

# CS3D: Ten questions on the Omnibus

---

DO THE COMMISSION'S OMNIBUS PROPOSALS  
FUNDAMENTALLY CHANGE THE CS3D?

WE ANSWER TEN OF YOUR MOST PRESSING  
QUESTIONS.

MARCH 28, 2025

## INTRODUCTION

---

The European Commission's Omnibus package, published on February 26, 2025 (the **Omnibus Package** or the **Package**), proposes to simplify the EU's sustainability laws. At the same time, it has generated significant uncertainty for both companies in-scope of the Corporate Sustainability Due Diligence Directive (the **CS3D**), and those within their value chain, as they grapple with how the Package's proposals will develop during the EU's legislative process.

While there is broad support for simplification of sustainability regulation, views among Member States and the Council of the EU (the **Council**) are diverging as to how that should be shaped.

In this article, we focus on the CS3D and address the ten questions most relevant to companies. We explore whether the Omnibus Package will indeed change diligence obligations and provide guidance on how companies within scope can continue their preparations.

The questions we explore in this bulletin are:

1. How do the CS3D and the Omnibus Package relate?	6. How might the proposals enhance or detract from harmonization of laws across certain Member States?
2. What are the proposed big picture changes?	7. Do the proposed changes sufficiently clarify the CS3D's transition plan requirements?
3. Do the Omnibus Package proposals have legal effect, and what are the timings for their adoption?	8. How might the rules on liability under the CS3D change?
4. Would due diligence requirements really be simplified?	9. How does the Package seek to better align the CS3D with the CSRD?
5. How do the proposals aim to reduce stakeholder engagement requirements?	10. Should I change how I should prepare for the CS3D?

## 10 QUESTIONS ON CS3D AND THE OMNIBUS

---

### 1. How do the CS3D and the Omnibus Package relate?

The CS3D entered into force on July 25, 2024 with the aim of fostering sustainable and responsible corporate behavior throughout global value chains. To do so, the CS3D substantially amplifies the environmental and human rights due diligence responsibilities for companies operating within the EU. It achieves this through a trifecta of proactive requirements, imposing penalties and establishing a civil liability regime for non-compliance. As per current rules, Member States are to transpose the CS3D by July 2026, and the framework would start applying from July 2027. See our earlier [publication](#) on the CS3D for further background.

However, the CS3D's introduction was marred by significant political controversy. The CS3D's extensive due diligence obligations ignited considerable debate and political lobbying. Businesses expressed concerns about its broad scope and the substantial costs and resources required for compliance. Contrastingly, NGOs advocated for more robust accountability measures. Given its global implications, the CS3D also triggered political discussions between the EU and its major trade partners.

Citing trade tensions and growing geopolitical pressure, the increase in energy prices for EU firms and concerns about the competitive positioning of EU companies, the EU is now seeking to simplify its sustainability legal regime. The Draghi report on EU competitiveness<sup>1</sup> accelerated the belief that the deregulation of not just large EU companies, but also of small- and medium-sized enterprises, is required to foster economic growth.

The Omnibus Package, published on February 26, 2025, is the result. It proposes to simplify the EU's sustainability laws, including the CS3D. However, while there is broad support for the need to streamline the regulatory framework, there remain contrasting views on how to achieve this. Such differing perspectives highlight the complexity that the EU will face in upcoming legislative discussions.

### 2. What are the proposed big picture changes?

To give companies more time to prepare, the Omnibus Package proposes delaying CS3D application for the first in-scope companies from July 2027 to July 2028.

