was the previous analysis incorrect, or are the changes instead necessitated for instance by the altered geopolitical universe?

Reporting overlaps among CSRD, CSDDD and the EU Taxonomy?

The Commission's thinking with Omnibus appears indeed to have been at least in part inspired by concern over overlapping reporting requirements: "In particular, the changes align the size of the reporting undertakings and **reduces the burden of potential duplicative reporting requirements** [emphasis added], i.e. undertakings subject to both the CSRD and the CSDDD are not required by the

CSDDD to report any information additional to what they are required to report under the CSRD." (European Commission (SWD), 2025, p. 53)[5]

Our assessment (which has been confirmed through detailed and helpful feedback from DG FISMA, and also cross-checked), is that once one distinguishes between behavioural obligations versus reporting obligations, **there is no explicit overlap of reporting obligations between CSRD and CSDDD.**

Nonetheless, there is real burden. While each of the three laws addresses a distinct function – disclosure (CSRD), conduct (CSDDD), and classification (Taxonomy) – their implementation by companies often relies on shared data systems, risk assessments, and governance structures. This leads to cumulative effects on internal processes. For instance, a company may conduct value chain due diligence under the CSDDD, report key findings and mitigation measures through the CSRD, and demonstrate compliance with social safeguards under the Taxonomy based on the same due diligence system.

The Omnibus Directive as proposed seeks to reduce burden mainly by reducing the number of firms that have to report, or the frequency with which they need to review disclosures. One must question whether the solutions put forward are appropriate given (1) that savings in reporting burden were considered, but the cost of benefits foregone apparently not; and (2) that the real problems are considerably more complex than overlapping reporting obligations.

These considerations suggest that the Omnibus Directive as proposed cannot begin to address the underlying root problems.

Costs and benefits of CSRD and CSDDD

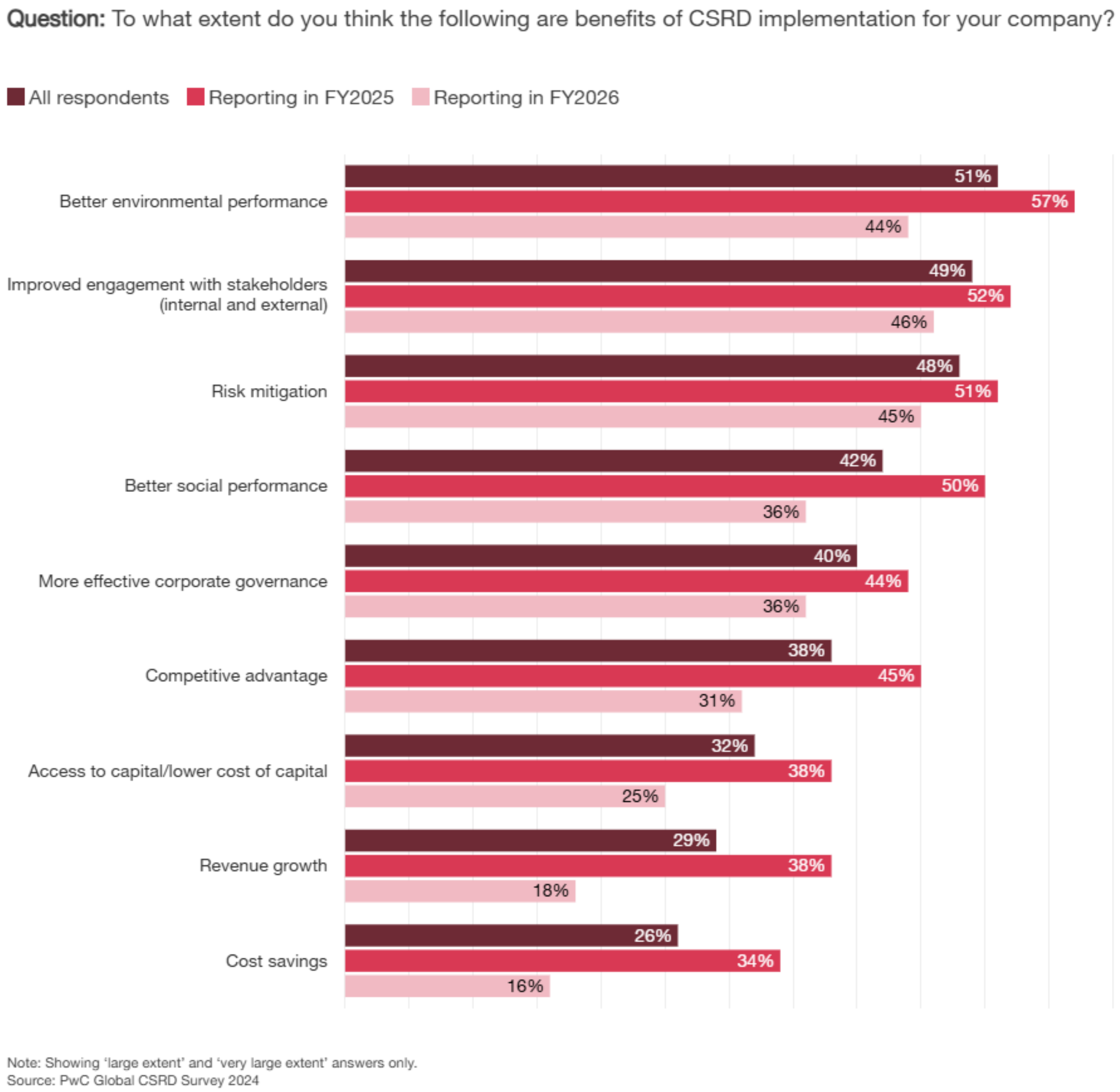
The Commission's SWD in support of the Omnibus legislative proposal has **remarkably little to say about costs and benefits** associated with the three laws. The total disregard for benefits could be important to the extent that the **anticipated benefits of the laws would be foregone by exempting large numbers of firms from obligations. Even in a rushed procedure, this was an unforced error.** Many of the materials that we have analysed were produced by or for the Commission.

The 2021 Impact Assessment (IA) conducted in preparation for the CSRD includes a comprehensive detailed assessment of anticipated implementation costs for CSRD. The IA found that non-listed medium SMEs represented 77% of the companies identified, but only 10.5% of the annual total turnover of the companies identified. With that in mind, one has to wonder whether their inclusion in the scope of CSRD was warranted and proportional in the first place.

Many businesses, especially those further along in implementation, perceive that **CSRD compliance can facilitate the transformation and modernisation of their businesses**. PWC's 2024 survey of CSRD implementation experience found that companies "… see **multiple business benefits flowing from the CSRD, including better environmental performance, improved engagement with stakeholders and risk mitigation**." If Omnibus reduces the scope of CSRD, some of these benefits will not be fully realised.

[5] The background material in the SWD distinguishes appropriately between reporting requirements and other requirements, but the quoted sentence comes from the opening of the Conclusions.

Figure 2: Company perceptions of business benefits flowing from sustainability reporting under CSRD (2024)



Source: (PWC, 2024)

Recommendations

A key recommendation is that, once the Commission has addressed its procedural shortcomings, it should seriously reconsider the content of its legislative proposal.

- After completing the Impact Assessment that should have preceded the proposal, and after either conducting a broader consultation or properly evaluating the results of the 2023 call for evidence, the Commission would be well advised to reflect on whether a revised legislative proposal is warranted.

Many of our recommendations relate to the flawed process used to prepare the Omnibus legislative proposal.

- The Commission should at long last systematically analyse the responses to the long-neglected "call for evidence" that they conducted late in 2023 and should belatedly publish the required "factual summary report" that they should have published in early 2024.

- The Commission should belatedly provide at least an abbreviated Impact Assessment for the Omnibus Directive proposal.
- Even though the process used for the "stop the clock" portion of the Omnibus was very hastily done, it is good that the "stop the clock" Directive was approved. The consequences of failure to do so would likely have been considerably worse. With that said, better planning and earlier action would have been greatly preferable.

In the absence of an Impact Assessment, the Commission's reasoning is unknown and unclear. In many cases, it is reversing positions that it defended at length just a few years ago. The Commission should explain itself, ideally in the form of the Impact Assessment that should have been provided with the legislative proposal.

- With Omnibus, the Commission strives to reduce the number of firms subject to reporting requirements. This is probably directionally appropriate; however, the measures put forward hastily here, and with little or no analysis, are inconsistent with decisions that the Commission itself put forward in the recent past. The Commission should explain itself, ideally in the form of the Impact Assessment that should have been provided with the legislative proposal.
- The Commission should explain how the cost savings from Omnibus compare to the economic and non-economic benefits that will be foregone due to reduction in scope of the number of firms obliged to report.
- With Omnibus, the Commission seeks to reduce regulatory burden by limiting due diligence to direct suppliers. Once again, this seems to be directionally appropriate, and this change is better substantiated than most others in Omnibus; however, we would nonetheless argue that a change this complex deserves more analysis than the Commission has provided up to now.
- It is too early to say that sector-specific standards would never be needed. Changes to the legislative proposal should be considered that make the introduction of sector-specific standards subject to a high burden of proof of need, but not impossible.
- With Omnibus, the Commission seeks to reduce regulatory burden by reducing the frequency of periodic assessment for CSDDD from annually to every five years. Once again, this seems to be directionally appropriate; however, the measures put forward hastily here may or may not be the most appropriate. Why five years? Were alternatives considered that might provide a more targeted response when a firm identifies a specific problem in the value chain? The Commission should explain itself, ideally in the form of the Impact Assessment that should have been provided with the legislative proposal.
- In light of the importance and the considerable complexity to be expected with the anticipated updates to the ESRS and the Taxonomy Disclosures, Climate, and Environmental Delegated Acts, the Commission (or EFRAG where appropriate) should prepare Impact Assessment reports for them.

More work will be needed beyond the Omnibus Directive.

- Omnibus seeks to be only the first step in a longer journey. The EU institutions should undertake a sustained effort, aligned with the Better Regulation principles, the Inter-institutional Agreement on Better Law-making, and the REFIT process, to reduce needless overlap among CSRD, CSDDD, and Taxonomy, and among the many other EU laws where complexity, lack of consistency, and bloat have grown. The need is urgent, but that cannot serve as an excuse for failing to properly analyse what is needed.
- A more consolidated and coherent framework is needed. Aligning due diligence, sustainability metrics, and governance disclosures under a unified structure could significantly reduce duplication and enhance legal clarity, particularly for SMEs and cross-border firms.

- As a means of addressing overlaps in reporting or disclosure of **environmental and sustainability impacts** in the medium term, (1) issue implementation guidance to align CSRD and Taxonomy disclosures, minimising duplicative data collection and easing administrative burden; (2) clarify how CSDDD due diligence processes should be reported under the CSRD, ensuring consistency across internal data and control systems; and (3) confirm that CSDDD due diligence systems qualify as evidence for meeting the Taxonomy's minimum safeguards, without requiring additional disclosures.
- As a means of addressing overlaps in reporting or disclosure of **social and human rights** in the medium term, (1) issue guidance to align CSRD disclosures with the Taxonomy's social safeguards, using shared due diligence systems and data processes; (2) develop templates and implementation guidance to help companies integrate CSDDD due diligence into CSRD reporting, supported by stronger internal controls; and (3) confirm that CSRD serves as the single reporting channel for companies also subject to CSDDD, while clearly distinguishing CSDDD's behavioural obligations.
- As a means of addressing overlaps in reporting or disclosure of **governance and corporate strategy** in the medium term, (1) clarify the distinction between CSRD's broad ESG governance disclosures and CSDDD's due diligence-related governance obligations, and provide guidance to help companies align reporting and avoid duplication; (2) integrate references to the Taxonomy's minimum governance safeguards into CSRD's ESRS G1 through interpretative guidance to ensure consistency across frameworks; and (3) support companies in aligning CSDDD-based governance systems with the Taxonomy's safeguards using common standards, backed by practical guidance or voluntary alignment tools.

1. INTRODUCTION

This study of Reporting Obligations was commissioned by the European Parliament's Policy Department for Justice, Civil Liberties and Institutional Affairs at the request of the JURI Committee.

Our analysis is necessarily more abbreviated than this complex topic deserves because the legislative calendar that the Commission has promoted does not leave time for more.

1.1. Objectives

The Parliament has called on us to assess where overlaps among reporting requirements for businesses occur across legislative files, with a focus on the *Corporate Sustainability Reporting Directive (CSRD)* (*Directive (EU) 2022/2464)*, the *Corporate Sustainability Due Diligence Directive (CSDDD) (Directive (EU) 2024/1760)*, and the *EU Taxonomy (Regulation (EU) 2020/852)* in order to properly prepare for the upcoming Commission proposals from the JURI perspective.

We were asked to provide the requested Study on an urgent basis in light of the Commission's then-anticipated Omnibus directive, which was expected to seek to consolidate reporting requirements for these laws into a single directive. The Commission in fact rushed to submit the Proposal for a "Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements" (COM(2025) 81 final) on 26 February 2025. Since the proposal is already available, we have re-interpreted the last of these requirements so as to provide a detailed review both of what the Commission has proposed, and of the process that the Commission followed in formulating the proposal.

We have been called on to provide an overview of regulatory overlaps that businesses are facing across EU legislation, together with recommendations on how to eliminate the overlaps and burdens generated by such overlaps, while meeting legislative/regulatory objectives. The Parliament seeks concrete policy recommendations relevant to EU decision-making, with a particular focus on the role and competences of the EP.

In particular, we were asked to provide:

- a clear overview of regulatory overlaps that businesses are subjected to across EU legislation,
- an indication of where a consolidation of reporting requirements would be recommended/is necessary, and
- legislative options on how to consolidate and streamline the overlapping reporting obligations without compromising the goals pursued by the legislation introducing the respective reporting obligations.

1.2. Scope of the work

The three laws that we are seeking to study comprise the main elements of the EU's *sustainability reporting and due diligence* framework. The Commission's proposed Omnibus Directive seeks to update CSRD, CSDDD, and the Audit and Accounting Directives so as to reduce regulatory burden. Further changes to reporting obligations are planned in the form of subsequent delegated acts and revisions to *European Financial Reporting Advisory Group (EFRAG)* standards such as the *European Sustainability Reporting Standards (ESRS)* (see Section 5.2.3).

We provide a brief overview of the functions and main content of CSRD, CSDDD, and Taxonomy at the beginning of Chapter 3; however, we have not provided more detailed background information on the three existing laws because the Commission has already provided an in-depth review in Sections 2.1, 2.2, and 2.3 of (European Commission (SWD), 2025).

1.3. The dimensions of the problem

Our results leave no doubt that the combined disclosure and reporting obligations under CSRD, CSDDD, and Taxonomy are substantial, and that the divergence among how they (together with other laws) require largely the same information to be gathered and assessed is needlessly burdensome for the firms.

The problem is broad but complex. At a recent CEPS conference, a senior BMW official complained [6]that his firm had to disclose the carbon footprint of what they were doing under at least five different laws: CSRD, Battery Regulation, Green Claims, CBAM, and CSDDD. "All of them have different definitions, and all of them require external verification."

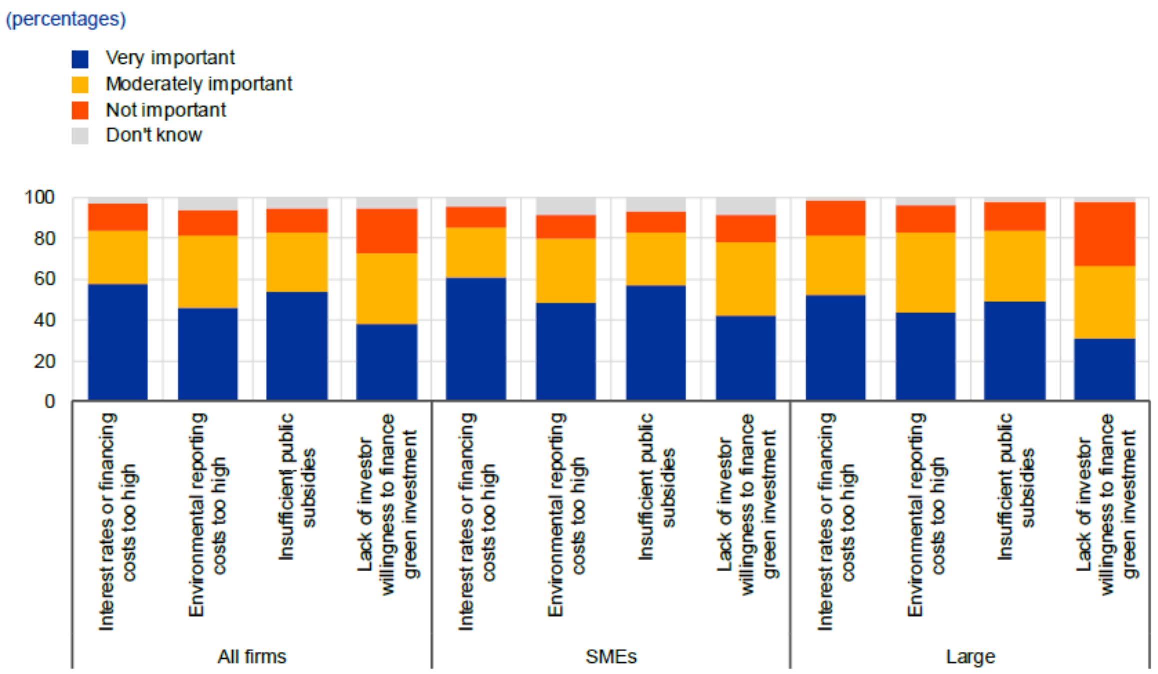
Other stakeholder input identifies carbon footprint calculations in a great many active or proposed EU laws, regulations, and standards, including Green Claims, CSRD, Vehicle LCA, the Battery Regulation, ESPR, CBAM, CRM, and the RED Directive. Needless to say, neither the scope nor the calculation details are fully aligned across these instruments.

A recent study by the European Central Bank (ECB) (Nerlich, et al., 2025) reaches similar conclusions. They identify the need to report disclosures under CSRD, Taxonomy, the *Sustainable Finance Disclosure Regulation (SFD*R), and *European Green Bonds (EUGB)* regulation.

Numerous studies have noted that EU regulations related to sustainability are burdensome, including (Draghi, 2024) and (Rzpecka, et al., 2024). By way of demonstrating that the regulations that we are studying here are perceived as being particularly harmful, see Figure 3, which is taken from the same recent study by the ECB (Nerlich, et al., 2025).

[6] See https://www.youtube.com/watch?v=6k7LaEqABEg&ab_channel=CEPSThinkTank at 1.42.

Figure 3: Obstacles to securing financing for planned investment for climate transition[7]



Sources: ECB and European Commission SAFE and ECB calculations.
Notes: Firms were asked to indicate how important the obstacles are to securing financing for planned investment over the next five years to comply with stricter climate standards on a scale of 1 (not at all important) to 10 (extremely important). On the chart, the scale has been divided into three categories: not important (1-3), moderately important (4-6) and very important (7-10).

