POSITION PAPER

Recommendations to EU policymakers on the Omnibus Proposal

MAY 2025

IN BRIEF

In this paper, FoodDrinkEurope provides recommendations to EU policymakers on the first Omnibus Proposal on sustainability reporting and due diligence. Our recommendations focus on the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Due Diligence Directive (CS3D).

KEY MESSAGES

- **The EU food and drink industry – Europe's largest manufacturing industry – remains committed to building sustainable and resilient food systems**
- **Policymakers should provide clarity and predictability for business**
- **Simplification measures to the Directives should be feasible and clear aiming for consistency in scope, terms, and timelines**
- **Implementation timelines should be harmonised across the EU**
- **The Directives' requirements must be aligned with international standards**
- **Consultation with the EU food and drink industry will be essential for an effective implementation of revised policies**

1. Broad recommendations for the Omnibus Proposal on both CSRD & CS3D

Full commitment to sustainability:

Our sector remains fully committed to our sustainability and climate ambition & actions (e.g. SBTi net zero targets 2050 and 2030 targets).

Clarity and predictability:

We welcome the urgency that EU co-legislators have demonstrated to complete the legislative process for the “Stop-the clock” proposal, as it provides the clarity, stability, and confidence that businesses need to invest in the EU’s sustainable future while the final provisions have yet to be agreed.

Targeted simplification:

We would like to see simplification measures that are business-friendly, feasible and clear to enable companies to use their resources for sustainability in the most efficient and impactful manner.

The Omnibus proposal should aim for consistency in scope, terms and timelines between different EU legislations and eliminate any inconsistent overlaps that could lead to increased administrative burden for companies.

The Omnibus proposal presented by the European Commission on 26 February 2025 needs to be further developed to avoid any confusion and misinterpretation and to allow for impactful simplification.

Clear timelines at EU and Member State levels and EU-wide harmonisation:

The EU and Member States need to agree on a clear timeline for swift implementation at Member State Level. This needs to include a coherent approach across the EU for countries in which the legislations are already transposed and for those countries in which this has not yet happened.

It needs to be clarified how the Commission will go about the delay of the transposition into national law at Member State level, given the different stages of transposition and implementation in Member States, and the fact that in some Member States the CSRD has become law and it is unclear how they will enforce the legislation until the end of this year.

The implementation of CSRD and CS3D needs to be harmonised across EU Member States. No gold-plating should occur during the transposition across Member States. This is important

to ensure that companies which are active in several Member States have one overarching reference that they can align with.

Alignment with international standards:

CSRD/ESRS and CS3D requirements need to be aligned with international standards. Full equivalency between ESRS and the IFRS S1 and S2 standards for large, multinational organisations should be a priority at EU level. If equivalency cannot be achieved, direct lifts of the text from ISSB should then be prioritised (i.e. the exact same definitions for all reporting metrics, including climate change).

Involving stakeholders from the food and drink industry:

FoodDrinkEurope and its members are committed to contributing to workable solutions across the whole food and drink value chain. We need to be involved in the development process to ensure that the implementation perspective is considered in the design of the revised policies.

2. Recommendations on CSRD related elements of the Omnibus Proposal

Clarity for wave 1 companies:

It will need to be clarified how wave 1 companies that already reported under CSRD in 2025 for the financial year 2024 will have to report in 2026. The process needs to be clarified in the Omnibus proposal to provide certainty and clarity for wave 1 companies for the 2026 reporting.

We therefore call for:

- Focusing efforts on maturing the reporting on the existing scope (2024 financial year) and pausing the application of additional data points until there is certainty about the revised simplified ESRS;

- Accelerating the review of the ESRS to amend these standards in order to reduce disproportionate amount of qualitative and quantitative data points, introduce more phased-in measures, and improve clarity of information required under the ESRS.

Artificial consolidation for international companies:

The Omnibus proposal should extend provisions for artificial consolidation for groups of companies to retain the ability to consolidate information and to centralise the reporting to ensure efficiency gains across the group of companies and avoid duplicating work.

Limited assurance:

Limited assurance standards should be issued before the end of the "stop the clock" period and should be fully equivalent to ISSA 5000. There should not be any assurance obligations for scope 3 data.

Impactful ESRS simplification:

The ESRS simplification and clarification should go beyond the reduction of datapoints. The revision should aim to reduce the administrative burden by targeted simplification that enable the reporting companies to take meaningful sustainability action.

