

Omnibus 1 on sustainability reporting

Key messages

- SMEUnited welcomes the clarification brought by some of the Omnibus proposals on certain aspects of CS3D. The proposal is a good first step towards simplification and should be replicated in other area of EU law.

We notably support the following suggestions:

- SMEUnited strongly welcomes the introduction in the CSRD and CS3D of the VSME as the maximum amount of information companies in scope can ask to SMEs. This will foster market acceptance and make the VSME the unique questionnaire on the market. To support the acceptance of the standard, the VSME must be as simple and user friendly as possible
- Extending the scope of maximum harmonisation in due diligence ensures a level playing field among European SMEs and brings legal clarity
- Limiting the assessment of impact to tier one makes the due diligence legislation more feasible for SMEs in the supply chain. Limitation to tier one must be accompany by a clear methodology to support the efficiency of the measure
- We welcome the alignment of thresholds between CSRD and CS3D. We remind that exemptions do not limit the trickle-down effect on companies out of scope
- We insist legal certainty is key for the business community. While the vote on the 'stop the clock proposal' gave some clarity to SMEs, must be provided with clear and practical guidelines 2 years before the entry into force of a legislation. We therefore also insist on translating the standards in all languages of the Member States
- SMEs will keep on facing demands from supply chain and certain have been preparing for compliance already. We urge the institutions to move as quickly as possible on the proposal to support European companies investment and business development
- However, the Omnibus does not address the need for a digital unique tool to support SMEs in their reporting exercise. This tool should be designed in such a way that it can be used without any special prior knowledge or external support and provide the possibility for written answers

- SMEUnited stresses the need to achieve the Green Deal's goals and is committed to work towards combining competitiveness with sustainability together. Efforts to simplify the regulatory landscape should not lead to diminishing the EU ambitions to address climate risks.

On Due Diligence

Article 3: Stakeholder engagement

The Omnibus proposal limits the definition of 'stakeholders' to those directly affected e.g workers and their representatives, and communities affected. SMEUnited supports this clarification.

Article 4: Extension of the scope of maximum harmonisation

SMEUnited supports the extension of the maximum harmonisation clause of the directive. The Omnibus proposal extends the scope of maximum harmonisation to the identification duty, the duties to address adverse impacts that have been or should have been identified and the duty to provide for a complaints and notification mechanism.

Such an extension provides legal clarity to SMEs, guarantees a level playing field across Member States as more provisions are aligned and ultimately, avoids gold-plating. Therefore, a genuine maximum harmonisation clause is necessary to avoid further fragmentation of the Single Market.

Article 8: Identification and chain of activities

The Omnibus proposal limits the assessment of impact to companies own actions, subsidiaries and direct partners. Additionally, the proposal forbids companies in scope to request information to SMEs beyond the content of the VSME. These measures bring significant relief to SMEs and answer a long standing request from SMEUnited.

To make the limitation to tier one effective and efficient, SMEUnited suggests to clarify what exactly companies in scope are requested to do. The guidelines should include a clear methodology to support SMEs in supply chains.

First, SMEUnited reminds that companies within the EU are already operating under a strict legal framework regarding human rights and environmental rights. Therefore, there should be a presumption of compliance for European SMEs. It is the role of market authorities to enforce the legal framework.

Secondly, it must be clear that the mapping exercise and the in-depth assessment required from in scope companies can be done without sending lengthy questionnaires to the whole supply chain. Companies in scope should do the mapping of their supply chain based on information they have. Moreover, the in-depth assessment must be made on the basis of official databases (e.g Access2Markets or the database created under the Regulation to ban products made with forced labour, ideally there should be only one official database with all the relevant information) and documents (e.g OECD reports). This would ensure, as requested in paragraph 4, that companies can request information to partners where the adverse impacts are most likely to occur. Such clarification would ensure obligations do not trickle-down on European SMEs and would still ensure adverse impact in other part of the world are taken into account, guaranteeing both environmental and human rights protection and the level playing field.

The proposal nevertheless requires companies to go beyond if they have plausible information suggesting an adverse impact at the level of an indirect business partner. SMEUnited reminds the VSME has been developed with every stakeholder around the table, and will soon be subject to a public consultation. De facto, the VSME includes information on all relevant impacts.

To ensure legal certainty and avoid unintended consequences, we demand the institutions to provide clear definition of plausible information, or frame it to information from limited official and trustable sources. The possibility to go beyond the VSME should be therefore deleted, or strictly limited.

Article 10 & 11: Disengagement

According to the Omnibus proposal, companies would not have to disengage anymore and to terminate contracts when they identify adverse impact in their supply chain. As SMEs are the main part of the supply chain, it is a relief for them. With the current text, there is a risk of disengagement simply to avoid taking any risks. With this change, it would enable companies to take the time to adapt when a risk is identified. Taking risks is part of being an entrepreneur. The Omnibus enables them to do so.

The Omnibus proposal also gives time to companies to assess the efficiency of mitigating measures. This brings a signal of trust to companies. Moreover, we insist that more resources should be allocated to market surveillance authorities to fulfil their obligations, without diverting the burden to companies and SMEs.

Nevertheless, SMEUnited raises question on the suspension of contracts, which can, de facto, lead to the same situation than disengagement. Moreover, the guidelines should include information on when a company should assume a measure is a 'last resort'.

Article 15: Monitoring

The proposal modifies the frequency of the assessment, from every year to every 5 years. This answers the characteristics of SMEs and ensures stability on the market.