Source: (Nerlich, et al., 2025)

The ECB study goes on to argue that these divergent obligations are not only burdensome, but that they are also counterproductive. "The complexity of the rules currently limits the positive impact of these initiatives on green investments; streamlining the framework without backtracking on the enhanced transparency would be beneficial. ... [T]he high threshold for an investment to qualify as fully aligned with the EU Taxonomy might prevent many green investment opportunities from benefiting from the tool. Similarly, the high cost of compliance with the voluntary European Green Bonds (EUGB) standard, and the limited universe of Taxonomy-aligned investments to which it can be applied, might discourage issuers from making full use of the standard." (Nerlich, et al., 2025, p. 70).

1.4. Products of a different era

CSRD, CSDDD, and Taxonomy need to be understood as products of an earlier day. They reflect the process used to create them, and the era in which they were formed.

Even though there is considerable overlap among the disclosure and reporting requirements that the three laws introduce, they are not fully aligned. The associated Impact Assessments with the three legislative proposals make clear that **the impact on firms, especially on SMEs, was considered; however, it was not given as much weight as would be accorded today**, especially in light of (Draghi, 2024) and (Letta, 2024). The measures also reflect a desire, especially after Russia's unprovoked invasion of Ukraine, for the EU to urgently wean itself from dependence on Russian energy and to use the "Brussels effect" to lead the world to sustainability.

[7] (Nerlich, et al., 2025, p. 43).

Two new factors now enter the mix due to the rapidly evolving transatlantic relationship. First, the prospects of the EU championing a triumphal global march toward sustainability and climate neutrality seem, it must be said with great regret, even more remote than was the case in the recent past. Second, with the EU facing an increasingly adversarial United States in an increasingly transactional and multi-polar world, the need to increase the EU's competitiveness becomes even more urgent and compelling than in the recent past – and regulatory simplification is an important element of improving the EU's global competitiveness. (Draghi, 2024)

As much as might like to argue for fully upholding the high standards of CSRD, CSDDD, and Taxonomy (Thomadakis, 2025), some re-tuning of objectives is now necessary, appropriate, and unavoidable. Seen in this light, it is entirely appropriate that the Commission is promoting simplification and harmonisation of the three laws with some urgency; what is not appropriate, however, is that the Commission appears to have totally abandoned the Better Regulation process that they (together with Parliament and Council) have committed themselves to follow, and that they have apparently neglected to properly consider even the evidence that they already had available. Largely as a consequence, it is not clear that Omnibus as proposed addresses the real problems associated with regulatory burden in these three laws.

1.5. Process versus outcomes

Throughout this Study, we strive to draw a clear distinction between the *substance* of the proposed Omnibus Directive, and the *process* used to produce it. At the same time, it should be clear that they are linked: *Bad process leads to bad outcomes.*

It is for that reason that we take some pains to assess the process that led to the Commission's legislative proposal (see especially Section 5.2.1), and to make constructive suggestions as to how to belatedly address a few of the gaps.

Haste makes waste.

The process failures associated with the formulation of the legislative proposal for the Omnibus Directive are legion. Even if we grant that the proposal was done on an aggressive schedule, the Commission failed to consider even the evidence that it already had ready at hand. Among the obvious defects:

- The Commission failed to publish the required *factual summary report* of the responses of the *call for evidence* that they conducted late in 2023. It should have been published in early 2024 under standard *Better Regulation* procedures (European Commission (Toolbox), 2023, p. 449) and should have helped to allay concerns about possible bias in the current legislative proposal. Other than having established that inefficiencies and overlaps among the three laws were important to stakeholders, we see no indications that the call for evidence played a role in the formulation of the legislative proposal for the Omnibus Directive.
- The Commission neglected to publish an Impact Assessment for the Omnibus Directive. This is a common defect, but that does not make it right. The Omnibus Directive is too complex to wave through without a proper analysis.
- The Commission does not appear to have paid enough attention to the Impact Assessment that it prepared in 2021 for CSRD (European Commission (CSRD IA), 2021), nor to the preparatory studies for CSDDD. Largely as a result, we see **scant consideration in the proposals made for the fact that the three laws also produce benefits for firms and for the public**. Trade-offs that needed to be considered were neglected.

- In their Impact Assessments for CSRD and CSDDD, the Commission cogently argued against a number of the very measures that they are now proposing in the legislative proposal for the Omnibus Directive. The Commission is entitled to change its mind, but it would have been important to understand the rationale – was the previous analysis incorrect, or are the changes instead necessitated by the altered geopolitical universe?

1.6. Do reporting obligations indeed overlap among the three laws?

Our terms of reference from the Parliament call on us to provide "… a briefing note discussing overlapping reporting obligations and proposing the best approach to eliminate such overlaps and burdens".

The Commission's thinking with Omnibus appears indeed to have been at least in part inspired by concern over overlapping reporting requirements: "In particular, the changes align the size of the reporting undertakings and **reduces the burden of potential duplicative reporting requirements** [emphasis added], i.e. undertakings subject to both the CSRD and the CSDDD are not required by the CSDDD to report any information additional to what they are required to report under the CSRD." (European Commission (SWD), 2025, p. 53)[8]

When we reported our initial impressions to the JURI Committee on 13 May 2025, the Commission (DG FISMA) explained the importance of **distinguishing between behavioural obligations versus reporting obligations**, and argued that there is no overlap of reporting obligations between CSRD and CSDDD. They followed up with extensive helpful and detailed comments, for which we are deeply grateful.

Having reviewed the DG FISMA comments in detail, and also having cross-checked and triangulated with a knowledgeable stakeholder, we believe that the DG FISMA comments are correct. **There is no explicit overlap of reporting obligations between CSRD and CSDDD.**

We have taken the DG FISMA comment fully on board in this study, especially in Chapter 3.

What does this imply for burden reduction? While each of the three laws addresses a distinct function – disclosure (CSRD), conduct (CSDDD), and classification (Taxonomy) – their implementation by companies often relies on shared data systems, risk assessments, and governance structures. This leads to cumulative effects on internal processes. For instance, a company may conduct value chain due diligence under the CSDDD, report key findings and mitigation measures through the CSRD, and demonstrate compliance with social safeguards under the Taxonomy based on the same due diligence system.

These cumulative effects create both regulatory and administrative burdens. Regulatory burdens stem from the need to meet specific legal requirements under each framework. Administrative burdens arise from the need to integrate these requirements into corporate structures, systems, and workflows. Companies must ensure that internal practices are consistent across compliance areas – linking risk management (CSDDD), performance classification (Taxonomy), and public reporting (CSRD) – which may require significant coordination efforts, especially in large or complex organisations.

There is thus no question that the three laws are individually and collectively burdensome; however, the burdens are not a direct result of overlapping reporting obligations.

[8] The background material in the SWD distinguishes appropriately between reporting requirements and other requirements, but the quoted sentence comes from the opening of the Conclusions.

The Omnibus Directive as proposed seeks to reduce burden mainly by reducing the number of firms that have to report, or the frequency with which they need to review disclosures. As already noted in Section 1.5, one must question whether the solutions put forward are appropriate given that savings in reporting burden were considered, but the cost of benefits foregone apparently not.

But a more fundamental concern must also be raised. **If the Commission has failed to analyse the underlying problems, and if the problems are considerably more complex than overlapping reporting obligations, then the Omnibus Directive as proposed cannot begin to address the underlying root problems.**

With this in mind, we really have to question whether it is appropriate to go ahead with the legislative proposal in its current form. **The Commission would be well advised to conduct the Impact Assessment it should have carried out from the outset, and to either launch a proper consultation or at least to systematically evaluate the results of the late-2023 call for evidence. Only then can it reflect meaningfully on whether a revised and more targeted legislative proposal is warranted.**

1.7. Structure of this Study

We provide specific, detailed recommendations at the point in the text at which they are substantiated, assigning a number to each, starting in Chapter 5 and continuing in Chapter 6. We then collect the numbered recommendations in a list in Chapter 7, together with pointers back to the page on which each appears.

In Chapter 2, we provide general reflections on the evolution of policy in the EU inasmuch as it relates to the current exercise. Chapter 3 identifies overlaps among CSRD, CSDDD, and Taxonomy, and considers opportunities to bring the laws into closer alignment. Chapter 4 considers costs and benefits of the three laws, with an eye to providing insights into the cost of reducing the number of companies that are obliged to comply. Chapter 5 then reviews the process by means of which the just-proposed Omnibus Directive was created, and subsequently the substance of what is being proposed. We provide a summary of our observations about overlaps among the three laws in Chapter 6, along with recommendations of how to address them. Finally, Chapter 7 collects the recommendations made throughout this Study.

2. OVERALL BACKGROUND

KEY FINDINGS

Over the past two decades, EU policymaking has undergone notable shifts – from a focus on economic growth and financial integration, to crisis-driven regulatory interventions following the 2008 financial crash, to an ambitious pivot towards sustainability and social objectives. However, these shifts have not always been successful: the austerity policies of the early 2010s lacked a strong scientific basis and exacerbated economic and social divides, while the recent wave of ESG-focused regulation, although well-intentioned, often compromised better law-making principles.

The growing volume and urgency of sustainability-related legislation, including initiatives like the CSRD, CSDDD, and EU Taxonomy, have increased regulatory fragmentation and complexity for businesses, particularly SMEs. Legislative processes frequently lacked adequate independent expertise, comprehensive impact assessments, and stakeholder consultation, leading to administrative and regulatory burdens that undermine proportionality, legal certainty, and economic dynamism.

A clear distinction must be made between administrative burdens (e.g., duplicative reporting, record-keeping, and/or disclosures) and regulatory burdens (e.g., capital requirements, sustainability criteria, operational constraints). While administrative burdens create inefficiencies through overlapping procedures, regulatory burdens reshape business models and long-term investment strategies. Together, they compound legal uncertainty and disincentivize innovation and growth.

Reporting obligations sit at the intersection of both types of burdens. Disclosures required under frameworks like SFDR and Basel III often rely on evolving definitions and inconsistent formats, which disproportionately affect smaller players and increase compliance costs without commensurate benefits. The lack of proportionality risks deterring private investment — at odds with Europe's broader competitiveness agenda.

In response, the EU has introduced initiatives like the ‘One In, One Out’ principle and the European Single Access Point (ESAP) to simplify compliance. Yet, a deeper, more coordinated approach is required. Strengthening better law-making practices, avoiding unnecessary urgency, and ensuring that future sustainability regulation is coherent, proportionate, and evidence-based will be critical as the EU seeks to rebalance its focus on strategic competitiveness without abandoning its environmental and social commitments.

In this chapter, we seek to provide background on how the EU’s overall strategy has evolved over the past decade (Section 2.1), and how a decline in attention paid to good law-making practice has led to incoherence and needless regulatory burden across the EU legislative *acquis*.

As noted in Section 1.2, we have not provided detailed background information on the three existing laws because (1) we expect that most readers will already be familiar with them, and (2) the Commission has provided a good overview in Sections 2.1, 2.2, and 2.3 of (European Commission (SWD), 2025).

2.1. A shift in EU's policy focus: from growth to sustainability and back to competitiveness

Over the past two decades, EU policymaking has undergone profound shifts, reflecting changing economic, social, and geopolitical realities. These shifts, however, have not always been smooth or successful, and critical mistakes along the way have left lasting impacts on European competitiveness and governance.

Initially, the EU placed a strong emphasis on fostering economic growth, primarily through deepening the Single Market and enhancing financial integration. This period was characterised by structural reforms aimed at increasing market efficiency, removing barriers to cross-border investment and promoting economic convergence among Member States.

However, the 2008 financial crisis and the subsequent euro area sovereign debt crisis exposed vulnerabilities in the financial system, prompting a shift in policy priorities towards financial stability, prudential oversight and risk mitigation. The regulatory response was swift and extensive, resulting in measures such as the Banking Union, stricter capital requirements and enhanced supervision of financial institutions. These measures, while necessary, also contributed to a more complex regulatory environment for businesses operating across Member States.

At the same time, this period marked the first significant policy misstep. The adoption of austerity policies, particularly in Europe, lacked a robust scientific or empirical basis and extended longer than in the US. While initially framed as necessary for restoring fiscal discipline, austerity strategies deepened economic contractions, widened social inequalities, and arguably contributed to political consequences such as Brexit. Although the Europe 2020 Strategy (European Commission, 2010) called for 'smart, sustainable, and inclusive growth', the practical implementation of austerity measures during the early 2010s severely undermined these goals. Critical assessments (such as the Contribution to Growth studies (Marcus, Petropoulos, & Yeung, 2019)) noted that the damage caused by austerity continued to shape economic and social divides across the Union.

In the past decade, EU policy focus pivoted again – this time towards sustainability and social objectives. Mounting concerns over climate change, environmental degradation and social inequality led to landmark initiatives such as the European Green Deal, the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy. These frameworks sought to integrate environmental, social and governance (ESG) considerations into corporate strategies and financial decision-making, setting a new global benchmark for sustainable finance and corporate responsibility.

However, this second major policy shift also encountered critical challenges. The rapid expansion of sustainability-related legislation, though well-intentioned, led to an increasingly intricate web of overlapping reporting obligations and substantive requirements. At a time when the volume of law associated with sustainability and digitalisation was exploding (Marcus, Petropoulos, & Yeung, 2019) (Sekut & Marcus, 2024), the quality of EU law-making left much to be desired. (Marcus, 2024). Many of the new laws were not supported by adequate impact assessments, regulatory fitness checks, or systematic ex-post evaluations. The lack of independent expertise, quantification, and respect for better law-making principles (including full legislative involvement and proportionality assessments) resulted not only in bloat of the EU acquis, (Sekut & Marcus, 2024) but also in significant administrative and regulatory burdens on companies, particularly SMEs. (Marcus & Rossi, 2024) (Marcus J. , Rossi, Mazzoni, & Parcu, 2025)

Businesses have struggled to navigate overlapping requirements, leading to concerns about regulatory overload, compliance complexity, and unintended economic consequences. The urgency of implementation, at times, has outpaced legislative safeguards, raising questions about proportionality, regulatory coherence, and the impact on capital formation. Despite the Commission's commitment to better regulation, critical gaps remain in the design and evaluation of major sustainability files, increasing the risk of undermining Europe's competitiveness.

More recently, a new shift is underway – one that seeks to refocus EU policymaking on competitiveness amid growing concerns that excessive regulatory complexity, high compliance costs, and sluggish capital markets are undermining Europe's economic dynamism. This concern has been articulated in President von der Leyen's political priorities, as well as in the Draghi Report on EU competitiveness, which warns of Europe's declining ability to compete on the global stage. The fragmentation of reporting requirements across multiple legislative acts – from the Taxonomy Regulation to the CSRD and the CSDDD – has compounded administrative burdens on businesses, diverting resources away from investment and innovation.

The common denominator between the two flawed shifts – first towards austerity, then towards overly burdensome ESG regulation – appears to be the lack of reliance on independent expertise and full adherence to better law-making principles. In theory, the European Commission is committed to better regulation, but in practice, significant parts of legislation have been adopted without proper scientific grounding, comprehensive impact assessments, or rigorous stakeholder involvement. Urgency procedures, missing or incomplete ex-post evaluations, and limited European Parliament participation have compounded these risks. As (VANYSKOVA, et al., 2025) underlines, the cumulative costs of these mistakes are increasingly borne by European citizens and companies.

Striking the right balance between sustainability, social objectives, and economic competitiveness will be crucial. A more streamlined and coherent regulatory framework is needed to maintain Europe's leadership in green and social policy while ensuring a stable and predictable business environment. Enhancing capital markets, fostering innovation and avoiding unnecessary administrative burdens will be central to this effort.

The challenge for EU policymakers is clear: how to reconcile the ambition of the Green Deal and social policy objectives with the pressing need to enhance Europe's competitiveness in a rapidly evolving global economy. Achieving this balance will determine whether the EU can remain an economic powerhouse while maintaining its commitment to sustainability and social progress. A key step in this process will be identifying and addressing regulatory overlaps, strengthening better law-making practices, and ensuring that future legislation is based on sound evidence, rigorous impact assessments, and effective stakeholder engagement.

2.2. Legislative process and the impact of urgency on better law-making principles

While all EU legislative initiatives must align with Treaty objectives, the pace and scale of regulatory change in recent years have raised concerns about whether the principles of better law-making – such as proportionality, stakeholder consultation and legal certainty – have been consistently upheld. The drive to meet ambitious climate and social targets has, at times, led to accelerated legislative processes, raising questions about whether urgency has come at the expense of regulatory quality and coherence.

A notable example is the Sustainable Finance Disclosure Regulation (SFDR), which was adopted swiftly to advance the EU's sustainable finance agenda. However, the lack of initial clarity in key provisions led to a series of regulatory technical standards and interpretative guidance, resulting in prolonged legal uncertainty for financial institutions. Similarly, the CSRD, while aiming to enhance transparency in corporate sustainability disclosures, has raised concerns about whether companies – especially SMEs

– had sufficient time and resources to adapt, given the substantial administrative burden and evolving nature of reporting standards. These cases illustrate how urgency has sometimes led to gaps in regulatory clarity, requiring subsequent corrections that undermine legal certainty.

Beyond individual legislative files, the cumulative effect of rapid regulatory shifts has led to concerns about excessive legislative and regulatory activity. Frequent amendments, overlapping requirements and rushed timelines have created a complex and often inconsistent compliance environment. This has prompted concerns that EU law-making, in its efforts to advance sustainability and social objectives, may not have sufficiently applied tools such as impact assessments, regulatory fitness checks, and stakeholder consultations to assess the necessity and proportionality of the burdens imposed.

2.2.1. The burden of regulation: Administrative versus regulatory burdens

The growing complexity of EU regulations has intensified debates over the costs they impose on businesses and public administrations. While both administrative burdens and regulatory burdens contribute to compliance costs, they differ in scope, impact and long-term implications. Administrative burdens arise from procedural and documentation requirements, whereas regulatory burdens encompass broader substantive legal obligations that affect business operations, investment strategies and long-term competitiveness.

a. Administrative burdens

Administrative burdens stem from compliance-related procedural obligations, such as reporting, record-keeping and disclosure requirements. These obligations are designed to enhance transparency and oversight but often result in significant compliance costs, particularly for SMEs that lack the resources to navigate complex frameworks.

A prime example is the CSRD, which mandates detailed environmental, social, and governance (ESG) disclosures. Financial institutions also face extensive administrative burdens under Anti-Money Laundering (AML) laws, requiring them to collect, verify, and store vast amounts of customer information. Similarly, prudential regulatory bodies such as the ECB and European Banking Authority (EBA) impose strict reporting requirements on capital adequacy, liquidity, and risk exposure, leading to extensive documentation obligations.

However, the fragmentation of reporting frameworks across EU legislation has exacerbated administrative burdens. The proliferation of overlapping obligations – where companies must comply with multiple, sometimes conflicting, disclosure requirements – creates inefficiencies, increasing both compliance costs and legal uncertainty.

b. Regulatory burdens

Regulatory burdens extend beyond documentation and impose substantive obligations that reshape business models, investment decisions, and operational costs. These include capital requirements, sustainability criteria, and sector-specific constraints.

For instance, the Basel III framework[9] mandates that banks maintain higher capital buffers, improving financial resilience but potentially limiting credit availability. Similarly, the EU Emissions Trading System (ETS) enforces emissions limits, requiring industries to either cut emissions or purchase allowances –

[9] Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09.

an approach that supports climate goals but significantly increases compliance costs for energy-intensive sectors.