Simplified Guidance:

We suggest that the Materiality Assessment Implementation Guidance should be simplified and that vague phrasing (such as used in the current standards: “shall”, “must”, “at a minimum”) should all be replaced by clear language, such as: "shall consider", as they lead to subsequent interpretations by audit firms. In particular, the standards should clarify that the materiality assessment is based on a post-mitigation approach, meaning that the materiality assessment of IROs must take into account any existing efforts of the company to mitigate negative impacts. Furthermore, we advocate for clear definitions of positive impacts, negative impacts, financial risks and financial opportunities, and clear guidance for calculating financial effects associated with risks and opportunities.

VSME to suit SMEs and small mid-caps:

The VSME standard needs to be adapted to also suit the requirements of small mid-cap companies up to 1,000 employees, as the original standard was developed for SMEs and micro-sized companies up to 250 employees.

3. Recommendations on CS3D related elements of the Omnibus Proposal

Focus on a risk-based approach:

Aligned with OECD and UN Guiding Principles (UNGP) the Omnibus proposal should allow companies to conduct a two-step risk-based due diligence, consisting of a scoping exercise to identify areas of most significant risk where and if needed, followed by iterative and increasingly in-depth assessments of prioritised operations, suppliers and other business relationships where such an assessment is justified according to the company appreciation. This approach would allow companies to prioritise adverse impacts based on their severity and likelihood of occurring and to focus on these areas that are most severe and ensure that assessments are proportionate. At the same time, requests for information to smaller companies in the value chain should be limited to strictly necessary and highly relevant

information only, as foreseen in the draft of the Commission, to protect them from receiving mass questionnaires sent to every customer.

It is critical to address concerns from all value chain members to design this process in a workable and acceptable way for small and large companies, from the farmers to the retailers.

We are convinced that a well-designed two-step risk-based due diligence process that extends beyond Tier 1 gives companies the opportunity to focus proactively on and invest in those areas in which they identify the most severe adverse impacts, building on their knowledge of and leverage on their own supply chains.

Alignment with international standards:

The Omnibus proposal should clarify the two-step risk-based approach that builds on the existing, widely used international guidelines & frameworks (OECD, UNGP). The risk-based approach needs to be very clearly designed to provide legal and planning certainty for all parties involved, large and small.

International standards do not foresee companies to identify adverse impacts through entity-level assessments in all cases or to know every detail about their whole supply chains, but encourage companies to focus their assessments on the most severe risk areas for the company and multiple and diverse activity chains they operate in.

Two-step risk based approach:

We propose that the Omnibus proposal clarifies a **two-step risk-based approach**: Companies are to begin with a risk based **initial scoping** of human rights and environmental risk throughout all areas of their business, across their operations and relationships, including in their supply chains. This scoping should rely on existing and readily available information. For supply chain segments or areas that are **identified as major risk areas** through this initial scoping, companies should subsequently carry out more detailed risk-based assessments in the relevant parts of the supply chain – regardless of the tier – where such an assessment is justified. This two-step, risk-based approach respects the principle of proportionality, avoids undue burden for companies, maintains a strong focus on actual and potential severe risks and limits the 'trickle down' effect on companies further in the supply chain. Thereby companies can engage and invest in supply chains so that meaningful engagement can obtain tangible progress in addressing the most severe adverse impacts.

An unambiguous definition of the term "scoping" in alignment with the OECD Guidelines is needed.

This solution addresses the particularities of many business sectors, including the agri-food value chain. Major risks typically occur beyond tier 1 across the value chain.

By focussing resources on where it matters most, a reduced number of SMEs and indirect business partners would fall into the scope of this in-depth assessment, which would considerably reduce the administrative burden for SMEs and contribute to European companies' competitiveness.

Should the Omnibus proposal clarify the two step risk-based approach as suggested, the clause on **"plausible information"** becomes redundant and can replaced by focusing on areas that are identified as major risk areas through the initial scoping.

To protect smaller companies that might be challenged by providing data ad-hoc and on request, the existing and readily available information related to specific risk areas for larger companies further down the supply chain, it is imperative that the European Commission should provide a platform to make available existing data (e.g. from OECD and Forced Labor Regulation). That would prevent companies from sending questionnaires to the respective suppliers.