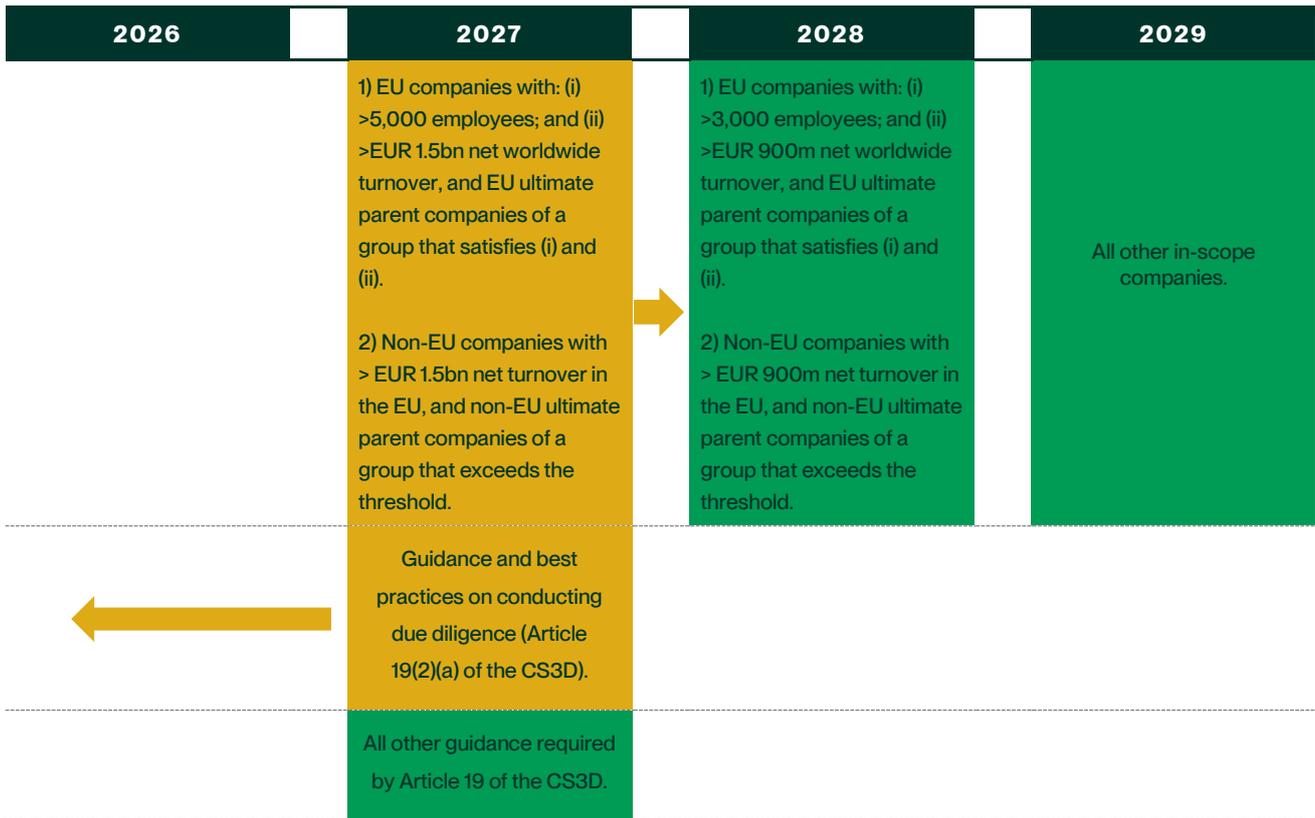
EU companies with more than 5,000 employees and with a net worldwide turnover of more than EUR 1.5bn, as well as non-EU companies with a net turnover in the EU of more than EUR 1.5bn, were due to fall within scope from July 2027. However, under the proposal, they would only fall in scope from July 2028, along with the other companies already in scope by then (i.e. EU companies with more than 3,000 employees on average and which generated a net worldwide turnover of more than EUR 900m in the last financial year, and non-EU companies which generated a net turnover of more than EUR 900m in the EU).

As CS3D application for the first in-scope companies would be delayed by one year, the deadline for Member States to transpose the CS3D into national law would also be delayed by one year (from July 26, 2026 to July 26, 2027).

Nevertheless, to give companies more time to learn from best practice, the Package would advance the Commission's guidelines on best practices for conducting due diligence under the CS3D by six months to July 26, 2026 (from January 26, 2027).

---

<sup>1</sup>[https://commission.europa.eu/topics/eu-competitiveness/draghi-report\\_en](https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en)



Key	
Change	
No Change	

### 3. Do the Omnibus Package proposals have legal effect, and what are the timings for their adoption?

The Package does not have legal effect in and of itself. It will first need to be considered and adopted by the European Parliament and the Council. This process, detailed in the flowchart in our CRSD Omnibus article [here](#), involves the bodies working together to finalize and adopt the legislative text. It is therefore possible that changes (potentially significant) could occur before an agreed version of the proposals is passed into EU law.

While typically the procedure to amend a directive takes about 19 months according to the European Parliament’s statistics, the Commission has asked the European Parliament and the Council to “treat this omnibus package with priority, in particular the proposal postponing certain disclosure requirements under the CSRD and the transposition deadline under CS3D”. As such, the European Parliament has already scheduled a first vote for April 1 before the Committee on Legal Affairs.