The EU Taxonomy Regulation further illustrates regulatory burdens by establishing strict sustainability criteria for investments. While aimed at preventing greenwashing, its rigid classification system may limit financing for companies transitioning towards sustainability, despite their progress. The cumulative effect of evolving regulatory requirements – particularly in sectors such as insurance and asset management – has also contributed to legal uncertainty, complicating long-term strategic planning.

These burdens have become particularly intricate in the context of the EU's sustainability agenda, where different pieces of legislation impose interconnected but distinct types of obligations on companies. A further distinction is needed between regulatory obligations that require companies to act (so-called behavioural obligations) and those that require companies to report on their actions. The CSDDD primarily introduces behavioural obligations, such as the integration of human rights and environmental due diligence into business operations and risk management systems (Articles 5–11). By contrast, the CSRD imposes administrative reporting obligations, requiring companies to disclose these due diligence processes and their impacts (Articles 19a, 29a). While the CSDDD defers to the CSRD for the actual disclosure (e.g. via Article 16(2)), it nonetheless adds a regulatory burden by requiring companies to implement and maintain these systems in practice. The result is a layering of obligations: companies must do under the CSDDD and disclose under the CSRD.

2.2.2. The intersection: reporting obligations as a compliance challenge

Reporting obligations sit at the intersection of administrative and regulatory burdens, as they result from regulatory interventions but manifest as compliance costs. The Sustainable Finance Disclosure Regulation (SFDR) is a clear example: financial firms must report on the sustainability impact of their investments, but unclear definitions, evolving technical standards, and frequent amendments have created legal uncertainty. This has led to delays, additional compliance costs and inconsistencies in implementation.

Similarly, Pillar 3 disclosure requirements under Basel III[10] demand extensive public reporting on risk exposures and capital adequacy. While designed to enhance market discipline, their complexity disproportionately affects smaller banks, amplifying regulatory burdens in a way that may not be proportionate to the risks involved.

These examples highlight a broader pattern: reporting frameworks often assume the existence of underlying systems or behaviours that companies must first establish, whether through internal controls, due diligence processes, or governance structures. In the case of sustainability legislation, this interdependence is particularly pronounced.

For instance, reporting obligations under CSRD rely on the existence of systems and behaviours introduced by other laws such as the CSDDD. The CSRD requires disclosure of due diligence processes related to human rights and environmental risks, but it is the CSDDD that mandates the establishment of such processes. Thus, while reporting under CSRD may not be legally duplicative of the CSDDD, it is operationally dependent on compliance with the behavioural obligations introduced by the latter. This interplay increases the cumulative burden on companies, even when formal reporting is consolidated into a single legislative act.

[10] Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09.

2.2.3. Evolving regulatory approaches: Efficiency, legal certainty and a holistic methodology

As noted in Section 1.4, CSRD, CSDDD, and Taxonomy need to be understood as products of an earlier day. They reflect the era in which they were formed. Sustainability was centre stage just a few years ago, especially after Russia's unprovoked invasion of Ukraine. Today, the promotion of simplification in the interest of reducing regulatory burden, in line with (Draghi, 2024) and (Letta, 2024), is very much the order of the day. The impact on firms, especially on SMEs, was considered in the Impact Assessments for CSRD (European Commission (CSRD IA), 2021) and CSDDD (European Commission (CSDDD IA), 2022); however, it was not given as much weight as would be accorded today.

Recognising the need to balance regulatory objectives with economic efficiency, the European Commission has introduced several initiatives to streamline compliance and enhance regulatory predictability. The 'One In, One Out' principle seeks to offset new regulatory burdens by eliminating equivalent existing requirements, while the European Single Access Point (ESAP) aims to standardise corporate reporting and reduce fragmentation. These initiatives reflect a broader effort to address the inefficiencies caused by overlapping and rapidly evolving requirements.

A key part of the mandate of Commissioner Valdis Dombrovskis is to review EU law to "develop proposals to eliminate overlaps and contradictions". (European Commission, 2025) This implies the need for a holistic regulatory approach, ensuring that reporting requirements are fit for purpose and do not create unnecessary barriers to investment and growth. As the EU shifts its focus toward competitiveness, ensuring regulatory efficiency and legal certainty will be critical. Without predictable and proportionate regulation, businesses may face heightened compliance risks, discouraging investment and innovation.

While regulation remains essential for financial stability, consumer protection and sustainability, its cumulative impact must be carefully managed. Excessive complexity and duplicative requirements risk undermining Europe's global competitiveness. A more targeted, proportionate and predictable regulatory framework is needed – one that upholds key policy objectives while fostering a sustainable, innovative and competitive business environment.

Two new factors now enter the mix due to the rapidly evolving transatlantic relationship, as noted in Section 1.4. First, the prospects of the EU championing a triumphal global march toward sustainability and climate neutrality seem, it must be said with great regret, even more remote than was the case in the recent past. Second, with the EU facing an increasingly adversarial United States in an increasingly transactional and multi-polar world, the need to increase the EU's competitiveness becomes even more urgent and compelling than in the recent past – and regulatory simplification is an important element of improving the EU's global competitiveness. (Draghi, 2024)

As much as might like to argue for fully upholding the high standards of CSRD, CSDDD, and Taxonomy (Thomadakis, 2025), some re-tuning and re-balancing of objectives is now necessary, appropriate, and unavoidable. Seen in this light, it is entirely appropriate that the Commission is promoting simplification and harmonisation of the three laws with some urgency.

But it needs to be done with care.

3. REPORTING AND BEHAVIOURAL OBLIGATIONS IN CSRD, CSDDD, AND THE TAXONOMY

KEY FINDINGS

The CSRD, CSDDD, and the Taxonomy Regulation form the core of the EU's sustainable corporate governance framework. While each serves a distinct regulatory function – transparency and disclosure (CSRD), behavioural due diligence (CSDDD), and classification of sustainable activities (Taxonomy) – they are operationally interconnected through shared principles, standards, and data needs.

Companies often rely on common internal systems to meet the requirements of all three frameworks, leading to cumulative operational and administrative burdens. For example, due diligence processes established under the CSDDD are used to support CSRD disclosures and to demonstrate compliance with the Taxonomy's minimum social safeguards. Although these obligations are not legally duplicative, their implementation requires close coordination, particularly in areas such as supply chain risk management, climate transition planning, and sustainability governance.

Environmental and climate-related disclosures are governed primarily by the CSRD and the Taxonomy. While the CSRD provides broad-based sustainability reporting at the entity level, the Taxonomy defines activity-level environmental performance metrics. Interoperability is essential to avoid inconsistencies in metrics and methodologies.

On social and human rights matters, both the CSRD and CSDDD require companies to address adverse impacts across the value chain. The CSRD focuses on transparency (e.g. ESRS S1–S4), whereas the CSDDD imposes behavioural duties. Minimum social safeguards under the Taxonomy further reinforce these obligations, creating a de facto reliance on CSDDD-aligned due diligence systems.

In terms of governance, all three frameworks require companies to demonstrate robust oversight of sustainability risks. The CSRD mandates disclosures on board-level accountability and internal control systems. The CSDDD requires that due diligence be embedded into corporate governance, while the Taxonomy conditions sustainable classification on alignment with international governance standards.

A more integrated and interoperable approach is needed to ease compliance and increase coherence. Clarifying the respective functions of each framework, reinforcing the CSRD as the central disclosure channel, and developing targeted implementation guidance and voluntary alignment tools – particularly on due diligence and social safeguards – can reduce unnecessary administrative complexity without weakening policy objectives.

The CSRD, CSDDD, and the Taxonomy Regulation form the cornerstone of the EU's sustainable corporate governance framework. Although they operate in different domains – transparency, due diligence, and sustainable finance – they are closely interlinked through their complementary objectives and their reliance on common international standards.

The CSRD is the EU's principal instrument for enhancing corporate transparency on sustainability matters. It requires companies to disclose detailed, standardised information about how sustainability issues affect their performance and position (outside-in perspective) and how their activities impact society and the environment (inside-out perspective), in line with the double materiality principle. These disclosures are made in accordance with the European Sustainability Reporting Standards (ESRS), covering environmental, social, and governance topics. The CSRD amends existing EU legislation, in particular Directive 2013/34/EU (Accounting Directive), and applies at the level of the reporting entity.

The CSDDD sets out behavioural obligations for companies to identify, prevent, mitigate, and account for adverse human rights and environmental impacts in their own operations, the operations of their subsidiaries, and their value chains. Its focus is not on disclosure, but on the internal policies, procedures, and risk-based actions that companies must put in place to manage sustainability risks and impacts. These due diligence obligations are grounded in internationally recognised frameworks such as the *OECD Guidelines for Multinational Enterprises* and the *UN Guiding Principles on Business and Human Rights*. While the CSDDD contains provisions for communicating key elements of due diligence, it leverages the reporting channels already established by the CSRD for companies within its scope, most notably through Articles 16(2) and 22(2). To mitigate downstream effects, particularly on SMEs and indirect business partners, the Directive includes a number of safeguards, such as a risk-based approach, limitations on contractual responsibility-shifting, and requirements to adapt purchasing practices.

The Taxonomy Regulation provides a classification system for environmentally sustainable economic activities. It sets out criteria to determine whether specific investments contribute substantially to environmental objectives – such as climate change mitigation or the circular economy – and do no significant harm to other objectives. To qualify as Taxonomy-aligned, an activity must also comply with a set of minimum social and governance safeguards, as outlined in Article 18 Taxonomy. These safeguards incorporate the same international standards that underpin the CSDDD and CSRD, creating interdependencies in how companies assess, manage, and demonstrate sustainability performance.

While each of these frameworks addresses a distinct function – disclosure (CSRD), conduct (CSDDD), and classification (Taxonomy) – their implementation by companies often relies on shared data systems, risk assessments, and governance structures. This leads to cumulative effects on internal processes. For instance, a company may conduct value chain due diligence under the CSDDD, report key findings and mitigation measures through the CSRD, and demonstrate compliance with social safeguards under the Taxonomy based on the same due diligence system.

These cumulative effects create both regulatory and administrative burdens. Regulatory burdens stem from the need to meet specific legal requirements under each framework. Administrative burdens arise from the need to integrate these requirements into corporate structures, systems, and workflows. Companies must ensure that internal practices are consistent across compliance areas – linking risk management (CSDDD), performance classification (Taxonomy), and public reporting (CSRD) – which may require significant coordination efforts, especially in large or complex organisations.

Readers who want a more comprehensive summary of the three laws should turn to Sections 2.1, 2.2, and 2.3 of (European Commission (SWD), 2025).

In this chapter, we provide analyses of their interaction in three thematic domains:

- disclosure of environmental and sustainability impacts (Section 3.1);
- reporting of social and human rights (Section 3.2); and
- disclosure of governance and corporate strategy (Section 3.3).

For each of these, we provide a pairwise comparison of obligations and functions: Taxonomy vs. CSRD; CSRD vs. CSDDD, and Taxonomy vs. CSDDD.

We then conclude with a very brief summary of the main features of the Commission's proposed Omnibus Directive in Section 3.4.

To help the reader for the remainder of this chapter, it is important to clarify the following. The CSRD is not a standalone document with its own set of article numbers. Instead, it amends several existing EU regulations and directives. Specifically, it amends Regulation (EU) No 537/2014 (the Audit Regulation), Directive 2004/109/EC (the Transparency Directive), Directive 2006/43/EC (the Audit Directive), and Directive 2013/34/EU (the Accounting Directive). Therefore, when referring to an article of the CSRD, we are actually referencing the corresponding article in one of these four legislative acts that the CSRD amends.

3.1. Overlaps related to environmental and sustainability impacts

3.1.1. Taxonomy vs. CSRD

The Taxonomy Regulation requires businesses to report on the sustainability of their economic activities based on six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Meanwhile, the CSRD, through the European Sustainability Reporting Standards (ESRS), mandates broader sustainability disclosures at the entity level. These include not only environmental topics but also social issues – such as workforce treatment, human rights, and community impacts – and governance matters like business ethics, anti-corruption measures, and board diversity.

Article 8(2)(a) and (b) of the Taxonomy Regulation requires companies to disclose the proportion of their turnover, capital expenditures (CapEx) and operating expenditures (OpEx) that align with the Taxonomy's sustainability criteria. By contrast, the CSRD amends Directive 2013/34/EU (the Accounting Directive) to introduce sustainability reporting standards (Article 19a(2)(a)(iii), 19a(2)(g) and Article and 29a) that apply at the level of the reporting entity (e.g. total Scope 1, 2, and 3 emissions, climate transition plans, and risk exposures under ESRS E1). Article 29b(5)(c) of the amended Directive 2013/34/EU ensures coherence between the two frameworks by requiring that ESRS use consistent terminology and methodologies with the Taxonomy Regulation.

Consequently, the two frameworks are complementary rather than overlapping. For example, a company involved in renewable energy may disclose under the Taxonomy the share of its revenue derived from aligned activities (a financial KPI), while under the CSRD it would disclose GHG emissions and climate risk management strategies. These disclosures serve different purposes – activity-level green investment qualification versus entity-level sustainability impacts – and might rely on different company datasets.

Potential course of action*: Companies would benefit from further implementation guidance that promotes interoperability between CSRD and Taxonomy disclosures, in order to reduce duplicative data processes and administrative burdens arising from managing parallel but complementary reporting frameworks.*

3.1.2. CSRD vs. CSDDD

The CSDDD introduces mandatory due diligence obligations requiring companies to identify, prevent, mitigate and disclose adverse environmental impacts in their operations and supply chains. These obligations are behavioural in nature and concern what companies must do to manage sustainability risks. In parallel, the CSRD mandates disclosures about these due diligence processes – particularly how sustainability risks affect the company (outside-in), and how the company contributes to sustainability objectives (inside-out), following the double materiality principle.

While there is no additional legal reporting obligation under the CSDDD for companies already subject to the CSRD (as confirmed by Article 16(2)), the operational and administrative burden can be substantial in practice. Companies must design and implement due diligence systems (as required by Articles 5(1)(a), 7(1), and 8(1)-(2) of CSDDD), while also ensuring that the results of such systems are appropriately disclosed under the CSRD's reporting framework. The CSRD (e.g. Article 19a(2)(f)(i)-(iii)) requires disclosures on due diligence procedures, principal impacts, and mitigation actions taken – effectively making CSRD the primary reporting outlet for the outcomes of CSDDD-mandated behavioural obligations.

Article 16(2) of the CSDDD exempts companies already subject to sustainability reporting under the CSRD (Articles 19a, 29a, or 40a) from the need to publish a separate due diligence statement under Article 16(1). This provision clarifies that the CSDDD does not impose additional reporting obligations on such companies, while the underlying behavioural due diligence duties in Articles 6–11 continue to apply. Similarly, Article 22(2) provides that companies which report a climate transition plan under the CSRD are deemed to comply with the transition planning obligation of the CSDDD.

Moreover, the CSRD aligns with international frameworks, such as the *OECD Due Diligence Guidance* and the *UN Guiding Principles on Business and Human Rights*, which overlap with Article 18 of the Taxonomy, where companies must implement minimum safeguards aligned with these international principles.

Although the CSDDD does not impose additional disclosure requirements on companies already subject to the CSRD, the two frameworks interact closely. Companies must implement due diligence processes under the CSDDD – such as identifying, assessing, preventing, and mitigating adverse environmental and human rights impacts – and they must ensure that these are appropriately reflected in CSRD sustainability reporting (e.g. under Article 19a(2)(f) and ESRS). For example, a manufacturing firm may disclose under the CSRD how its supply chain affects biodiversity or contributes to deforestation, while conducting due diligence under the CSDDD to mitigate these risks. While the legal reporting obligation lies solely with the CSRD, aligning internal systems, data flows, and control mechanisms to satisfy both frameworks can impose significant administrative and compliance burdens, particularly for firms with complex operations and global supply chains.

Potential course of action*: Companies would benefit from guidance on how due diligence processes developed under the CSDDD can be consistently and efficiently reflected in CSRD disclosures, particularly where data systems and sustainability control functions intersect.*

3.1.3. Taxonomy vs. CSDDD

The Taxonomy Regulation primarily focuses on defining environmentally sustainable activities, while the CSDDD imposes behavioural obligations on companies to ensure that their operations and supply chains do not cause adverse environmental impacts. Although their objectives differ, the two frameworks are linked through their reliance on common international standards.

Under Article 18 of the Taxonomy Regulation, companies must ensure compliance with minimum social safeguards – including the *OECD Guidelines for Multinational Enterprises*, the *UN Guiding Principles on Business and Human Rights (UNGPs)*, and *International Labour Organisation (ILO) Core Conventions* and – for an economic activity to qualify as Taxonomy-aligned (i.e. environmentally sustainable). These same international standards underpin the CSDDD's due diligence obligations set out in Articles 5(1)(a), 7(1), and 8(1)-(2), which require companies to identify, assess, and address adverse sustainability impacts across their value chains.

Article 8(1)-(2) of the Taxonomy Regulation requires companies to disclose key performance indicators (KPIs) such as the share of their turnover, capital expenditures, and operating expenditures aligned with the Taxonomy. While the Regulation does not require disclosure of companies' due diligence processes, alignment with the Taxonomy is conditional upon compliance with meeting the minimum safeguards defined in Article 18. These safeguards are based on the same international standards that underpin the CSDDD. In this sense, robust due diligence processes developed under the CSDDD may support companies in demonstrating internal consistency with the Taxonomy's sustainability criteria, particularly in relation to social and human rights issues.

In practice, the due diligence systems mandated by the CSDDD can support internal assessments of compliance with the Taxonomy's minimum safeguards, thereby reinforcing the credibility of their Taxonomy disclosures. However, companies must still manage both obligations in parallel. For example, a company investing in green energy must ensure under the Taxonomy that its suppliers respect environmental safeguards and human rights (e.g. avoiding forced labour or deforestation). Under the CSDDD, the same company must conduct a detailed risk-based due diligence process to address those risks. This can lead to additional administrative and operational burdens, even if not formal reporting overlaps.

Potential course of action*: Companies may benefit from clearer interpretative guidance confirming that due diligence systems established under the CSDDD can serve as supporting evidence for compliance with the Taxonomy's minimum safeguards, without creating new reporting requirements.*

Table 1 below summarises how the three legislative files intersect and where reporting and behavioural overlaps related to environmental and sustainability impacts exist.