Article 19: Guidelines

The Omnibus proposal advances the date of publication of guidelines to 26 July 2026. This is strongly welcomed by SMEUnited. We insist the guidelines must be practicable and realistic. They must also contribute to prevent highest levels of fragmentation in the Single market.

Article 22: Climate plans

SMEUnited flagged that SMEs are already asked to sign sustainability contracts, engaging them to implement action plans they do not have the resources for. The proposal took this issue into account and now requires companies to adopt plans with implementing actions, with less strict rules on how to put them into effect.

Amendment to article 22 should be clarified. As such, the proposal for article 22 seems to introduce empty reporting obligations, with no further aim than drafting. SMEUnited suggest to use the reporting under the reduced ESRS as the climate plan of companies.

Additionally, SMEUnited raises concerns on the different Codes of Conduct SMEs in supply chains could receive from business partners. The upcoming guidelines should be the basis for companies to take action and avoid that SMEs in supply chain are required to comply with different codes from different business partners.

Article 27: Penalties

The Omnibus removes the minimum cap on sanctions of 5% of turnover and let Member States decide on the level of penalties. We express strong concerns that it would only add on the fragmentation of the Single Market and will negatively impact the level playing field among European companies. SMEUnited asks the co-legislator to extend the maximum harmonisation to the penalties.

Article 29: Civil liability

SMEUnited supports the deletion of the provisions on civil liability, as the Omnibus proposal foresees that companies should only be liable in accordance with existing national liability provisions.

Article 37: Transposition

SMEUnited repeatedly asked for guidelines to be published before companies have to comply with new rules. The Omnibus answers this request, advancing to 26 July 2026 the publication of general due diligence guidelines and postponing the entry into force of CS3D to 26 July 2028.

If followed through, such a timeline gives time for companies to prepare and take meaningful and well thought actions instead of rushing and take radical decisions to avoid any risks.

On CSRD

The Omnibus modifies the scope of application of the CSRD, aligning it with the CS3D thresholds. We believe this brings clarity in the legal framework. The proposal limits the scope to companies with more than 1000 employees with a turnover of more than 50,000,000€ or a balance of more than 25,000,000€, therefore excluding mid-caps, as well as listed SMEs from the scope.

SMEUnited reminds that exclusion from the scope of legislation does not address the trickle-down effect.

The Omnibus makes the VSME the cap in the value chain in the CSRD. We fully support this and urge the co-legislators to maintain this provision. Contrary to the CS3D, there is no possibility to go beyond the requirements of the VSME under the CSRD. For clarity, the text under the CS3D should be aligned with the text of the CSRD when it comes to the VSME. This would guarantee the respect of the cap of information in the value chain.

Additionally, SMEUnited welcomes the introduction of article 29ca in Directive 2013/34/EU and modification of article 29b, making the VSME the information cap in the value chain. This tool must be simple, cost-effective, and widely recognized by all stakeholders to truly alleviate burdens. This is a crucial element to foster the VSME market acceptance and making it the unique questionnaire in value chain. This has been a long standing demand of SMEUnited.

Before the creation of such a tool, it is important to ensure that SMEs can freely choose the format that they want to use to report. Large enterprises forcing SMEs to use a particular format or (costly) tool must be prohibited to do so. Otherwise, the VSME will not be able to deliver the relief for SMEs.

SMEUnited strongly welcomes the removal of the provisions on limited and reasonable assurance on reporting. It is important to bear in mind that using the VSME will already create costs for SMEs. Thus, it is important to ensure that SMEs do not have to pay additional fees for auditing the data collected. Additionally, SMEUnited supports the removal of provisions on sector specific standards.

On CBAM

SMEUnited welcomes the fact that Omnibus gives the possibility to use default values to calculate the embedded emissions of CBAM products. The legislative proposal also gives entrepreneurs additional time to prepare by postponing the sale of CBAM certificates.

SMEUnited welcomes that the legislative proposal provides for a revision of the threshold above which CBAM applies. The new system provides for a threshold of 50 tons of imported CBAM goods. This is a great relief for SMEs in particular, as it also means that the already existing reporting obligations no longer apply if the threshold is not exceeded.

Regarding the fines, the proposal suggests a reduction in amounts for minor offenses and focuses on deliberate circumvention tactics. This approach seems more reasonable, as it targets the misconduct of companies without penalising those that act in good faith.

On taxonomy

SMEUnited welcomes the proposed adaptations covered in the draft Delegated act amending the Taxonomy Disclosures and the Taxonomy Climate and Environmental Delegated Acts as the reduction in scope, the consideration of materiality thresholds, the simplification of reporting templates, or the changes to the Green Asset Ratio.

The proposal addresses the changes required by the SME community to taxonomy and the sustainable finance framework. Now, the European Commission must provide as quick as possible concrete provisions through secondary legislation. Therefore, SMEUnited suggest to implement the recommendations from the Platform on Sustainable Finance for an SME Sustainable Finance Standard which allows SMEs to prove their sustainability and to review the Green Asset Ratio allowing Banks to report on the sustainability of their SME portfolio.

Brussels, 11 April 2025

For further information on this position paper, please contact:

Sophia Zakari
Director Enterprise Policy & Legal Affairs



Rue Jacques de Lalaingstraat 4
B-1040 Brussels
T: +32 476 62 01 07
E: s.zakari@smeunited.eu
www.smeunited.eu



EU Transparency Register: identification number 55820581197-35