Overall, we anticipate more fulsome negotiations will be needed regarding the substantive changes to the CS3D, particularly in the European Parliament. Using the original 2024 CS3D discussions as context, negotiations could take over a year and Member States will then need to transpose the finalized text before it takes effect.

#### 4. Would due diligence requirements really be simplified?

Companies are still required under the CS3D and the Package to map the operations of both *direct* and *indirect* business partners in their chain of activities to identify general areas where adverse impacts are most likely to occur and to be most severe.

Nevertheless, to reduce the burden on smaller companies, the Package would limit the information that in-scope companies can seek from *direct* business partners with fewer than 500 employees. The Package proposes that the information requested from these business partners should, in principle, not exceed the information specified in new voluntary sustainability reporting standards (the “**Voluntary Standards**”) that the Commission intends to introduce swiftly through a Delegated Act for companies not subject to the CSRD. Nevertheless, where additional information is necessary (e.g., there is an indication of likely adverse impacts or the Voluntary Standards do not cover relevant adverse impacts) and that information cannot otherwise reasonably be obtained, the in-scope company may seek information from their direct business partners with fewer than 500 employees.

The Package proposes that in-depth assessments of areas where adverse impacts are most likely and most severe would be required *only* for a company’s own operations, subsidiaries and *direct* business partners. Diligence would only need to be performed on *indirect* business partners in circumstances where: (i) companies have “plausible information” that suggests that an adverse impact at the level of the *indirect* business partner may arise; and (ii) where the indirect nature of the relationship is the result of an artificial arrangement pointing to circumvention.

While this, in theory, limits the diligence required, the Commission’s Staff Working Document nevertheless states that “plausible information” includes “information of an objective character that allows the company to conclude that there is a reasonable likelihood that the information is true”.<sup>2</sup> Both the Staff Working Document and the explanatory memorandum further note that this could include instances where a company has received a complaint, or is in the possession of certain information which can include credible media or NGO reports. The Package’s current wording arguably introduces greater uncertainty and raises the question as to whether companies could be held accountable for their constructive knowledge of plausible information related to their indirect business partners. This ambiguity may lead to an indirect obligation for companies to actively monitor media and other reports more rigorously than they currently do. It is therefore important that the forthcoming due diligence guidance includes clear definitions and guidance on the meaning of “plausible information”.

The Package does not however amend the requirement for companies to update their due diligence measures if significant changes occur. The proposals would also require such updates if there are reasonable grounds to believe that existing measures are no longer adequate or effective as opposed to the current wording of when companies believe that new risks of adverse impacts may arise. We therefore question whether this proposed amendment in fact relieves companies from needing to ensure that their due diligence measures respond to new risks (as failing to do so could be perceived as no longer effective or adequate).

---

<sup>2</sup> [https://finance.ec.europa.eu/document/download/161070f0-aca7-4b44-b20a-52bd879575bc\\_en?filename=proposal-directive-amending-accounting-audit-csrd-csddd-directives\\_en.pdf](https://finance.ec.europa.eu/document/download/161070f0-aca7-4b44-b20a-52bd879575bc_en?filename=proposal-directive-amending-accounting-audit-csrd-csddd-directives_en.pdf)

## 5. How do the proposals aim to reduce stakeholder engagement requirements?

The proposals would cut down engagement with stakeholders by limiting: (i) *who* must be engaged with; and (ii) *how often* engagement must happen.

The Commission proposes to reduce who must be engaged with by limiting the definition of *stakeholders* to:

- employees (of a company, its subsidiaries and its business partners) and their trade unions and workers' representatives; and
- individuals and communities (and their legitimate representatives) whose rights or interests are (in the case of *actual* adverse impacts) or could be (in the case of *potential* adverse impacts) *directly* affected by the products, services and operations of that company, its subsidiaries and its business partners.

As such, under the Omnibus Package the following would no longer be considered as stakeholders:

- consumers, groupings and entities;
- national human rights and environmental institutions and civil society organizations; and
- individuals and communities that are or could be only *indirectly* affected.

However, while the Package proposes that NGOs be *prima facie* removed from the definition of stakeholders, engagement with them may still be required if they are deemed “legitimate representatives” of the individuals and communities affected (and hence would need to be consulted).

The proposed amendments also limit *how often* engagement must happen by clarifying that in-scope companies are required to engage with “relevant” stakeholders at each specific stage of the due diligence process, rather than having to “consult with all conceivable stakeholder groups” at every stage.