Table 1: Overlaps related to environmental and sustainability impacts

Reporting area	CSRD	CSDDD	Taxonomy
Environmental sustainability disclosure	Articles 19a(2)(a)(iii), 19a(2)(g), and 29a of the Accounting Directive, as amended by the CSRD; ESRS E1-E5: Require reporting on environmental factors, material impacts, risks, and opportunities using the double materiality principle	Articles 5(1)(a), 7(1), 8(1)-(2), 10(1)-(2), and 11(1)-(2): Impose behavioural obligations to identify, prevent, mitigate, and remediate adverse environmental impacts across their operations and value chains	Articles 8(1) and 8(2): Require disclosure of KPIs (turnover, CapEx, OpEx) for Taxonomy-aligned activities
Climate-related reporting	ESRS E1: Requires detailed disclosures on climate-related risks, greenhouse gas emissions (Scope 1, 2,	Articles 22(1) and 22(2): Require adoption of climate transition plans.	Articles 8(1), 8(2) and 9: Require disclosure of climate-related KPIs and technical screening criteria for alignment with

	and 3), targets and transition plans		mitigation and adaptation objectives
Sustainable finance alignment	Article 29b(5)(c) of the Accounting Directive, as amended by the CSRD: Requires that sustainability reporting standards (ESRS) align with Taxonomy's technical screening criteria	(No direct provision — CSDDD does not address sustainable finance alignment)	Articles 8(1) and 8(2): Require disclosure of turnover, CapEx, and OpEx aligned with environmental objectives, conditional on meeting Article 18 minimum safeguards
Pollution prevention and circular economy	ESRS E2 and E5: Require disclosure on pollution reduction, material efficiency, waste and circular strategies	Articles 8(1)–(2), 10(1)–(2), and 11(1)–(2): Require companies to identify, assess, and mitigate adverse environmental impacts, which include pollution and unsustainable resource use	Articles 13(2) and 14(2): Define technical screening criteria for the transition to a circular economy and pollution prevention and control
Biodiversity and ecosystems protection	ESRS E4: Requires reporting on impacts, dependencies and transition plans related to biodiversity and ecosystems	Articles 8(1)–(2), 10(1)–(2), and 11(1)–(2): Require companies to identify, assess, prevent, mitigate, and remediate adverse environmental impacts, including harm to biodiversity and ecosystems	Article 15(2): Establishes technical screening criteria for the protection and restoration of biodiversity and ecosystems

Source: Authors' elaboration.

3.2. Overlaps related to social and human rights

The Taxonomy, CSRD and the CSDDD also impose overlapping obligations on businesses concerning social and human rights reporting, particularly regarding labour rights, due diligence, supply chain responsibilities and governance disclosures.

3.2.1. Taxonomy vs CSRD

The EU Taxonomy Regulation primarily focuses on environmental sustainability but includes minimum social safeguards that align with the CSRD's broader human rights and workforce disclosure requirements.

Under Article 18 of the Taxonomy, companies must ensure compliance with international social and human rights standards, including *OECD Guidelines for Multinational Enterprises*, *UN Guiding Principles on Business and Human Rights*, and *ILO Core Conventions*. These same standards form the foundation of CSRD's social and human rights disclosures, particularly within Article 29b(2)(b) of the

Accounting Directive as amended by CSRD, which mandates companies to report on their alignment with human rights policies and workforce management.

Additionally, CSRD's ESRS S1–S4 require companies to disclose extensive information on their workforce, value chain workers, affected communities, and consumers – areas that correspond to the Taxonomy Regulation's Article 18 safeguards concerning labour and human rights protections. While Article 18 does not impose direct reporting obligations, companies may operationally draw on the same systems to demonstrate consistency across frameworks.

***Potential course of action**: Provide targeted guidance to help companies operationally align their disclosures under CSRD with the social safeguards under the Taxonomy Regulation. This could include practical instructions on how shared due diligence systems and data collection processes can support both frameworks without altering their distinct legal purposes.*

3.2.2. CSRD vs. CSDDD

The CSRD and CSDDD both impose requirements related to due diligence and human rights. The CSRD focuses on transparency and disclosure, while the CSDDD imposes behavioural obligations – requiring companies to actively identify, prevent, mitigate, and remediate adverse human rights impacts across their operations and value chains.

Under Article 19a(2)(f)(i)-(ii) of the Accounting Directive as amended by CSRD, companies are required to disclose their due diligence processes for sustainability matters, including the identification of principal actual or potential adverse impacts, actions taken to monitor those impacts, and measures to prevent, mitigate, or remediate them. Human rights-specific disclosures are further detailed under the CSRD's ESRS S1–S4 standards, which require companies to report on workforce treatment, diversity, equal pay, and supply chain human rights risks.

The CSDDD complements this with behavioural obligations. Articles 5(1)(a), 7(1), 8(1) and 8(2) require businesses to integrate human rights due diligence into their corporate policies and risk management systems, to identify and assess such risks, and to embed risk-based approaches throughout their operations and supply chains. Articles 10(1), 10(2), 11(1) and 11(3) set out duties to prevent or mitigate potential adverse impacts and to bring actual adverse human rights harms to an end through appropriate, proportionate, and time-bounded measures.

Under Article 16(1) of the CSDDD, companies must publicly communicate key elements of their due diligence policies, including human rights compliance actions. However, Article 16(2) explicitly exempts companies already subject to the CSRD (Articles 19a, 29a, or 40a) from this obligation, thereby avoiding a legal obligation for duplication in reporting. In practice, while the legal reporting duty lies with the CSRD, companies must still align their behavioural due diligence obligations under the CSDDD with the disclosures required by the CSRD.

Although there is no additional reporting requirement under the CSDDD for companies covered by the CSRD, operational overlaps remain. For example, a retail company sourcing textiles from Asia must report under the CSRD on how it manages human rights risks in its supply chain (e.g. fair wages, child labour prevention). At the same time, it must conduct due diligence under the CSDDD to identify, assess, and address those risks. While reporting and due diligence are distinct, ensuring alignment between what is done (CSDDD) and what is disclosed (CSRD) can create administrative complexity.

***Potential course of action**: Encourage the development of implementation guidance or best practice templates to support companies in integrating CSDDD behavioural processes into CSRD disclosures. Promoting stronger internal control and assurance frameworks can help ensure* *consistency between what is implemented under the CSDDD and what is reported under the CSRD, thereby reducing administrative burdens.*

Further clarification – via interpretative guidance or FAQs – could help confirm that CSRD disclosures serve as the single reporting channel for companies also subject to the CSDDD, while reaffirming that the CSDDD imposes separate behavioural obligations.

3.2.3. Taxonomy vs. CSDDD

While the Taxonomy is primarily concerned with environmental sustainability, it introduces social and governance requirements that overlap with the CSDDD's human rights due diligence framework.

Under Article 18 of the Taxonomy Regulation, companies must comply with minimum social safeguards, which align directly with CSDDD's due diligence requirements for human rights and labour protections. Additionally, Article 8(1)-(2) of the Taxonomy Regulation requires companies to disclose how their economic activities align with the Taxonomy criteria, which includes compliance with minimum social safeguards – overlapping with Article 5(1) and Article 8(1)-(2) of the CSDDD, where businesses must integrate human rights due diligence into their policies and identify and assess adverse impacts.

Another area of overlap is in Article 10(1) of the CSDDD, which mandates that businesses take preventive or mitigating measures to address potential human rights violations in their supply chains. While the CSDDD enforces this as a legal obligation, the Taxonomy requires businesses to provide evidence that their economic activities meet human rights and labour standards as a condition for classification as "sustainable".

As a result, companies must demonstrate compliance with OECD and UN principles under the Taxonomy and align their internal due diligence systems with the same standards under the CSDDD. This could lead to businesses duplicating their human rights risk assessments and reporting the same information in multiple formats. For example, a fashion brand sourcing from multiple countries must confirm under CSDDD that it mitigates risks related to forced labour. The same company must prove under the EU Taxonomy's minimum safeguards that its supply chain adheres to ethical labour practices.

***Potential course of action**: Clarify – through non-binding interpretative guidance – that companies may use their due diligence systems developed under the CSDDD to demonstrate compliance with the Taxonomy's minimum social safeguards, where relevant. Industry-level or voluntary sectoral initiatives could also explore shared due diligence repositories or collaborative data-sharing tools to reduce duplication in evidencing compliance across frameworks.*

Table 2 below summarises how the three legislative files intersect and where reporting and behavioural overlaps related to social and human rights exist.

Table 2: Overlaps related to social and human rights

Reporting area	CSRD	CSDDD	Taxonomy
Human rights due diligence	Article 19a(2)(f)(i)-(ii) and ESRS S1-S4: Require disclosure of human rights risk assessments, mitigation actions and stakeholder engagement	Articles 5(1), 7(1), 8(1)-(2), 10(1)-(2) and 11(1), (3): Impose behavioural due diligence obligations, including identification, prevention, and remediation of human rights risks	Article 18: Requires compliance with OECD Guidelines, UN Guiding Principles, and ILO Core Conventions
Workforce treatment & diversity	ESRS S1: Mandates disclosure of workforce policies, working conditions, diversity, equal pay, and anti-discrimination measures	Articles 10(1)-(2) and 11(1), (3): Require prevention and mitigation of risks related to working conditions and workforce rights	Article 18: Requires adherence to international fair labor and human rights standards
Supply chain transparency	ESRS S4: Requires reporting on social and human rights impacts across the value chain	Articles 8(1)-(2), 10(1)-(2) and 11(1), (3): Require identification, prevention, and mitigation of adverse human rights impacts in supply chain	Article 8(1)-(2) (in conjunction with Article 18): Require evidence that supply chain practices align with minimum social safeguards
Grievance mechanisms & stakeholder engagement	ESRS S1–S2: Require disclosure of grievance mechanisms, worker engagement, and stakeholder engagement	Articles 14(1) and 14(3): Mandate the establishment of grievance and complaints mechanisms for affected stakeholders	Article 18: Requires alignment with international frameworks protecting worker rights and grievance access
Social safeguards & labor rights	ESRS S1: Requires reporting on collective bargaining rights, fair wages, equal treatment, and non-discrimination	Articles 10(1)-(2) and 11(1), (3): Obligate companies to prevent and mitigate labor rights violations across operations and supply chains	Article 18: Mandates adherence to OECD and UN labor rights guidelines

Source: Authors' elaboration.

3.3. Overlaps related to governance and corporate strategy

The three legislative files also impose overlapping governance and corporate strategy disclosure requirements, particularly regarding board responsibilities, risk management and sustainability integration into corporate decision-making. While the CSRD mandates broad governance disclosures on sustainability oversight, the CSDDD imposes specific due diligence obligations on corporate governance, and the Taxonomy requires companies to meet minimum governance safeguards to qualify for sustainable finance classification.

3.3.1. CSRD vs. CSDDD

The CSRD and the CSDDD share significant overlaps, particularly in their requirements for corporate governance structures to address sustainability risks. Under Article 19a(2)(a)(i), (a)(v), and (c) of the Accounting Directive as amended by the CSRD, companies must disclose how their boards and executive management oversee sustainability risks and how these factors influence corporate strategies, including setting and supervising sustainability objectives.

Meanwhile, Article 5(1)(a) of the CSDDD mandates that companies integrate due diligence into their governance frameworks and decision-making processes. As a result, companies must report on: i) how sustainability risks are integrated into governance under CSRD, and ii) how due diligence frameworks ensure sustainability compliance under CSDDD. These overlapping requirements often necessitate similar documentation, leading to redundant reporting obligations.

CSRD's ESRS G1 requires detailed reporting on board composition, executive remuneration linked to sustainability, and decision-making processes. While the CSDDD does not explicitly impose director-level sustainability oversight obligations in its final text (although the Commission's 2022 proposal had a draft Article 25 that explicitly regulated directors' duties for due diligence and sustainability oversight), it requires companies, through Article 5(1)(a), to embed due diligence processes within their corporate governance and risk management systems.

Consequently, both legislative pieces require disclosure of governance structures addressing sustainability risks, albeit using different terminology and levels of specificity. This means that, for example, a financial institution must report under the CSRD how its board integrates ESG risks into decision-making. Simultaneously, under the CSDDD, it must ensure that its governance systems integrate human rights and environmental due diligence into business operations (CSDDD does not address governance – the 'G' in ESG – broadly, but focuses specifically on human rights and environmental risks). While the legal reporting obligation lies with the CSRD, companies must still document and operationalise CSDDD requirements in a way that aligns with their CSRD disclosures, potentially creating additional administrative burdens.

***Potential course of action**: Clarify the distinction between the broad ESG-related governance disclosures required under the CSRD (e.g. board oversight, executive remuneration, business ethics) and the narrower governance obligations under the CSDDD, which focus on embedding due diligence into corporate processes. Guidance should help companies align and cross-reference these frameworks while avoiding duplication in internal documentation and reporting.*

3.3.2. CSRD vs. Taxonomy

The intersection between the CSRD and the Taxonomy also leads to overlapping governance-related disclosures. In particular, the CSRD requires disclosures on corporate governance structures, policies on business ethics, and mechanisms ensuring compliance with sustainability obligations.

Simultaneously, Article 18 of the Taxonomy mandates that companies meet minimum safeguards related to human rights, anti-corruption policies and labour rights to qualify for sustainable finance classification. While Article 8(1) of the Taxonomy requires companies to disclose the extent to which their activities are environmentally sustainable, it does not specifically require disclosure of the governance mechanisms ensuring compliance with the minimum safeguards. Nevertheless, compliance with these safeguards is a substantive condition for Taxonomy alignment, which indirectly overlaps with the CSRD's ESRS G1 standard mandating transparency in governance structures and sustainability-related policies.

As a result, companies that fall under both the CSRD and the Taxonomy must ensure compliance with governance principles, anti-corruption safeguards, and human rights and labour standards. While the CSRD requires detailed disclosures under ESRS G1, compliance with the Taxonomy's minimum safeguards is a condition for classification as environmentally sustainable but does not itself create a separate reporting obligation on governance processes. However, demonstrating alignment with both frameworks may require companies to operationalise and document similar internal governance systems, creating indirect administrative duplication.

***Potential course of action**: Encourage the integration of references to the Taxonomy's governance-related minimum safeguards into the CSRD's ESRS G1 disclosures. This could be supported through interpretative guidance, helping companies ensure consistency between their entity-level governance reporting (CSRD) and compliance with the Taxonomy's eligibility requirements.*

3.3.3. CSDDD vs. Taxonomy

The CSDDD's corporate governance requirements also overlap with the Taxonomy's minimum safeguards, particularly in ensuring responsible business conduct and corporate due diligence obligations.

Article 18 of the Taxonomy requires businesses to implement robust governance safeguards aligned with OECD and UN principles, ensuring ethical business practices. At the same time, Article 5(1)(a) of the CSDDD requires companies to integrate due diligence into governance structures and ensure compliance with human rights and environmental standards. Although the CSDDD does not explicitly impose board-level responsibilities, it requires companies to embed due diligence into their corporate policies and risk management frameworks, which aligns with the Taxonomy's requirements for responsible business governance.

Consequently, companies must align due diligence obligations (CSDDD), governance safeguards (Taxonomy), and board-level sustainability responsibilities (CSRD). While the Taxonomy does not impose separate governance reporting obligations, companies may still need to operationalise similar internal systems across frameworks, resulting in indirect compliance burdens.

***Potential course of action**: Encourage companies to align internal governance systems developed under the CSDDD with the Taxonomy's minimum safeguards, using shared principles as a foundation. Guidance documents or voluntary alignment tools could help streamline this process and reduce the need for duplicative internal systems.*

Table 3 below summarises how the three legislative files intersect and where reporting and behavioural overlaps related to governance and corporate strategy exist.

Table 3: Overlaps related to governance and corporate strategy

Reporting area	CSRD	CSDDD	Taxonomy
Corporate governance and accountability	Article 19a(2)(c) and ESRS G1: Require disclosure of board oversight on sustainability matters and governance structures	Article 5(1)(a): Requires integration of human rights and environmental due diligence into corporate governance and decision-making processes	Article 18: Establishes minimum safeguards based on OECD and UN principles; no separate governance reporting obligation under Article 8
Risk management and internal controls	Article 19a(2)(a)(i), (a)(v), and (c): Require disclosure of how companies integrate sustainability risks into business models and governance oversight	Article 5(1)(a): Mandates embedding due diligence into corporate risk management and internal control systems	Article 8: Requires disclosure of alignment with environmental criteria; does not require reporting on risk management or due diligence frameworks
Executive remuneration and incentives	ESRS G1: Requires transparency on executive remuneration linked to sustainability targets and performance	No explicit provisions linking director remuneration to sustainability in the final CSDDD	No explicit remuneration requirements; governance safeguards under Article 18 encourage responsible conduct, but without direct reporting obligations
Stakeholder engagement and reporting transparency	Articles 19a and 29a: Require engagement with stakeholders on ESG issues and disclosure of material sustainability impacts	No specific stakeholder engagement disclosure requirement; however, general stakeholder consideration embedded through due diligence processes (Articles 5, 7, 8)	Article 18: Refers to international standards requiring stakeholder engagement; does not impose separate reporting under Article 8
Business ethics and anti-corruption	ESRS G1: Requires disclosure of anti-corruption policies, ethics codes, and responsible business conduct	General obligations for identifying and addressing human rights and environmental risks may indirectly cover corruption where relevant (Articles 5(1), 8(1)-(2))	No explicit reporting requirements; Article 18 minimum safeguards require alignment with OECD/UN standards on ethics and anti-corruption as a condition only

Source: Authors' elaboration.

3.4. The proposed Omnibus Directive

The Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) has summarised the sustainability "Omnibus" (European Commission DG FISMA, 2025) as including amendments to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), accompanied by a draft Taxonomy Delegated Act for public consultation, with the aim of making sustainability reporting more efficient and less burdensome.

The main changes in the area of sustainability reporting will:

- remove around 80% of companies from the scope of the CSRD – only large undertakings companies with more that have more than 1,000 employees and either a turnover above €50 million or a balance sheet total above €25 million will remain subject to the rules;
- ensure that sustainability reporting requirements for large companies will not burden smaller companies in their value chains (see Article 19a(2) at Omnibus I – COM(2025)81). To this end, the Commission will adopt a voluntary reporting standard, based on the SME standard developed by EFRAG. This standard will act as a shield, by limiting the information that companies or banks falling into the scope of the CSRD can request from companies in their value chains with up to 1,000 employees;
- revise and simplify the existing European Sustainability Reporting Standards (ESRS), against which the companies remaining in scope will have to report (see Article 29ca(8) at Omnibus I – COM(2025)81);
- delete the requirement on the Commission to adopt sector-specific standards and keep the assurance requirement at the level of "limited" assurance, not moving in the future to the more demanding level of "reasonable" assurance; and
- limit reporting obligations under the EU Taxonomy to the largest companies with at least 1,000 employees and €450 million net turnover, while still allowing other large companies within the future scope of CSRD to report voluntarily.

4. COSTS, BENEFITS, AND IMPLEMENTATION CHALLENGES OF CSRD AND CSDDD

KEY FINDINGS

The Commission's SWD in support of the Omnibus legislative proposal has remarkably little to say about associated costs and benefits of the three laws. The total disregard of costs of the proposed changes could be important to the extent that the anticipated benefits of the laws would be foregone by exempting large numbers of firms from obligations.

Even in a rushed procedure, this was an unforced error. The materials that we analyse here, many of which were produced by or for the Commission, were available to the Commission.

The 2021 Impact Assessment (IA) conducted in preparation for the CSRD includes a comprehensive detailed assessment of anticipated implementation costs for CSRD. The IA found that non-listed medium SMEs represented 77% of the companies identified, but only 10.5% of the annual total turnover of the companies identified. With that in mind, one has to wonder whether their inclusion in the scope of CSRD was warranted and proportional.

A 2024 survey of businesses by PWC found that while 97% of firms due to file for CSRD in 2025 were confident of being able to file on time, firms were far more confident of their ability to report things "… that are generally included in existing disclosures (e.g., workforce, business conduct and climate change) but are far less confident in their ability to meet reporting requirements on less familiar topics such as biodiversity, circularity, pollution and workers in the value chain". The survey found that firms face real challenges in reporting, not only with the quality and availability of data, and with the complexity of value chains, but also with staff capacity and deadlines.