As a basis for the definition for the term "existing and readily available information", we would suggest to align with OECD Guidelines:

"Gather information to understand high-level risks of adverse impacts related to the sector (e.g. products and their supply chains, services and other activities), geography (e.g. governance and rule-of-law, conflict, pervasive human rights or environmental adverse impacts) or enterprise-specific risk factors (e.g. known instances of corruption, misconduct, implementation of standards for RBC).
Sources might include reports from governments, international organisations, civil society organisations, workers' representatives and trade unions, national human rights institutions (NHRIs), media or other experts."

Suggested amendments to the Omnibus proposal:

As specific amendments to the Omnibus proposal we therefore suggest the following changes to Article 8:

a) in paragraph 2, point (a) is replaced by the following:
(a) ~~map their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners, in order to~~ **carry out a high level, risk-based scoping exercise** ~~to identify general areas~~ **across** their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners in order to identify general areas where adverse impacts are most likely to occur and to be most severe. **These areas could include, but are not limited to, geographical contexts, sectors, products, services, business partners or groups of business partners.** The scoping exercise shall rely **on information that is either available inside the company or is readily available in the public domain or through sector initiatives of which the company is part. It shall not require companies to actively generate additional data at this stage;**

Justification:

The proposed amendment introduces a two-step, risk-based approach that allows companies to begin with a high-level scoping of risks based on existing and publicly available information. This ensures legal clarity, avoids disproportionate burdens – especially for SMEs – and aligns with the principle of proportionality embedded in the EU law. By clarifying that no active data collection from specific supply chains is required at this stage, the text prevents over-implementation and encourages the efficient use of existing company knowledge and sector initiatives, while still enabling a strong focus on the most severe and likely risk.

The clarification that companies may focus on specific types of risks (e.g. regions, sectors, products) supports a pragmatic and defendable approach. This wording enhances legal certainty while preserving flexibility for companies to act based on risk prioritisation, in line with international standards. Imposing a limitation to direct business partners diverts from a risk-based approach as the most likely and most severe risks are often found further along the chain of activities. When conducting due diligence, it is therefore already common practice for companies to consider material risks beyond direct business partners, in line with established international standards. A limitation to direct business partners could also trigger a 'tick-the-box' exercise covering all directs in detail that is onerous for the company assessing risks as well as their direct business partners. In conclusion, the limitation to direct business partners would lead to less impactful due diligence while creating a high bureaucratic burden for companies subject to CSDDD and their direct business partners.

b) in paragraph 2, point (b) is replaced by the following:
Based on the results of the scoping as referred to in point (a), carry out where and if needed further risk-based assessments and subsequent iterative and increasingly in-depth assessments of their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners, in the areas where adverse impact were identified to be most likely to occur and most severe according to the company appreciation. **The company's approach should be driven by the underlying principle of focusing on the most severe and likely risks and should be defensible on that basis.**

Justification:
This amendment clarifies the second step of the due diligence process by explicitly linking iterative and increasingly in-depth assessments to the outcomes of the initial scoping. It ensures that further assessments are risk-based, targeted, and proportionate, focusing only on areas where the most severe and likely risks have been identified.

As specific amendments to the Omnibus proposal we suggest the following changes to Article 9:

Article 9 - Prioritisation of identified actual and potential adverse impacts
1. Member States shall ensure that ~~where it is not feasible to prevent, mitigate, bring to an end or minimise all identified adverse impacts at the same time and to their full extent~~ companies prioritise adverse impacts identified pursuant to Article 8 in order to fulfil the obligations laid down in Article 10 or 11.

2. The prioritisation referred to in paragraph 1 shall be based on the severity and likelihood of the adverse impacts.

3. ~~Once the most severe and most likely adverse impacts are addressed in accordance with Article 10 or 11 within a reasonable time, the company shall address less severe and less likely adverse impacts~~ **With regards to impacts at the level of indirect business partners, where adverse impacts are prioritised in accordance with Article 8 or this Article 9, ~~annually~~ regularly reviewed and made available to Supervisory Authorities on request, Member States shall not penalise companies under Articles 25 and 27 for the failure to address in accordance with Article 10 and 11 potential and actual impacts that were not prioritised by the company.**

Justification:
Maintaining the ability for companies to prioritise on the basis of the outcomes of further assessment is critical to the overall risk-based approach and ensuring that companies can focus resources aimed at addressing adverse impacts.

About us

The EU food and drink manufacturing industry is made up of 300,000+ businesses employing 4.7 million people. It generates €250 billion in value added every year and is the largest manufacturing industry in Europe. As an industry comprised of 99% SMEs our enterprises are intimately linked with their local communities. FoodDrinkEurope is the organisation of the European food and drink manufacturing sector.