Additionally, the Package proposes to remove two stages at which the CS3D currently requires companies to engage with relevant stakeholders. These are when:

- deciding to suspend a business relationship; and
- developing qualitative and quantitative indicators for the periodic assessments.

As a whole, these proposals aim to focus on more direct and relevant interactions during the due diligence process. Nevertheless, it remains to be seen in practice whether stakeholder engagement will be significantly more limited.

## 6. How might the proposals enhance or detract from harmonization of laws across certain Member States?

The CS3D currently requires Member States not to introduce provisions less stringent than the CS3D in relation to how companies identify and assess, prevent and bring to an end adverse impacts.

The Package proposes to increase harmonization with the CS3D in these areas and to require further alignment regarding group-level due diligence and mechanisms for reporting and addressing actual or potential adverse impacts.

In Germany, supply chain due diligence obligations have applied since January 1, 2023 to German companies that employ at least 3,000 people in Germany; and, since January 1, 2024, to German companies that employ at least 1,000 people in Germany on a regular basis.

The German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz—LkSG*) shares many similarities with the proposals outlined in the Package:

- it limits due diligence on indirect suppliers to scenarios in which the in-scope company had "substantial knowledge" (*substantiierte Kenntnis*) of potential risks or violations, which bears similarities with the proposal to perform due diligence on indirect business partners when there is "plausible information" of an adverse impact; and
- it has refrained from establishing a separate civil liability regime (see question 8 below).

On the other hand, the LkSG contains several regulations that differ from those proposed in the Omnibus Package:

- **annual due diligence update:** the LkSG requires an annual due diligence update, which is in line with the current CS3D, but is significantly more frequent than the Package's proposed five-year diligence renewal period; and
- **"last resort":** the LkSG includes a "last resort" obligation, which requires terminating business and contractual relationships if they fail to address relevant risks. In contrast, the Package proposes to eliminate the "last resort" obligation, which is currently in place in the CS3D.

Unlike the German LkSG, in Italy there is no unified system for supply chain sustainability due diligence. However, numerous interacting regulations create strong incentives for companies to conduct effective human rights and environmental due diligence on a voluntary basis.

The primary mechanism for regulating this is Legislative Decree No. 231/2001, which governs the administrative liability of legal entities for crimes "committed in their interest or to their advantage". Over time, the scope of this decree has been expanded to encompass specific human rights and environmental violations. Recent cases have highlighted issues such as irregular labor practices, violations of safety regulations and the production of false statements regarding ethics and social responsibility.

Companies operating in Italy are therefore encouraged to adopt organizational, management and control models to ensure effective monitoring of their supply chain. The harmonized framework under CS3D may therefore contribute to legal certainty in this regard, for, amongst others, businesses in Italy.

The 2017 French Duty of Vigilance Law (*la loi de vigilance*) requires major companies headquartered in France to conduct due diligence processes aimed at identifying, preventing and mitigating human rights abuses and environmental harm in their operations and supply chains, including those of their direct and indirect subsidiaries worldwide. While the Package proposes to reduce due diligence requirements on indirect suppliers in a similar manner to the German LkSG, there is debate under the Duty of Vigilance as to whether indirect suppliers are caught *at all*.

Separately, as distinct from the CS3D, both current and pursuant to the Omnibus Package, it is also unclear whether the Duty of Vigilance captures climate change risk. French companies will hope that the French CS3D implementing legislation will ultimately clarify this point.

## **7. Do the proposed changes sufficiently clarify the CS3D's transition plan requirements?**

Whereas the CS3D currently requires companies to "adopt and put into effect a transition plan", the Omnibus Package proposes to change that to a requirement to "adopt a transition plan... including implementing actions".

The Commission's stated intent behind deleting the "put into effect" requirement is to align the CS3D's transition plan requirement with the CSRD. That intent is consistent with Article 22(2) of the CS3D, which already provides that companies that report a transition plan for climate change mitigation in accordance with the Accounting Directive (as modified by the CSRD) shall be deemed to have complied with the CS3D obligation to adopt a transition plan.

However, key questions remain, including as to whether the CS3D's transition plan design and content requirements will be aligned with the CSRD and the European Sustainability Reporting Standards (**ESRS**) (which are subject to Omnibus amendments) and other relevant requirements in the EU and internationally. These issues may be addressed in upcoming EFRAG implementation guidance for disclosing transition plans in line with the ESRS as well as the guidance on transition plans under the CS3D.