Many businesses, especially those further along in implementation, perceive that CSRD compliance can facilitate the transformation and modernisation of their businesses. PWC's 2024 survey of CSRD implementation experience found that companies "… see multiple business benefits flowing from the CSRD, including better environmental performance, improved engagement with stakeholders and risk mitigation."

A survey conducted in support of the IA for CSDDD identified significant implementation costs. The same survey found that respondents expected that making due diligence mandatory, but without requiring firms to conduct due diligence on their respective value chains, could be expected to generate "… benefits in the form of greater supply chain certainty (32%), greater legal certainty (29%), greater leverage over non-EU suppliers provided by a non-negotiable standard (24%) and from lower operational risks (22%)." Extending due diligence obligations to the supply chain (which corresponds roughly to CSDDD as enacted) could be expected to generate greater benefits in the form of "greater leverage over non-EU suppliers provided by a non-negotiable standard and greater legal certainty (46% each), followed by greater supply chain certainty (44%) and lower operational risks (35%)."

In this chapter, we explore the costs and benefits associated with CSRD and CSDDD, and the challenges of implementation associated with CSRD.

The Commission's SWD in support of the Omnibus legislative proposal assesses the number of firms that would be freed from reporting obligations (European Commission (SWD), 2025), but it otherwise has remarkably little to say about associated costs and benefits of these laws. The total disregard of costs could be important to the extent that the anticipated benefits of the laws would be foregone by exempting large numbers of firms from obligations.

In this section, we draw on the substantial work that was done in preparation for the CSRD and CSDDD, comprising Impact Assessments for both (European Commission (CSRD IA), 2021) (European Commission (CSDDD IA), 2022) as well as a highly relevant preparatory study for CSDDD.[11] (Smit, et al., 2020) There are also useful survey results from PWC in 2024. (PWC, 2024)

In the interest of conciseness and brevity, and also because it is less impacted by Omnibus, we take the liberty of neglecting the EU Taxonomy in this chapter. We also omit implementation challenges associated with CSDDD because we have not identified data.

4.1. Costs of CSRD implementation

The impact assessment for the CSRD (European Commission (CSRD IA), 2021) provides a comprehensive assessment of costs, based in large measure on a study conducted for the Commission by CEPS. (de Groen, et al., 2020) The analysis in the Impact Assessment was conducted for each of the scoping options that the Commission considered. The options, together with the number of companies that would be required to report, appear in Table 4. Option 4 is the Preferred Option, and corresponds roughly to what was enacted in the CSRD.

We note in passing that non-listed medium SMEs represent 77% of the companies identified, but only 10.5% of the annual total turnover of the companies identified. Average turnover for small and medium listed SMEs is just EUR 12 million, while average turnover for medium SMEs that are not listed is just EUR 16 million. Recall that the first General Objective of CSRD was "helping to reduce systemic risks to the economy resulting from the fact that many investment decisions currently do not take adequate account of sustainability-related issues". (European Commission (CSRD IA), 2021, p. 15) Given that non-listed medium SMEs represent only 10.5% of the firms identified,[12] how essential were they really for reducing systemic risks? As the Impact Assessment itself notes, "User demand for non-financial information is currently lower for non-listed medium-sized companies than it is for listed companies and for large companies. Individually, medium-sized enterprises tend to have less significant impacts on society and the environment than larger companies." (European Commission (CSRD IA), 2021, pp. 50-51) Seen in this light, one really has to wonder whether their inclusion in CSRD was consistent with the principle of proportionality in the first place.

[11] There was also a preparatory study related to duties of directors, but it is of limited relevance to this study.

[12] They also represent only 9% of the total turnover of all limited liability companies. (European Commission (CSRD IA), 2021, p. 50).

Table 4: Options considered for the CSRD, number of companies affected, and their turnover (2021).

Population of companies under the different scope options			
Company groups	Number of companies	Total turnover (EUR million)	Average turnover per company (EUR million)
Current NFRD	1,956	7,565,886	3,868
National transposition extra	9,697	5,715,659	589
Option 1 - Large PIEs below 500 employees	1,157	246,138	213
Option 2 - Large non-EU undertakings listed in the EU	86	979,471	11,389
Option 2 - Large non-listed EU undertakings.	35,184	7,702,874	219
Option 3 - Small and medium SMEs listed in the EU	1,059	12,209	12
Option 4 - Non-listed medium SMEs	160,205	2,606,297	16
Total	**209,344**	**24,828,536**	**119**

Source: (European Commission (CSRD IA), 2021, p. 209).

The detailed assessment of costs for preparers (those who would submit reports) appears here as Table 5. Inasmuch as the analysis is involved, and draws on (de Groen, et al., 2020), the reader is encouraged to refer to (European Commission (CSRD IA), 2021, pp. 207 – 223).

Table 5: Commission estimates of costs for preparers of CSRD by Package/Option (2021)

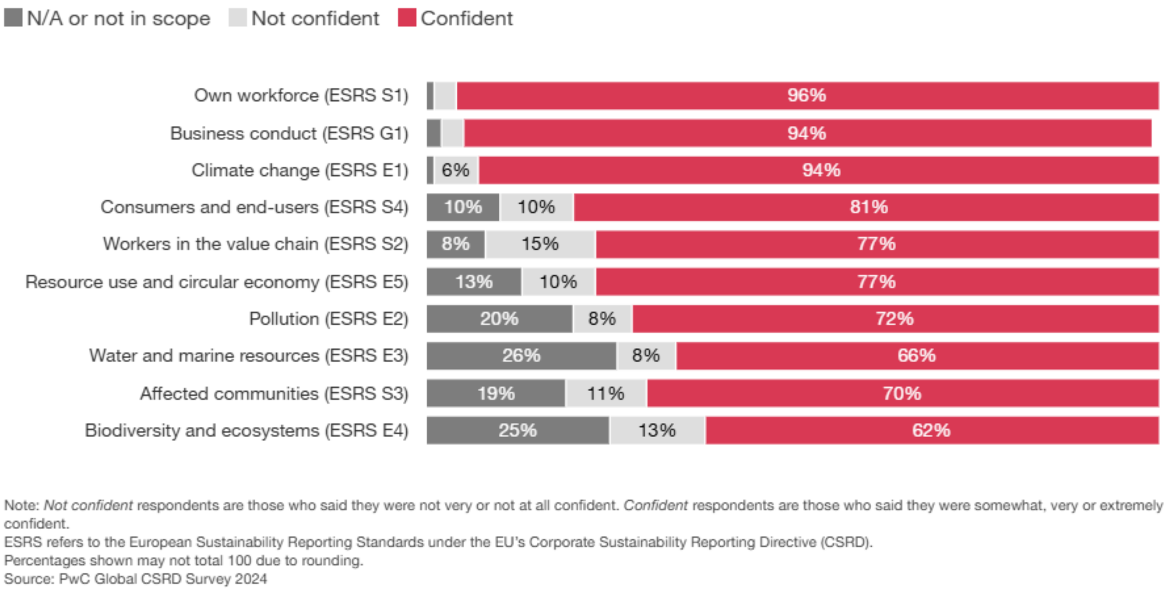
Package cost estimates (million EUR)				Stratified recurring costs				Stratified one-off costs		
	Total number of companies	Number of companies new to reporting/ assurance /tagging	Number of companies with non-standard reporting before/ with assurance that needs to be elevated	Current costs	Future costs	Incremental costs	Increase vs previous package	Total one-off costs	Incremental one-off costs	Increase vs previous package
Baseline	**11,653**			**974**				**276**		
administrative costs	*11,653*			*612*				*276*		
assurance costs	*11,653*			*362*				*0*		
Subtotal admin+assur.	**11,653**			**974**				**276**		
tagging costs	*11,653*			*0*				*0*		
Package 0	**11,653**			**974**	**1,393**	**419**	**419**	**420**	**143**	**143**
administrative costs	*11,653*	*0*	*6,000*	*612*	*822*	*211*	*211*	*305*	*29*	*29*
assurance costs	*11,653*	*2,295*	*3,835*	*362*	*551*	*189*	*189*	*0*	*0*	*0*
Subtotal admin+assur.	**11,653**			**974**	**1,373**	**399**	**399**	**305**	**29**	**29**
tagging costs	*11,653*	*11,653*		*0*	*20*	*20*	*20*	*114*	*114*	*114*
Package 1	**12,810**			**990**	**1,512**	**522**	**103**	**457**	**176**	**32**
administrative costs	*12,810*	*897*	*6,173*	*623*	*896*	*273*	*63*	*332*	*50*	*21*
assurance costs	*12,810*	*3,287*	*3,901*	*367*	*595*	*227*	*38*	*0*	*0*	*0*
Subtotal admin+assur.	**12,810**			**990**	**1,490**	**500**	**101**	**332**	**50**	**21**
tagging costs	*12,810*	*12,810*		*0*	*22*	*22*	*2*	*126*	*126*	*11*
Package 2	**48,080**			**1,618**	**5,144**	**3,526**	**3,004**	**1,605**	**1,144**	**968**
administrative costs	*48,080*	*27,845*	*9,608*	*1,041*	*3,135*	*2,095*	*1,822*	*1,134*	*673*	*623*
assurance costs	*48,080*	*32,724*	*5,219*	*577*	*1,927*	*1,349*	*1,122*	*0*	*0*	*0*
Subtotal admin+assur.	**48,080**			**1,618**	**5,062**	**3,444**	**2,944**	**1,134**	**673**	**623**
tagging costs	*48,080*	*48,080*		*0*	*82*	*82*	*60*	*471*	*471*	*346*
Package 3	**49,139**			**1,620**	**5,187**	**3,567**	**41**	**1,625**	**1,164**	**20**
administrative costs	*49,139*	*28,845*	*9,629*	*1,042*	*3,159*	*2,118*	*23*	*1,144*	*682*	*9*
assurance costs	*49,139*	*33,742*	*5,227*	*578*	*1,944*	*1,366*	*16*	*0*	*0*	*0*
Subtotal admin+assur.	**49,139**			**1,620**	**5,103**	**3,484**	**39**	**1,144**	**682**	**9**
tagging costs	*49,139*	*49,139*		*0*	*84*	*84*	*2*	*482*	*482*	*10*
Package 4	**209,344**			**1,893**	**9,307**	**7,414**	**3,847**	**4,093**	**3,561**	**2,398**
administrative costs	*209,344*	*180,239*	*12,833*	*1,204*	*4,985*	*3,781*	*1,663*	*2,041*	*1,510*	*828*
assurance costs	*209,344*	*187,658*	*6,456*	*689*	*3,966*	*3,277*	*1,911*	*0*	*0*	*0*
Subtotal admin+assur.	**209,344**			**1,893**	**8,951**	**7,058**	**3,574**	**2,041**	**1,510**	**828**
tagging costs	*209,344*	*209,344*		*0*	*356*	*356*	*272*	*2,052*	*2,052*	*1,570*

Source: (European Commission (CSRD IA), 2021, p. 223).

4.2. Challenges implementing CSRD

PWC's 2024 survey of CSRD implementation experience (PWC, 2024)[13] found that 97% of firms expecting to file in 2025 and 93% expecting to file in 2026 were confident that they would be ready to report under the CSRD by the required date (ignoring the effect of the Commission's "stop the clock" legislation, which was not known when the survey was conducted). On a more granular basis, however, it becomes clear that firms were far more confident of their ability to report things "… that are generally included in existing disclosures (e.g., workforce, business conduct and climate change) but are far less confident in their ability to meet reporting requirements on less familiar topics such as biodiversity, circularity, pollution and workers in the value chain" (see Figure 4).

Figure 4: Company confidence in their ability to report in time under CSRD, by topic (2024)



Source: (PWC, 2024).

The same survey data make clear that **firms face real challenges in reporting**, not only with the quality and availability of data, and with the complexity of value chains, but also with staff capacity and deadlines (see Figure 5).

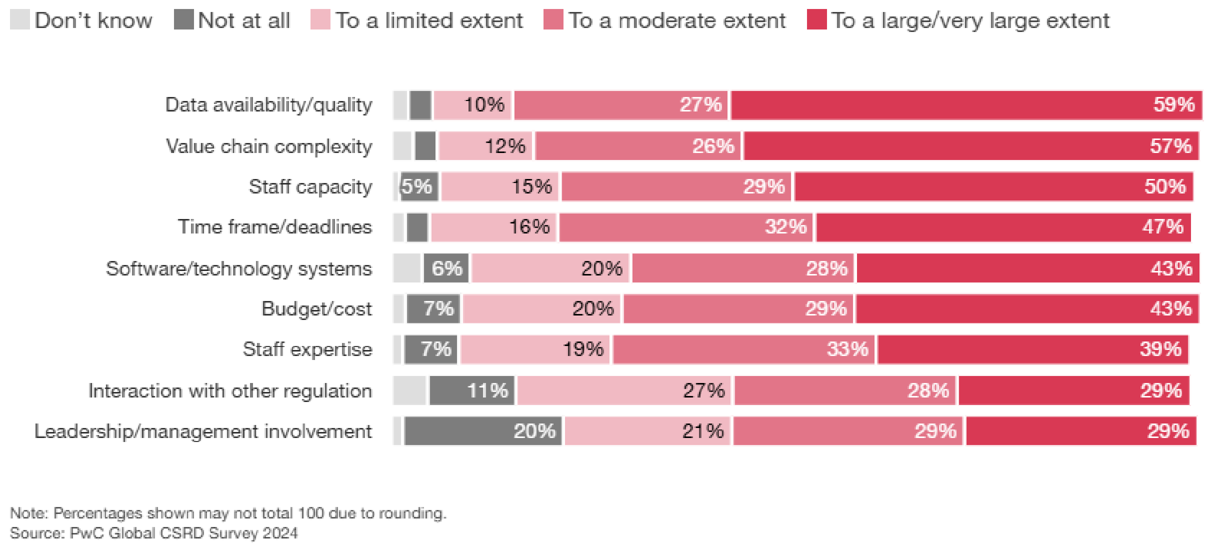
As regards data quality and availability, "… much of this information does not exist today in companies' enterprise resource planning (ERP) and other central source systems. It must be tracked down manually from spreadsheets and original documents (e.g., invoices) that are distributed across the enterprise. This is a recipe for inefficient and error-prone processes, unless companies pay close attention to the fundamentals of data strategy—how sustainability data is defined, sourced, governed and processed." (PWC, 2024)

The high level of concern with the complexity of value chains suggests that the Commission's focus on this issue in the Omnibus legislative proposal was not misplaced. PWC notes that often for the first time, "… companies must use data from suppliers, customers and third-party data providers, and they

13 In April and May 2024, PwC surveyed 547 executives and senior professionals across more than 30 countries and territories. About one-third of respondents hold C-suite roles, and the remainder are senior professionals across business functions including sustainability, finance and risk. Sixty percent of companies represented are headquartered within the European Union.

need to assess their reliability. Even the first step, understanding and defining the value chain for the purposes of the CSRD, takes considerable time." (PWC, 2024)

Figure 5: Company perceived obstacles to CSRD implementation (2024)

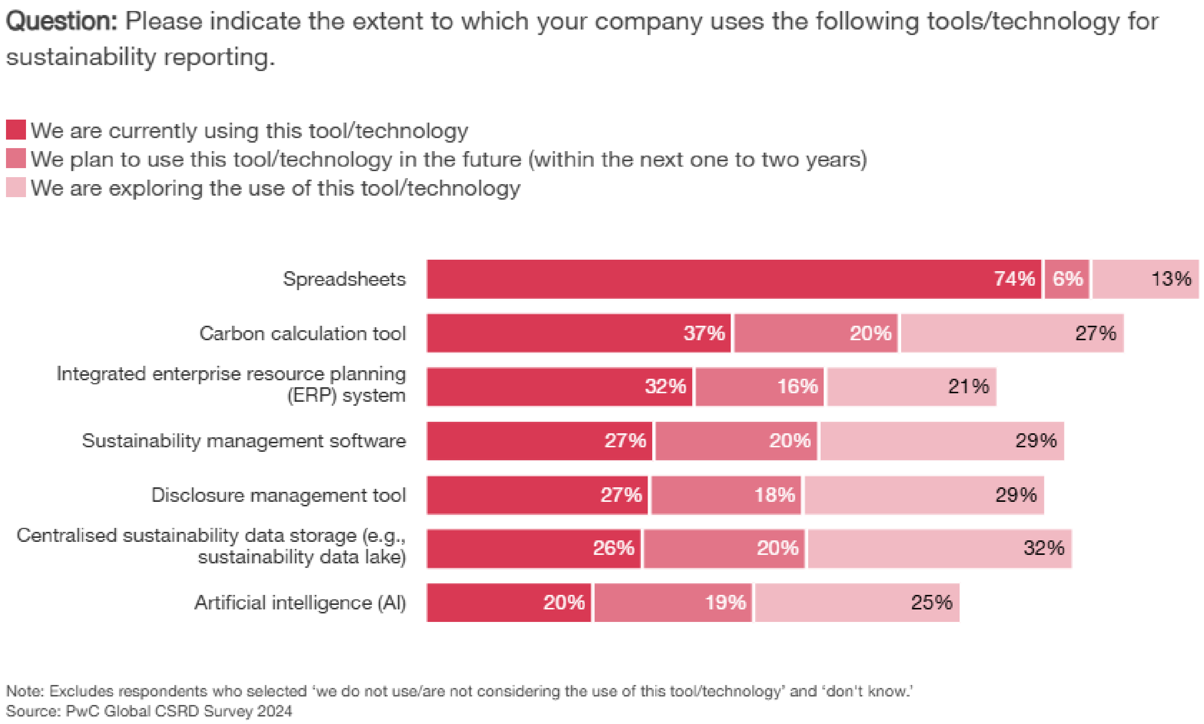


Source: (PWC, 2024).

Our understanding has been that most firms are using only spreadsheets and similarly primitive tools for CSRD reporting, and the PWC survey bears this out (see Figure 6). Once again, PWC has succinctly noted that while "not every company is ready to embark on a major investment programme, targeted technology investment, building on existing cloud and ERP foundations, is ultimately the only way to achieve efficient ongoing reporting and feed sustainability data into decision-making processes across the enterprise." (PWC, 2024)

On the one hand, this can be viewed as a negative indication; on the other, it might very well be that the cost and complexity of CSRD reporting can be expected to progressively decline as firms (and externals who support them) begin to invest in appropriate tools, and as they gradually climb the learning curve. Indeed, in the context of CSDDD rather than CSRD, (Smit, et al., 2020, p. 472) suggest that "… it should be noted that, due to the implementation of efficient [due diligence (DD)] procedures, e.g. by use of modern tracking technologies, some SMEs may actually face lower relative cost than large companies. Regarding technology solutions, our results show that new tracking technologies and software-supported value chain management systems are likely to simplify DD tasks for companies of all sizes."

Figure 6: Company use of specialist tools and technology for sustainability reporting (2024)



Source: (PWC, 2024)

4.3. Benefits of CSRD implementation

There is a natural tendency in the wake of (Draghi, 2024) to focus on the regulatory burden of the three laws, and our evidence base provides clear indications that the three laws are individually and collectively burdensome (see also Chapter 3).

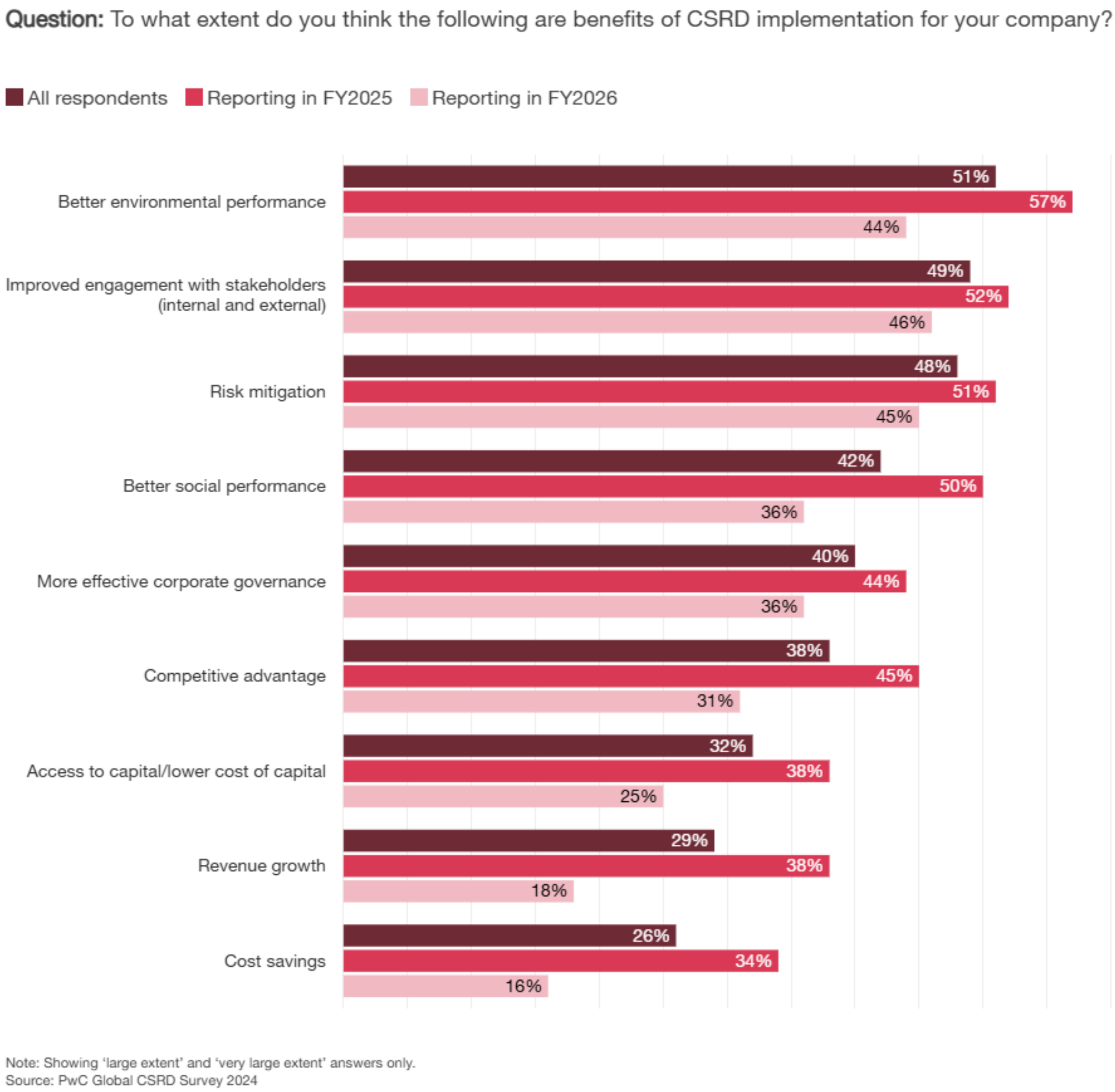
But it is important not to lose sight of the fact that many businesses, especially those further along in implementation, also perceive that compliance can generate substantial benefits in the medium to long term, and that CSRD compliance can facilitate the transformation and modernisation of their businesses. The Commission's legislative proposal for the Omnibus Directive appears to fall into this trap. (European Commission (SWD), 2025)

PWC's 2024 survey of CSRD implementation experience (PWC, 2024)[14] found that companies "... see multiple business benefits flowing from the CSRD, including better environmental performance, improved engagement with stakeholders and risk mitigation. These findings from PwC's inaugural Global CSRD Survey will encourage supporters of the new reporting regime who argued that greater transparency in sustainability would drive changes in business conduct. ... the directive is not only a major new reporting obligation but also an opportunity for leaders to understand in greater depth how sustainability will challenge today's business models and create opportunities for growth and reinvention. The survey suggests that companies are starting to appreciate this upside potential. In addition to the indirect benefits noted above, **about one-third of survey participants expect CSRD implementation to lead directly to revenue growth and cost savings**. [emphasis added] Significantly,

[14] In April and May 2024, PwC surveyed 547 executives and senior professionals across more than 30 countries and territories. About one-third of respondents hold C-suite roles, and the remainder are senior professionals across business functions including sustainability, finance and risk. Sixty percent of companies represented are headquartered within the European Union.

those further along in their implementation journey are more optimistic about the business benefits across all dimensions."

Figure 7: Company perceptions of business benefits flowing from sustainability reporting under CSRD (2024)



Source: (PWC, 2024).

4.4. Costs of CSDDD implementation

In preparation for the Impact Assessment for CSDDD, the Commission launched a comprehensive study. The report produced by that study (Smit, et al., 2020) appears to be of good quality. More recent data would be better, but we feel that the results of (Smit, et al., 2020) provide a good indication of costs and benefits of CSDDD implementation; in any case, there does not seem to be anything better. The costs and benefits would not necessarily change very much over time.

The options considered in (Smit, et al., 2020) were:

- Option 1: No policy change
- Option 2: Voluntary guidelines

- Option 3: Mandatory DD reporting
- Option 4: Mandatory DD throughout value chains

The comparison to the "business as usual" option (Option 1) thus represents the incremental cost, in labour and money, to implement each of the options. CSDDD as enacted corresponds to Option 4.

For each of these options, they estimated person-days required to implement the following activities:

- Impact assessments & tracking effectiveness of actions
- Training
- Incorporation of standards into contracts / codes of conduct
- Audits / investigations
- Leverage (suppliers / investee companies / third parties) & collective engagement
- Reporting activities

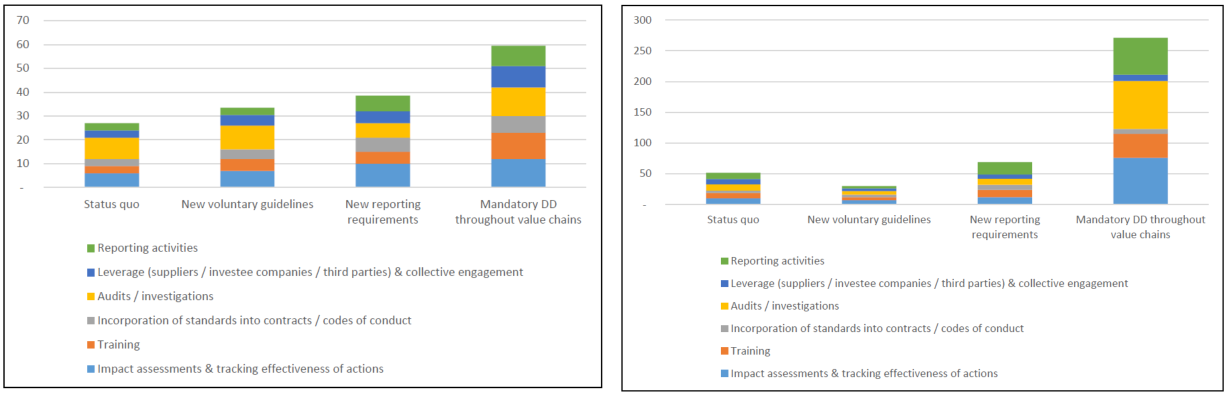
They also estimated costs, taking the following costs into account:

- Cost of labour
- Overheads
- Cost of outsourcing / external services (including auditors & experts)
- Cost of reporting
- Other costs

Their data collection was based on 334 firms, 171 of which had more than 1,00o employees, while just 28 had less than 49 employees. Among large firms (with 1,000 or more employees), the incremental cost in person-days of Option 4 (where the full value chain is taken into account) is substantial – an increase from 27 person-days per company for business as usual, to 60 per company for the option that was chosen (left half of Figure 8).

The impact is different, however, for large firms that are already implementing due diligence – it is considerably higher (right half of Figure 8). One might have supposed that the incremental cost would be less for firms already performing due diligence, because some of the cost has already been absorbed; the higher cost that are in evidence in this case may reflect a *de facto* self-selection bias in the sense that firms that have issues are probably more likely to conduct due diligence. (Note that the graphs are scaled differently along the y-axis.)

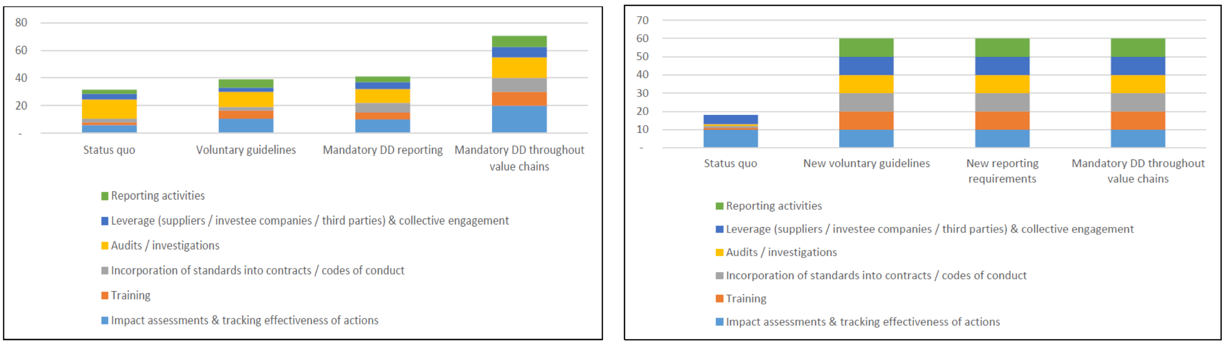
Figure 8: Person-days to implement CSDDD by option and activity (companies with more than 1,000 employees, companies that already conduct human rights and environmental due diligence to the right, 2020)[15]



Source: (Smit, et al., 2020, pp. 407- 408)

The cost of Options 1, 2 or 3 for small firms (0 to 49 employees) and somewhat larger firms (50 to 1,000 employees) are only slightly less (see Figure 9) than those for large companies for most categories of users. This is of some concern, since SMEs will tend to have far less revenue with which to support these costs.

Figure 9: Person-days to implement CSDDD by option and activity (companies with more than 50 to 1,000 employees left, with 0 to 49 employees right, 2020)[16]



Source: (Smit, et al., 2020, pp. 409 – 410)

Translating these labour costs into direct expense by assuming an hourly labour cost of €27,40, (Smit, et al., 2020) then estimate the annual cost per firm. For large firms, these costs appear in Table **6**.

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15 These figures derive from business and stakeholder surveys conducted by (Smit, et al., 2020). Numbers indicated: median values for person-days (8 working hours/day) per month.

16 These figures derive from business and stakeholder surveys conducted by (Smit, et al., 2020). Numbers indicated: median values for person-days (8 working hours/day) per month.

Table 6: Annual labour cost of implementing CSDDD for companies with more than 250 employees (2020)

Annual cost equivalents	**Large companies with revenues of 11.5 billion EUR**	**Large companies with revenues of 1 billion EUR**	**Large companies with revenues of 100 million EUR**
Status quo	EUR 136,781	EUR 11,894	EUR 1,189
∆ New voluntary guidelines	no change	no change	no change
∆ New reporting requirements	EUR +44,717	EUR +3,888	EUR +389
∆ Mandatory DD throughout value chains	EUR +576,058	EUR +50,092	EUR +5,009

Source: (Smit, et al., 2020, p. 425).

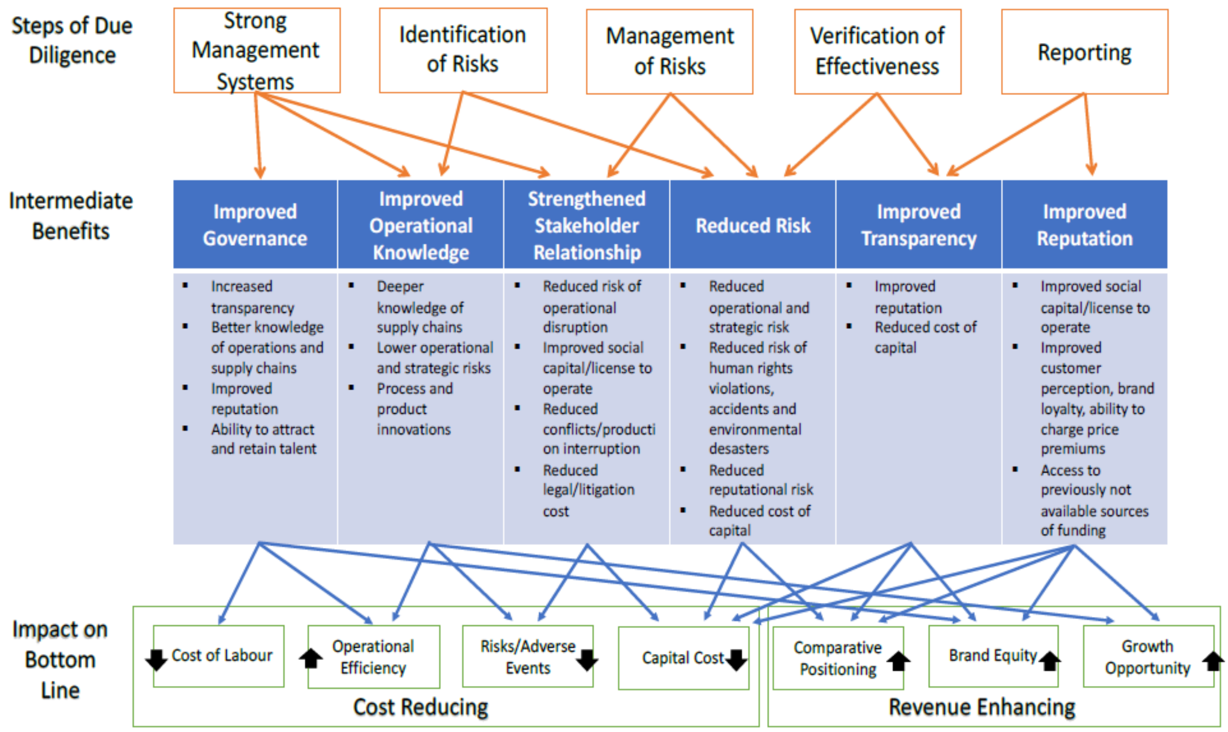
4.5. Benefits of CSDDD implementation

Based on a literature review, (Smit, et al., 2020) found that economic benefits from due diligence activities could be expected to be a function of_

- brand and image reputation,
- human resources,
- risk management, operational efficiency and innovation, and
- financial and stock performance, as well as the cost of capital.

(Smit, et al., 2020) go on to propose an impact chain for due diligence activities as depicted in Figure 10.

Figure 10: Impact chain for benefits from due diligence activities



Source: (Smit, et al., 2020, p. 453).

Based on a small survey of businesses, (Smit, et al., 2020) found that respondents expected that making due diligence mandatory, but without requiring firms to conduct due diligence on their respective value chains, could be expected to generate "… benefits in the form of greater supply chain certainty (32%), greater legal certainty (29%), greater leverage over non-EU suppliers provided by a non-negotiable standard (24%) and from lower operational risks (22%)." Extending due diligence obligations to the supply chain (which corresponds roughly to CSDDD as enacted) could be expected to generate greater benefits in the form of "greater leverage over non-EU suppliers provided by a non-negotiable standard and greater legal certainty (46% each), followed by greater supply chain certainty (44%) and lower operational risks (35%)." (Smit, et al., 2020, p. 471)

The report goes on to attempt to attempt to quantify the impact of mandatory due diligence on revenues and profits or small EU businesses. (Smit, et al., 2020, pp. 467 – 468) We do not report the results in detail here because they do not impress us as being very convincing or robust; however, it is fair to say that they strongly suggest an overall negative net impact on ex post profits (i.e. revenues minus costs) for small companies.

Given that costs outrun benefits in this somewhat simplistic analysis, the Commission's desire to simplify or avoid CSDDD reporting compliance costs for SMEs appears to be directionally right; however, the details matter (see Section 5.2.2).

5. THE PROPOSED OMNIBUS DIRECTIVE

KEY FINDINGS

Many aspects of the Omnibus Directive are **directionally right**. It targets a genuine and serious problem: the excessive regulatory burden and misalignment across multiple legislative frameworks, which currently require companies to collect, analyse, disclose, and/or report substantially the same data in different ways.

The measures proposed by the Commission are broadly reasonable. However, it is difficult to assess them in detail due to flaws in the legislative process. **Bad process leads to bad outcomes**.

It is surprisingly common for the Commission to introduce legislative proposals without the required Impact Assessment, often citing urgency. In this case, that decision was unwise. The Omnibus Directive is both too complex and too important to bypass such a critical step in the policymaking process.

The "**call for evidence**" conducted from October to December 2023 was a welcome and inclusive preparatory step. It should have served as a key input into this legislative proposal. Yet, the Commission failed to publish the mandatory "**summary of responses"** within eight weeks, as required under the Better Regulation Toolbox. This omission further undermines the transparency and robustness of the process.

In many cases, the Commission is putting forward approaches in Omnibus that it strongly argued against in the Impact Assessment reports for CSRD and CSDDD in 2021 and 2022. Examples are the inclusion of listed SMEs, and the need to go beyond direct suppliers in the value chain. The approaches put forward in Omnibus are not necessarily wrong, but Parliament, Council and the public deserve an explanation of the reasoning behind these changed positions.

The absence of a proper Impact Assessment leaves unanswered questions – most notably, whether the proposed thresholds are optimal or whether viable alternatives were overlooked. This is the case for instance for the reduction in the number of parties required to report, and for the frequency of reporting.

The decision to amend the ESRS and the various delegated acts under the Taxonomy Regulation in separate, subsequent steps is sound. These amendments will also require careful scrutiny.

Finally, the "**stop the clock**" provision was appropriate and justified under the circumstances, even under a rushed and accelerated timeline. The alternatives would have been even worse. With that said, however, planning for "stop the clock" could have been better.

In this chapter, we strive to draw a distinction between the *substance* of the proposed Omnibus Directive, and the *process* used to produce it.

It has to be said that the process that the Commission followed is dubious. It is common for the Commission to neglect to provide an Impact Assessment due to claims of urgency – sometimes warranted, often not (Marcus, Midões, & Schout, 2019) – but the wisdom of omitting the Impact Assessment for such a complicated and contentious measure is highly questionable. And this is only the most visible of numerous process failures.

Bad process leads to bad outcomes.