Nevertheless, the specific requirements for the content of the plan remain unchanged, and notably, this includes the time-bound targets (e.g., time-bound targets related to climate change for 2030 and in five-year steps up to 2050).

## **8. How might the rules on liability under the CS3D change?**

The Package proposes to change civil and administrative liability under the CS3D in three key respects: (i) removing the harmonization of an EU-wide civil liability regime; (ii) revoking the obligation for Member States to allow for representative action by trade unions or NGOs; and (iii) removing the harmonization of fines across the EU.

### **(a) Harmonization of civil liability**

The CS3D requires Member States to ensure that they have a civil liability regime in place so that in-scope companies can be held accountable for failures to comply with their due diligence obligations. Member States must also ensure that their liability rules are of overriding mandatory application in cases in which the applicable law is not the national law of a Member State. This is designed to capture instances in which adverse effects occurred outside of the EU.

The Package proposes to remove this union-wide liability regime and instead defer to national civil liability regimes. The precise impact of these changes would therefore vary by jurisdiction. Many Member States already have provisions in place that hold companies accountable for failing to comply with statutory due diligence obligations. In these jurisdictions, the civil liability risks associated with the CS3D are unlikely to be reduced significantly as a result of these proposed changes.

### **(b) Representative action**

Under the CS3D, Member States are also required to facilitate injured parties authorizing trade unions and NGOs to bring enforcement actions on their behalf. Amidst an evolving landscape of increasing third-party enforcement action, this would likely lead to heightened levels of litigation risk for in-scope companies. See our [article](#) on the *Milieudefensie v Shell* climate litigation case.

However, the Package proposes to remove the requirement for Member States to create this platform, although Member States would still be required to ensure that any victims of adverse impacts have a right to full compensation under national law.

Whether NGOs would still have appropriate standing pursuant to the Package to challenge companies with regards to their CS3D compliance will therefore depend on national law. Clearly, some jurisdictions will become more of a battleground for third-party litigation than others.

As a whole, the proposed changes as regards enforcement would symbolize a return to the status quo—as most European directives provide for Member State sovereignty regarding enforcement.

### **(c) Harmonization of fines**

The CS3D requires that pecuniary penalties imposed by Member States should be based on a company's net worldwide turnover, and that the maximum limit for any such fines should not be less than 5% of that company's net worldwide turnover. The explanatory notes of the Omnibus Package highlight that this provision was intended to create consistency across the EU, but the Commission accepts that it has ultimately created confusion. As a result,

the Package seeks to remove this requirement. Instead, national authorities would be free to set their own caps on fines and would not need to take into account a company's net worldwide turnover when setting fines.

While the Commission would nevertheless be tasked with developing guidelines for fines (as has been done in competition law and data protection), these changes can still be seen as driving a more inconsistent picture across the EU.

## **9. How does the Package seek to better align the CS3D with the CSRD?**

The CS3D and CSRD remain distinct directives. However, the Commission has sought to better align the CSRD with the CS3D through the Package in various areas (e.g., transition plans as discussed at Question 7 above).

If approved, the Package would significantly reduce the number of companies subject to the CSRD by 80%, limiting its scope to large undertakings with more than 1,000 employees. This adjustment aligns with the scope of the CS3D concerning EU companies, which also requires companies to have more than 1,000 employees.

The Omnibus Package has also proposed increased alignment in scope across the CS3D and CSRD by limiting the CSRD's scope to large EU undertakings with more than 1,000 employees and non-EU undertakings with EU turnover exceeding EUR450m.

It remains the case that companies in scope of both the CSRD and CS3D will not have to publish a separate CS3D-related annual statement should their CSRD reporting have already taken effect.

See our article [here](#) for further detail on how the Package affects the CSRD.

## **10. Should I change how I should prepare for the CS3D?**

The level of preparation a business needs to comply with the CS3D requirements will vary based on a range of factors.

While businesses may be tempted to pause preparations due to uncertainty, businesses should remember that the Package is currently only a proposal. Even so, the proposals do not significantly change most of the substantive CS3D requirements or scoping criteria and still necessitate an important mapping and diligence exercise. As such, for many businesses, we see preparations continuing, albeit with a watchful eye on the Package.

Businesses should keep a close eye on the Omnibus negotiations at the EU level and take steps to ensure that they are adequately prepared by the time the national law provisions implementing the CS3D take effect.

For more detailed information on how businesses can prepare for the CS3D, see our [article](#).