The authors have great respect for Commissioner Dombrovskis, but this cannot be said to be an auspicious start to the term of the new Commissioner for Implementation and Simplification. His mandate is not only "to reduce the administrative and reporting burden for both people and companies", but also "to ensure that EU rules are implemented and enforced better" (European

Commission, 2025) – his DG appears to be doing a better job at the former than at the latter. They are falling short when it comes to "improving the way in which new laws are made, and strengthening and ensuring full compliance with the Commission's standards for better law-making." (European Commission, 2025).

In this chapter, we provide specific, detailed recommendations at the point in the text at which they are substantiated, assigning a number to each. We then collect the numbered recommendations from this chapter and from Chapter 6 in a list in Chapter 7, together with pointers back to the page on which each first appears.

5.1. The process that the Commission followed in formulating the proposed Omnibus Directive

In the course of conducting this study, we heard a great many complaints about the process that the Commission followed in formulating the proposal. Some stakeholders claimed:

- That the Commission needlessly rushed the process;
- That the Commission in its haste failed to produce an Impact Assessment;
- That this same haste effectively forces Parliament and Council to ignore good process considerations;
- That the interviews conducted by the Commission[17] in February 2025 represent a biased sample: only large companies, no smaller firms, no producers of renewable energy;
- That among the alternative solutions that have been discussed over the years, the Commission chose the worst; and
- That the extraordinarily rushed process used for the "stop the clock" portion of the Omnibus allowed no time at all for reflection, and was thus inappropriate.

We accord considerable weight to these concerns – many are easy to substantiate, as we explain in Section 5.1.1.

5.1.1. Specific process gaps

There is no question that the Commission failed to provide an Impact Assessment, instead providing only a rather fluffy Staff Working Document (SWD) (European Commission (SWD), 2025) that mainly serves to summarise the results of two workshops (a *Reality Check on Sustainability Reporting* and a *Roundtable on Simplification*) conducted in February 2025. Neither the participants nor the means used to select which stakeholders to invite are publicly documented.

Due to the lack of an Impact Assessment, it is impossible to say which options the Commission might have ignored.

We would add a serious complaint of our own: The Commission failed even to make proper use of the materials available. The Commission conducted a "call for evidence" at the end of 2023, and received 193 responses, all of which are publicly available on the Commission's website. (European Commission, 2023) Regrettably, we can find no evidence that those consultation responses were ever systematically analysed (even though the Commission's Better Regulation Toolkit requires publication within eight weeks (European Commission (Toolbox), 2023, p. 449)), other than a tabulation of the number of stakeholders of each type who responded. The SWD mentions the public consultation, but there is

[17] The Commission mentions these interviews in (European Commission (SWD), 2025); however, they do not appear to provide any mention of who was interviewed, nor of what was discussed. In response to our request, the Commission has however provided a list of participants in the two February 2025 workshops.

nothing to suggest that the responses are reflected in the stakeholder input that the SWD reports, except perhaps to identify that the three laws chosen were important. This is particularly unfortunate inasmuch as the 2023 public consultation was presumably an open process that was less vulnerable to bias than the interviews and workshops.

5.1.2. Belatedly addressing the lack of good process

Haste makes waste.

It is not unusual for the Commission to neglect to provide an Impact Assessment, often claiming urgency. In previous work, we questioned these overly frequent claims of urgency (Marcus, Midões, & Schout, 2019).

It is often claimed that conducting an Impact Assessment takes about a year. This is probably true, but it is also to some extent a reflection of the gradual deterioration of the Better Regulation process. The original intent was that the Impact Assessment be a document of not more than 40 pages (not counting appendices). The average length of Impact Assessment documents has progressively grown, without in our view a corresponding growth in quality.

One of the most time-consuming elements in creating an Impact Assessment is the public consultation. In this case, the "call for evidence" that was conducted late in 2023 (but apparently never rigorously analysed) is still arguably current enough to use – at least, it is considerably better than nothing. Its use could have accelerated the production of an Impact Assessment.

The "call for evidence" is listed among "stakeholder consultations" in the Omnibus legislative proposal. The Commission has informed us that a "call for evidence" differs from a public consultation, and that there is no requirement to publish a summary of the results. This appears to reflect a significant misunderstanding of the process. According to the discussion of "Reporting back to stakeholders on feedback and views received" on page 449 of the *Better Regulation Toolbox* (European Commission (Toolbox), 2023, p. 449), "A 'factual summary report' summarising the key elements of the public consultation associated with the 'call for evidence' must be published within 8 weeks of the closure of the public consultation, along with the contributions to the public consultation on the 'Have Your Say' web portal. ... DGs should ensure that the feedback comments and views received in a 'call for evidence' are considered in the process of policy preparation or evaluation work." The contributions have been published, but not the required factual summary report.

Recommendation 1. The Commission should at long last systematically analyse the responses to the long-neglected "call for evidence" that they conducted late in 2023 and should belatedly publish the required "factual summary report" that they should have published in early 2024.

Regrettably, it is by no means unusual for the Commission to submit a legislative proposal without an Impact Assessment. As Zach Meyers of the Centre for European Reform has observed, "the Commission too often cites urgency as a reason for not producing [Impact Assessments], even for initiatives with obvious and very significant costs for European businesses, and where the need for urgency is not well established." (Meyers, 2024, p. 8) In our own previous work, we found that the percentage of legislative proposals submitted without an Impact Assessment was 55% under the Barroso II Commission from 2010-13 and 54% under the Juncker Commissions from 2015-18. Neither Commission submitted many Impact Assessments during the first year of its legislative cycle (just 27% and 22% under Barroso II and Juncker, respectively). Of the legislative proposals submitted without an Impact Assessment, we found that in 42%, 27%, and 33% of the cases in 2015, 2016, and 2017, respectively, the absence was not substantiated or justified. (Marcus, Midões, & Schout, 2019) A newer assessment by Meyers shows that the problem with missing Impact Assessments continues to be severe (Meyers, 2024, p. 8).

To say that it is frequently done is not tantamount to saying that it is acceptable.

What we and others have argued in the past (Marcus, 2024, p. 8) is that, where the Commission fails to submit an Impact Assessment together with the legislative proposal due to a legitimate issue of urgency, this cannot mean that the Commission can stop work, secure in the belief that it has fulfilled its commitments. The point is precisely that if the Commission has failed to submit an Impact Assessment when one was called for, it has failed to fulfil its commitments under the Inter-Institutional Agreement between Commission, Parliament, and Council. Enacting a law through Parliament and Council can take something like two years. For legislative proposals as complex and delicate as this one, **the Commission should consider itself to be obliged to provide an abbreviated Impact Assessment as soon as possible after submission**.

Recommendation 2. The Commission should belatedly provide at least an abbreviated Impact Assessment for the Omnibus Directive proposal.

The Commission's thinking with Omnibus appears indeed to have been at least in part inspired by concern over overlapping reporting requirements: "In particular, the changes align the size of the reporting undertakings and **reduces the burden of potential duplicative reporting requirements** [emphasis added], i.e. undertakings subject to both the CSRD and the CSDDD are not required by the CSDDD to report any information additional to what they are required to report under the CSRD." (European Commission (SWD), 2025, p. 53)[18]

As we explain in Chapter 3, our assessment (which has been confirmed through detailed and helpful feedback from DG FISMA, and also cross-checked), is that once one distinguishes between behavioural obligations versus reporting obligations, **there is no explicit overlap of reporting obligations between CSRD and CSDDD.**

As we note in Chapter 3, there is real burden. While each of the three laws addresses a distinct function – disclosure (CSRD), conduct (CSDDD), and classification (Taxonomy) – their implementation by companies often relies on shared data systems, risk assessments, and governance structures. This leads to cumulative effects on internal processes. For instance, a company may conduct value chain due diligence under the CSDDD, report key findings and mitigation measures through the CSRD, and demonstrate compliance with social safeguards under the Taxonomy based on the same due diligence system.

The Omnibus Directive as proposed seeks to reduce burden mainly by reducing the number of firms that have to report, or the frequency with which they need to review disclosures. As already noted in Section 1.5, one must question whether the solutions put forward are appropriate given (1) that savings in reporting burden were considered, but the cost of benefits foregone apparently not; and (2) that the real problems are considerably more complex than overlapping reporting obligations. These considerations suggest that the Omnibus Directive as proposed cannot begin to address the underlying root problems.

[18] The background material in the SWD distinguishes appropriately between reporting requirements and other requirements, but the quoted sentence comes from the opening of the Conclusions.

Recommendation 3. After completing the Impact Assessment that should have preceded the proposal, and after either conducting a broader consultation or properly evaluating the results of the 2023 call for evidence, the Commission would be well advised to reflect on whether a revised legislative proposal is warranted.

At the same time that the Commission put forward its legislative proposal to amend CSRD, CSDDD, and the Audit and Accounting Directives, they also put forward a "stop the clock" legislative proposal (COM(2025) 80 final) whereby they proposed to postpone:

- by two years the entry into application of the CSRD requirements for large companies that have not yet started reporting, as well as listed SMEs, and
- by one year the transposition deadline and the first phase of the application (covering the largest companies) of the CSDDD.

As noted in Section 5.1.1, we heard complaints that the Commission's proposed "stop the clock" Directive reflects deeply flawed process, and we agree that the process was horribly rushed. With that said, however, the authors consider it positive that it was adopted.

An anecdote will serve to illustrate that stopping the clock can be preferable to the alternatives that are available today. Consider that the Roaming Regulation of 2012[19] attempted to tackle the high price of international mobile roaming by means of so-called *structural solutions* whereby consumers would be able to separately purchase roaming services from firms other than their Home Network. But the Commission then made surprising legislative proposals in September 2013 whereby they severely undermined the prospects of a profitable business model for the 2012 approach before it had even come fully into force; nonetheless, the Commission took no steps to free the network operators from obligations associated with the already abandoned 2012 approach. The bizarre and ugly result was that *Mobile Network Operators (MNOs)* were legally obliged to make non-trivial investments to support a form of roaming competition that in reality never emerged. MNOs were also legally obliged to inform customers of competitive alternatives that never in fact were available. (Marcus, Gries, Wernick, & Philbeck, 2016).

Recommendation 4. Even though the process used for the "stop the clock" portion of the Omnibus was very hastily done, it is good that the "stop the clock" Directive was approved. The consequences of failure to do so would likely have been considerably worse. With that said, better planning and earlier action would have been greatly preferable.

To say that we are glad that "stop the clock" was enacted does not mean that all is well. The incredibly rushed process presumably caused opportunity costs for Parliament and Council – things that they were not able to attend to because they had to deal with this on a rushed schedule. Better planning would have been greatly preferable.

5.2. An assessment of the main elements of the Omnibus Directive

Notwithstanding the poor process that the Commission has followed, it is clear that the Omnibus Directive is directionally right. Businesses and their representatives are right to say that CSRD, CSDDD, and Taxonomy are burdensome and are not fully aligned. Specifically as regards reporting requirements, this study makes clear that a great deal of information has to be collected and assessed

[19] Regulation (EU) No 531/2012 of the European Parliament and of the Council of 13 June 2012 on roaming on public mobile communications networks within the Union (recast) (no longer in force).

under all three laws, but following different procedures, definitions, time schedules, and enforcement mechanisms (see Chapter 3).

The EU follows a once-only principle in theory in its e-government interactions with the public, but it is nowhere in evidence in CSRD, CSDDD, and Taxonomy.

But as is often the case, the devil is in the detail. The Commission has failed to do its homework; as a consequence, it is only marginally practical to assess whether exactly the right measures have been chosen. Where reporting thresholds have been changed so as to reduce burden, it is only marginally practical to assess whether the right thresholds have been selected.

In Section 5.2.1, we explain the analysis that cannot be properly performed in the absence of an Impact Assessment. In Section 5.2.2, we provide a general assessment of the Omnibus with a focus on data collection, analysis, disclosure, and reporting requirements, and subject to these limitations. We note in Section 5.2.3 the further analyses that ought to be conducted in the near future, once the Commission's further delegated acts are visible (but bearing in mind that the Parliament typically does not the opportunity to weigh in on them). Finally, we discuss the international dimension in Section 5.2.4.

5.2.1. Challenges to evaluating the Omnibus Directive absent an Impact Assessment

As noted in Section 5.2, we believe that the legislative proposal's attempt to simplify compliance and to better align the three laws is directionally right, but a quick analysis in the absence of a proper impact assessment necessarily struggles to verify the appropriateness of the specific measures being put forward. A few conspicuous examples:

- **Is the problem definition correct and complete, or is it biased?** There is no concrete indication that the *call for evidence* that was conducted in 2023 (which was presumably neutral and objective) was systematically analysed or consulted in formulating the legislative proposal. The stakeholders who were interviewed, or invited to the two workshops in February 2025, are not identified in any public document.
- Many of the problems that were identified could have been solved in more than one way. Since **no comparison of options evaluated is provided**, one cannot say that the solutions chosen were the best available.
- Many of the changes in the Omnibus raise reporting thresholds (number of employees, revenues, reporting frequency, …) such that fewer reports are filed. This is all well and good, but **what is the optimal number of reports?** For the most part, the rationale for having chosen any particular threshold is provided neither in the SWD nor in the legislative proposal. Each of these changes would normally entail consideration of trade-offs between costs and benefits, but **the SWD that purports to present cost savings presents only benefits from simplification, as if there were no costs.** The existence of costs (for instance in the form of possibly less effective or efficient enforcement) would be difficult to quantify in the best of circumstances, but it is not even mentioned**. If the costs of simplification are totally ignored, then the correct number of reports will always be zero.**

5.2.2. Observations on reporting and disclosure requirements in the proposed Omnibus legislation

As already noted, **the basic problems that the Omnibus Directive seeks to address (overly burdensome regulation, together with lack of alignment across multiple regulations, resulting in the need for companies to collect, analyse, disclose, and/or report substantially the same data in different ways) are real** (see Chapter 3).

Given the concerns raised in Sections 1.5, 1.6, and 5.1.2, there is reason to question whether the Omnibus Directive as proposed is really the right tool for the job; nonetheless, **in this section we assume *arguendo* that there is merit in simply slashing the number of firms obliged to comply, and how they comply**.

The decision to first optimise the number of entities that are obliged to report and how often, and to begin to align this across the three laws, and then only subsequently to revise what needs to be reported (see Section 5.2.3) is directionally correct if one starts from the assumption that there is net benefit in simply reducing the number of firms that must comply.

But the details matter a great deal! Even if one were to assume that the overall approach taken by the Omnibus Directive as proposed is beneficial on balance, **the Commission has not substantiated its choices enough to enable a reasoned judgment as to whether the details are well chosen**.

Furthermore, **many of the decisions taken in the Omnibus reflect options that were considered and explicitly rejected at the time when previous Impact Assessments of CSRD (European Commission (CSRD IA), 2021) and CSDDD** (European Commission (CSDDD IA), 2022) **were put forward.** Was the previous reasoning simply incorrect, or are the decisions taken just three or four years ago outdated in light of changing circumstances? The Commission can change its mind, but Parliament, Council and the public deserve an explanation.

Walking through some of the most important provisions of the Omnibus insofar as they relate to reporting requirements, and following the taxonomy that DG FISMA has provided (European Commission DG FISMA, 2025) (see also Section 3.4), and ignoring for the moment our concerns over the overall approach taken, we make the following observations.

a. Raising thresholds for which firms are required to report

Some of the most important changes in the proposed Omnibus free a great many firms from reporting obligations. These clearly reduce burden. For example, the Omnibus looks to "remove around 80% of companies from the scope of the CSRD – only companies that have more than 1,000 employees and either a turnover above €50 million or a balance sheet total above €25 million will remain subject to the rules" (European Commission DG FISMA, 2025).

Raising the threshold as regards number of employees, and making it consistent across CSRD, CSDDD and Taxonomy obligations, is probably appropriate. The choice of 1,000 employees, versus some other number, is not discussed, nor are the thresholds as regards turnover.

As we explain in Section 4.1, non-listed medium SMEs represent 77% of the companies identified, but only 10.5% of the annual total turnover of the companies identified. Average turnover for small and medium listed SMEs is just EUR 12 million, while average turnover for medium SMEs that are not listed is just EUR 16 million.

Among the Objectives of CSRD are "helping to reduce systemic risks to the economy resulting from the fact that many investment decisions currently do not take adequate account of sustainability-related issues", "companies from which users need non-financial information should report such information", but at the same time "reducing the burden created by demands for non-financial information that come in addition to the non-financial information included in company reports". (European Commission (CSRD IA), 2021, p. 15) Given that non-listed medium SMEs represent only 10.5% of the firms identified,[20] how essential were they really for reducing systemic risks? Is it really

[20] They also represent only 9% of the total turnover of all limited liability companies. (European Commission (CSRD IA), 2021, p. 50)

true that users "need non-financial information" from non-listed SMEs? As the Impact Assessment itself notes, "User demand for non-financial information is currently lower for non-listed medium-sized companies than it is for listed companies and for large companies. Individually, medium-sized enterprises tend to have less significant impacts on society and the environment than larger companies." (European Commission (CSRD IA), 2021, pp. 50-51)

Seen in this light, one really has to wonder whether the inclusion of non-listed SMEs in CSRD was consistent with the principle of proportionality in the first place.

Our analysis is thus sympathetic to raising reporting thresholds. Moreover, doing so is consistent with the *Zeitgeist*, the spirit of the times, where (Draghi, 2024), (Letta, 2024), and mission letters to the new commissioners all call for simplification. It responds to the global changes with which the EU is now confronted (see Section 1.4).

And as already noted, making the thresholds consistent across the three laws seems to be appropriate.

But what are then the most appropriate thresholds for all three laws? The current thresholds were analysed in considerable depth in (European Commission (CSRD IA), 2021, pp. 43 - 51) and in (European Commission (CSDDD IA), 2022).

Relatedly, the Commission proposes in the Omnibus Directive to exempt listed SMEs. The exemption seems to us to be reasonable based on the principle of proportionality, but the Commission itself considered and rejected doing so in the Impact Assessment for CSDDD. (European Commission (CSDDD IA), 2022)

The trade-offs are once again complex, and the risk of trickle down impact to SMEs from CSDDD are substantial. The Commission noted that CSDDD "... is likely to affect a wide range of European companies, even if all small undertakings and all medium-sized undertakings active in economic sectors where the risk of environmental or human rights harm is lower will be excluded from the scope of the due diligence rules (except for listed SMEs in certain policy options other than the preferred one). ...About two-fifths of medium-sized companies operate in [high-impact] sectors and will therefore incur compliance costs ... In addition to direct costs, about one fifth of medium-sized companies will indirectly incur costs as they will be involved in the impact mapping and mitigation across the full range of possible adverse impacts as suppliers or subsidiaries of larger companies. This trickle-down effect is also to be expected with regard to micro and other small companies, as well as SMEs of all sizes operating in a legal form other than limited liability companies (European and non-European) that are business partners or subsidiaries of larger companies under the scope of the due diligence rules. However, SMEs that are not active in sectors where the risk of human rights abuses or environmental harm is high, will be unlikely to incur significant costs as a result of this initiative. The trickle-down effect will likely materialise through contractual clauses included in B2B commercial contracts and other measures (such as joint development of action plans, investigations, change of production processes, etc.)." (European Commission (CSDDD IA), 2022, pp. 108, part 2/2)

While large limited liability companies generate about three-quarters of the total turnover in the EU economy, the contribution of SMEs to the human rights and environmental harm along the value chains (including in non-EU countries) cannot be neglected as many of them operate in sectors in which such adverse impacts are quite likely or where the combined impact of SMEs is even larger than those of large companies.

This is not a trivial exercise. "To find an appropriate trade-off between effectiveness and costs (i.e. to find the most efficient package) it is necessary to consider from which categories of company users are most in need of relevant, comparable and reliable information. The results of the public consultation and the SME panel clearly show that the priority for users is to receive information from large companies and from listed companies, and that user demand for information reduces with the size of the company." (European Commission (CSRD IA), 2021, p. 52)

Recommendation 5. With Omnibus, the Commission strives to reduce the number of firms subject to reporting requirements. This is probably directionally appropriate; however, the measures put forward hastily here, and with little or no analysis, are inconsistent with decisions that the Commission itself put forward in the recent past. The Commission should explain itself, ideally in the form of the Impact Assessment that should have been provided with the legislative proposal.

As noted elsewhere, the discussions of "Estimated cost savings" in (European Commission (SWD), 2025) discuss benefits in terms of reduced burden, but make no mention of costs in terms of lost ability to monitor firms for harms, and possibly greater difficulty for the firms in obtaining finance. As a *reductio ad absurdum*, consider that if the Commission truly believed that these costs were zero, then they should have either proposed repealing the laws outright, or else setting the thresholds to infinity. Clearly, the Commission does not believe this, and neither do we. So in determining the appropriate thresholds, analysis is needed that the Commission simply has not done for the Omnibus.

A fair bit is known, however, about the benefits of CSRD and CSDDD thanks to (PWC, 2024) and the earlier work in preparation for the CSRD and CSDDD legislative proposals (see Sections 4.3 and 4.5). (Smit, et al., 2020) (European Commission (CSRD IA), 2021) , and (European Commission (CSDDD IA), 2022) The Omnibus Directive proposal and SWD neglect this work.

Recommendation 6. The Commission should explain how the cost savings from Omnibus compare to the economic and non-economic benefits that will be foregone due to reduction in scope of the number of firms obliged to report.

b. Reducing obligations to delve deep into value chains

This proposed simplification measure is important, but complex in its implementation and in its impacts. As the SWD explains, "The proposal limits due diligence obligations to direct (tier 1) business partners in the 'chain of activities' in a way that relieves companies from the obligation to pro-actively assess actual or potential adverse impacts at the level of indirect business partners (i.e. those beyond the first tier) in the absence of specific circumstances. The proposal requires them to do an assessment beyond tier 1 only where they have plausible information suggesting that there are actual or potential adverse impacts in the chain beyond tier 1." (European Commission (SWD), 2025, p. 35)

And Omnibus goes further. It seeks to "ensure that sustainability reporting requirements for large companies will not burden smaller companies in their value chains. To this end, the Commission will adopt a voluntary reporting standard, based on the SME standard developed by EFRAG. This standard will act as a shield, by limiting the information that companies or banks falling into the scope of the CSRD can request from companies in their value chains with up to 1000 employees". (European Commission (SWD), 2025).

Changing from the current CSRD obligation to assess the whole value chain, (including not only direct first tier suppliers, but also indirect suppliers) to an obligation to monitor only direct suppliers and to delve deeper only where there is reason to believe that there are problems, seems appropriate. The approach embodied in CSRD today appears to be exceedingly burdensome for SMEs (see Section 4.2). PWC has noted that often for the first time, "... companies must use data from suppliers, customers and third-party data providers, and they need to assess their reliability. Even the first step, understanding and defining the value chain for the purposes of the CSRD, takes considerable time." (PWC, 2024)

A limitation to direct suppliers was explicitly considered and rejected for CSDDD. (European Commission (CSDDD IA), 2022, pp. 189 – 190, part 2/2) The arguments that the Commission made in 2022 were:

- First, the most relevant adverse impacts on human rights and on the environment occur mainly outside the EU. They are typically beyond direct suppliers, further upstream in the value chain, for instance at the stage of raw material sourcing and at initial manufacturing stages.
- Second, the due diligence obligation should build on recognised existing international voluntary standards that expect companies to undertake due diligence in their entire value chain.
- Third, companies have in most cases tools at their disposal to create visibility and exert leverage over their value chain even beyond direct suppliers, and under the existing international frameworks it is expected that the buyer uses leverage over suppliers beyond tier one.
- Lastly, an obligation covering only parts of a company's value chain is easily circumvented by artificially establishing entities in the value chain to avoid compliance

The Commission argues that the approach put forward in Omnibus "makes tier-1 due diligence the rule, but with necessary exceptions", and they provide coherent explanations of how their proposed approach can mitigate many of these concerns. (European Commission (SWD), 2025, pp. 35 – 36)

We do not necessarily take issue with the Commission's proposal to consider only direct suppliers, and to dig deeper only if necessary. We have been led to understand that there are parallels to the EU's approach to money-laundering. The argumentation for this change is clearer than for most of the changes proposed in Omnibus; nonetheless, we think that a change this complicated deserves more analysis than the Commission has provided, and we would like to see a better explanation of why the Commission reversed the position that it took in 2022.

Recommendation 7. With Omnibus, the Commission seeks to reduce regulatory burden by limiting due diligence to direct suppliers. Once again, this seems to be directionally appropriate, and this change is better substantiated than most others in Omnibus; however, we would nonetheless argue that a change this complex deserves more analysis than the Commission has provided up to now.

Assessing the work done on the EFRAG VSME standard is well beyond the scope of the current study, but we assume that it is a good choice. It has been widely consulted,[21] and an Impact Assessment has been conducted. The Omnibus proposes to use it in contexts for which it has not been designed up to now, and that might make some aspects of it less voluntary in practice – these aspects would benefit from more analysis than it is practical to do in this study.

c. Dropping the possibility of sector-specific standards

Omnibus proposes to "delete the requirement on the Commission to adopt sector-specific standards, and to keep the assurance requirement at the level of "limited" assurance, not moving in the future to the more demanding level of "reasonable" assurance". (European Commission DG FISMA, 2025)

In terms of burden reduction, this is all well and good, but the SWD provides no analysis at all as to whether sector-specific standards might be needed at some point. It might be appropriate to make clear to EU industry that sector-specific standards would be introduced only if clearly needed, and that doing so would be subject to a high standard of evidence; however, to totally drop the Commission's empowerment to adopt sector-specific standards at this early stage seems extreme.

[21] Even so, what we heard at the JURI hearing on 13 May 2025 is that SMEs are not happy with it, but it represents compromises that they can live with.

Recommendation 8. It is too early to say that sector-specific standards would never be needed. Changes to the legislative proposal should be considered that make the introduction of sector-specific standards subject to a high burden of proof of need, but not impossible.

d. Dropping the obligation for smaller firms to report under the EU taxonomy

Here, the Omnibus proposes to "limit reporting obligations under the EU Taxonomy to the largest companies with at least 1000 employees and €450 million net turnover, while still allowing other large companies within the future scope of CSRD to report voluntarily." (European Commission DG FISMA, 2025)

Aligning the thresholds is, as previously noted, appropriate. Whether these are the most appropriate thresholds should be substantiated in the missing Impact Assessment.

e. Extending the scope of maximum harmonisation to more CSDDD provisions

Extending the scope of harmonisation is likely to be beneficial. Whether the specific scope extensions are the most appropriate should be substantiated.

f. Reducing frequency of periodic assessments under the CSDDD and possible updating of due diligence policy

This is clearly positive relative to burden. The notion of requiring an update only when a problem has been identified is logical, and takes inspiration from the EU approach to money laundering.

As elsewhere, one has to wonder whether any consideration was given to making the frequency every four years, or every six years.

And it also begs a question: if there is change in a business relationship, for instance with a downstream supplier, could the firm not address through some process less intrusive than an update earlier than otherwise needed of the overall periodic assessment? The Commission hints at this when it notes that in reality, the reduction in the frequency of periodic assessment "... will be lower than [the 80% that one might expect solely on a reduction from five years to one year] due to the requirement to do a partial ad hoc reassessment in certain cases, for instance whenever there are reasonable grounds to believe that new risks may arise or that the measures taken are no longer adequate ..." (European Commission (SWD), 2025, p. 43)

Recommendation 9. With Omnibus, the Commission seeks to reduce regulatory burden by reducing the frequency of periodic assessment for CSDDD from annually to every five years. Once again, this seems to be directionally appropriate; however, the measures put forward hastily here may or may not be the most appropriate. Why five years? Were alternatives considered that might provide a more targeted response when a firm identifies a specific problem in the value chain? The Commission should explain itself, ideally in the form of the Impact Assessment that should have been provided with the legislative proposal.

5.2.3. Important delegated acts to be expected going forward

The Commission has indicated in the SWD that it intends to revise the ESRS. "As part of the simplification effort which the Commission has committed to in the Competitiveness Compass and to enhance the coherence of the sustainable finance framework and respond to stakeholder concerns, the Commission will revise the first set of the ESRS. The Commission will aim to adopt the revised ESRS Delegated Act as soon as possible, and at the latest six months after the entry into force of the proposed amendments to the CSRD reporting framework ... This revision of the ESRS is expected to, amongst other things, substantially reduce the number of ESRS datapoints by removing those deemed least important for general purpose sustainability reporting, without undermining interoperability with global reporting standards. The revision will clarify provisions that are deemed to be unclear. It will seek to improve consistency with other pieces of EU legislation where the modifications to the ESRS are the most appropriate means of achieving that. …" (European Commission (SWD), 2025, p. 24)

As a means of simplifying reporting, these ESRS revisions are likely to be extremely important; however, other than noting the Commission's plans here, we do not further report on them because Parliament will presumably have little or no ability to directly influence a delegated act.

The SWD includes a discussion of potential changes to the Taxonomy Disclosures, Climate, and Environmental Delegated Acts. The SWD provides some useful discussion of what it has in mind, but we do not discuss these changes further here because once again the Parliament presumably has little or no opportunity to weigh in on them. The Commission intends "to respond to the feedback received from stakeholders outlined above. These amendments are part of a draft Delegated Act, which will be published on the 'Have your say' portal for a four-week feedback period. … [T]he Commission will also consult the Platform on Sustainable Finance and the Member States Expert Group on this draft. Following the consultations, the Commission will assess the feedback received and explain how it took it into account in the Explanatory memorandum accompanying the Delegated Act." (European Commission (SWD), 2025, p. 48)

A related problem is that, despite repeated calls for better process as regards delegated acts, it is rare for an Impact Assessment to be performed for delegated acts. Meyers found that "in the year ending May 2023, of 598 delegated acts and implementing measures, only three were accompanied by an IA." (Meyers, 2024, p. 8)

This Omnibus process is complex, and it is important. Better process is needed going forward for reasons that this report makes abundantly clear.

Recommendation 10. In light of the importance and the considerable complexity to be expected with the anticipated updates to the ESRS and the Taxonomy Disclosures, Climate, and Environmental Delegated Acts, the Commission (or EFRAG where appropriate) should prepare Impact Assessment reports for them.

That the revisions to the ESRS and the Taxonomy Delegated Acts have been deferred is not per se a process defect – on the contrary. Any changes to the details of what is reported, and how, will be complex and will require consultation with stakeholders. This will need considerably more time than the changes in the scope that are proposed in the Omnibus Directive.

5.2.4. The importance of the international dimension

To the extent that one of the main goals of these laws is to facilitate investments by international investors, consistency with international guidelines is crucial. As noted in the cost benefit analysis of ESRS conducted for EFRAG (CEPS and Milieu, 2022, p. 68), "Since ESRS will only be applicable for undertakings operating in the EU, potential cost savings for stakeholders that are globally active, such as rating agencies and investors, will … depend on the interoperability of ESRS with other national and international sustainability reporting regimes."

The current laws are thought to be broadly aligned with standards from the UN and OECD. (European Commission (SWD), 2025) The EFRAG impact assessment notes however that "… the benefits increase when there is a larger alignment with international sustainability reporting practices. Looking at the different sustainability standards, the analysis finds heterogeneity in the degree of synergies across the different disclosure requirements. Indeed, while in some cases the ESRS fully cover requirements of existing other frameworks or legislation, this is not true for all disclosure requirements. Limited synergies do not only stem from a mismatch of information to be disclosed across the various standards but also from the higher degree of detail and granularity often required by ESRS. ... ". (CEPS and Milieu, 2022, p. 68) The study goes on to note that "[a] high level of synergy may result in efficiency gains, as datapoints and sources of information used to comply with existing standards can be leveraged to address the new ESRS." (CEPS and Milieu, 2022, p. 68)

The study also found that "surveyed rating agencies indicated that they are currently unable to indicate whether they will align their data collection and assessment methodologies according to ESRS. The majority of rating agencies are internationally active and they need to consider other national or international reporting regimes when they construct their rating methodologies. Therefore, operability between ESRS and other international/national reporting standards is crucial and surveyed rating agencies expressed concerns about the interoperability between current ESRS and other international standards, such as ISSB. Increasing deviation between reporting regimes, can increase the costs for rating agencies, where a different reporting framework can result in very different and incomparable datasets." (CEPS and Milieu, 2022, p. 67)

Since the proposed Omnibus does not change the content of the CSRD, CSDDD, or Taxonomy disclosure reports in any significant way, this might not be a major concern for the Omnibus, but it will surely be an important consideration for the coming Delegated Acts.

6. HOW TO ADDRESS OVERLAPS AMONG THE THREE LAWS

In this short chapter, we summarise our key observations as regards overlaps among the three laws, together with our views as to how best to address them in the medium term.

Achieving alignment among these three legislative acts will require hard and disciplined work. This is too large and too complex to lend itself to "shoot from the hip" efforts.

Recommendation 11. Omnibus seeks to be only the first step in a longer journey. The EU institutions should undertake a sustained effort, aligned with the Better Regulation principles, the Inter-institutional Agreement on Better Law-making, and the REFIT process, to reduce needless overlap among CSRD, CSDDD, and Taxonomy, and among the many other EU laws where complexity, lack of consistency, and bloat have grown. The need is urgent, but that cannot serve as an excuse for failing to properly analyse what is needed.

Recommendation 12. A more consolidated and coherent framework is needed. Aligning due diligence, sustainability metrics, and governance disclosures under a unified structure could significantly reduce duplication and enhance legal clarity, particularly for SMEs and cross-border firms.

6.1. Overlaps related to environmental and sustainability impacts

While the CSRD, CSDDD, and the Taxonomy Regulation all address environmental and sustainability concerns, they do so from distinct and complementary angles. The CSRD mandates entity-level disclosures using the double materiality principle, structured through the European Sustainability Reporting Standards (ESRS). The Taxonomy Regulation focuses on activity-level alignment with environmental objectives and requires companies to report the share of turnover, CapEx, and OpEx associated with Taxonomy-aligned economic activities. Meanwhile, the CSDDD introduces behavioural obligations requiring companies to identify, prevent, and mitigate adverse impacts, including environmental harms, but does not impose separate reporting obligations where CSRD already applies.

Although formal reporting overlaps are limited – especially given the CSDDD's reliance on CSRD for disclosure purposes – substantive and procedural overlaps remain. Companies must coordinate internal processes to ensure that due diligence systems (as mandated by the CSDDD) and financial/environmental KPIs (as required by the Taxonomy) are both robust and interoperable with the entity-wide disclosures mandated under the CSRD.

*Recommendation 13. As a means of addressing overlaps in reporting or disclosure of **environmental and sustainability impacts** in the medium term, (1) issue implementation guidance to align CSRD and Taxonomy disclosures, minimising duplicative data collection and easing administrative burden; (2) clarify how CSDDD due diligence processes should be reported under the CSRD, ensuring consistency across internal data and control systems; and (3) confirm that CSDDD due diligence systems qualify as evidence for meeting the Taxonomy's minimum safeguards, without requiring additional disclosures.*

6.2. Overlaps related to social and human rights

The three legislative acts also impose overlapping obligations in the area of social and human rights. The CSRD requires companies to disclose their due diligence processes, workforce practices, and human rights impacts across their operations and value chains. The CSDDD mandates binding behavioural obligations to identify, prevent, and mitigate adverse human rights impacts. Meanwhile, the Taxonomy Regulation requires compliance with international social safeguards (e.g. OECD, UNGPs, ILO) as a condition for classifying economic activities as sustainable. Although these frameworks serve different legal purposes – transparency, behavioural responsibility, and classification – they rely on similar underlying standards and often require companies to collect, assess, and present comparable data. This creates substantial operational and administrative burdens, especially for companies managing multiple due diligence and reporting streams in parallel.

Recommendation 14 As a means of addressing overlaps in reporting or disclosure of ***social and human rights*** *in the medium term, (1) issue guidance to align CSRD disclosures with the Taxonomy's social safeguards, using shared due diligence systems and data processes; (2) develop templates and implementation guidance to help companies integrate CSDDD due diligence into CSRD reporting, supported by stronger internal controls; and (3) confirm that CSRD serves as the single reporting channel for companies also subject to CSDDD, while clearly distinguishing CSDDD's behavioural obligations.*

6.3. Overlaps related to governance and corporate strategy

The three legislative acts also intersect in their governance and corporate strategy requirements. The CSRD mandates detailed disclosures on sustainability-related governance structures, board oversight, and executive remuneration. The CSDDD requires companies to embed environmental and human rights due diligence into their corporate governance and risk management systems. Meanwhile, the Taxonomy Regulation conditions eligibility for sustainable finance classification on meeting minimum governance safeguards aligned with international standards, though it does not impose standalone governance reporting obligations. While these requirements differ in legal form – disclosure (CSRD), behavioural obligation (CSDDD), and compliance condition (Taxonomy) – they often rely on similar internal processes, leading to administrative duplication as companies must operationalise and document governance systems across all three frameworks.

Recommendation 15. As a means of addressing overlaps in reporting or disclosure of ***governance and corporate strategy*** *in the medium term, (1) clarify the distinction between CSRD's broad ESG governance disclosures and CSDDD's due diligence-related governance obligations, and provide guidance to help companies align reporting and avoid duplication; (2) integrate references to the Taxonomy's minimum governance safeguards into CSRD's ESRS G1 through interpretative guidance to ensure consistency across frameworks; and (3) support companies in aligning CSDDD-based governance systems with the Taxonomy's safeguards using common standards, backed by practical guidance or voluntary alignment tools.*

7. LIST OF RECOMMENDATIONS

In this chapter, we collect the main recommendations that we made throughout the report.

As a friendly suggestion rather than a formal recommendation, if and when Omnibus is adopted, we would encourage the Commission to provide a courtesy copy of all amended Directives showing the effective operative text as amended. As things stand, the combined effects are hard to follow.

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This study of Reporting Obligations was commissioned by the European Parliament's Policy Department for Justice, Civil Liberties and Institutional Affairs at the request of the JURI Committee. It provides an overview of regulatory reporting and disclosure overlaps that businesses face across the recently enacted *Corporate Sustainability Reporting Directive (CSRD)*, the *Corporate Sustainability Due Diligence Directive (CSDDD)*, and the *EU Taxonomy*. It provides recommendations on how to mitigate the burdens caused by these overlaps, together with a preliminary assessment of the Commission's efforts to reduce burdens in the proposed Omnibus Directives.

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