## Find out more

Should you have questions on the EU Omnibus proposals, please get in touch with the authors or your global key contacts at A&O Shearman.

### AUTHORS

**Authors:** Matt Townsend (partner), Gauthier van Thuyne (partner), Jochem Spaans (partner), Romaric Lazerges (partner), Udo Olgemoeller (partner), Hilde van der Baan (partner), Danae Wheeler (senior associate), Marco Lupoli (senior associate), Caroline Obenhuijsen (knowledge counsel) and Gauthier Jacqmin (associate). **Contributor:** Ying-Peng Chin (senior knowledge lawyer).

### GLOBAL KEY CONTACTS

#### Amsterdam

**Jochem Spaans**  
*Partner*

Tel +31 20 674 1500  
jochem.spaans@  
aoshearman.com

#### Amsterdam

**Hilde van der Baan**  
*Partner*

Tel +31 20 674 1493  
hilde.vanderbaan@  
aoshearman.com

#### Amsterdam

**Caroline Obenhuijsen**  
*Knowledge Counsel*

Tel +31 20 674 1595  
caroline.obenhuijsen@  
aoshearman.com

#### New York

**Ken Rivlin**  
*Partner*

Tel +1 212 610 6460  
ken.rivlin@  
aoshearman.com

#### Frankfurt

**Dr Udo Herbert Olgemöller**  
*Partner*

Tel +49 69 2648 5690  
udo.olgemoeller@  
aoshearman.com

#### Brussels

**Gauthier van Thuyne**  
*Partner*

Tel +32 2 780 25 75  
Gauthier.VanThuyne@  
aoshearman.com

#### Brussels

**Axel de Backer**  
*Partner*

Tel +32 2 287 7402  
axel.debacker@  
aoshearman.com

#### Brussels

**Stéphanie Dalleur**  
*Knowledge Counsel*

Tel +3227802430  
stephanie.dalleur@  
aoshearman.com

#### Paris

**Romaric Lazerges**  
*Partner*

Tel +33 (0)140 06 53 44  
romaric.lazerges@  
aoshearman.com

#### Paris

**Arthur Sauzay**  
*Partner*

Tel +33 (0)140 06 50 90  
arthur.sauzay@  
aoshearman.com

#### Milan

**Marco Lupoli**  
*Senior Associate*

Tel +39 (0) 02 2904 9674  
marco.lupoli@  
aoshearman.com

#### London

**Matthew Townsend**  
*Partner*

Tel +44 20 3088 3174  
matthew.townsend@  
aoshearman.com

#### London

**Danae Wheeler**  
*Senior Associate*

Tel +44 20 3088 3505  
danae.wheeler@  
aoshearman.com

#### London

**Ying-Peng Chin**  
*Senior Knowledge Lawyer*

Tel +44 20 3088 3708  
ying-peng.chin@  
aoshearman.com

#### London

**Gauthier Jacqmin**  
*Associate*

Tel +44 20 3088 3153  
gauthier.jacqmin@  
aoshearman.com

A&O Shearman means Allen Overy Shearman Sterling LLP and/or its affiliated undertakings. Allen Overy Shearman Sterling LLP is a limited liability partnership registered in England and Wales with registered number OC306763. Allen Overy Shearman Sterling (Holdings) Limited is a limited company registered in England and Wales with registered number 07462870. Allen Overy Shearman Sterling LLP (SRA number 401323) and Allen Overy Shearman Sterling (Holdings) Limited (SRA number 557139) are authorised and regulated by the Solicitors Regulation Authority of England and Wales. The term partner is used to refer to a member of Allen Overy Shearman Sterling LLP or a director of Allen Overy Shearman Sterling (Holdings) Limited or, in either case, an employee or consultant with equivalent standing and qualifications or an individual with equivalent status in one of Allen Overy Shearman Sterling LLP's affiliated undertakings. A list of the members of Allen Overy Shearman Sterling LLP and of the non-members who are designated as partners, and a list of the directors of Allen Overy Shearman Sterling (Holdings) Limited, is open to inspection at our registered office at One Bishops Square, London E1 6AD. A&O Shearman was formed on 1 May, 2024 by the combination of Shearman & Sterling LLP and Allen & Overy LLP and their respective affiliates (the legacy firms). This content may include or reflect material generated and matters undertaken by one or more of the legacy firms rather than A&O Shearman.

© Allen Overy Shearman Sterling LLP 2025. This document is for general information purposes only and is not intended to provide legal or other professional advice. | UKCI: 20017665525