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Newsletter
# ESG Update

## The First Omnibus Simplification Package: Which proposed simplifications apply to Swiss companies?

On 26 February 2025, the European Commission announced the first Omnibus package on sustainability simplification as part of its strategy to reduce complexity and administrative burden on companies. The simplification effects could be significant for many Swiss companies.

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# The European Commission proposes major changes to CSRD, CSDDD and the Taxonomy, focusing on simplification

**With the goal of lightening regulatory burden on companies, the Commission proposes to significantly scale back key sustainability EU legislative acts. The proposals will now be assessed by the European Parliament and the Council.**

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## 1. Background

On 12 February 2025, the European Commission presented its [2025 work programme](), in which it set out its ambition to boost competitiveness, enhance security and bolster economic resilience within the EU. Building on the [Competitive Compass](), the work programme describes the Commission's approach to making EU rules easier to apply in practice, reducing administrative burden and simplifying EU rules over the next five years, without undermining policy objectives. The stated objective of this initiative is to achieve a landmark simplification effort, with the Commission aiming to **reduce administrative burden** by 25% for all companies and by a minimum of 35% for SMEs.

On 26 February 2025, the Commission delivered the first two so-called **Omnibus packages** of simplification measures. The packages propose to significantly scale back regulatory requirements in a range of related areas, impacting major legislative acts that have just been adopted recently, namely the Corporate Sustainability Reporting Directive (**CSRD**), the Corporate Sustainability Reporting Due Diligence Directive (**CSDDD**), the **Taxonomy-Regulation**, and the Carbon Border Adjustment Mechanism Regulation (**CBAM**). The package further proposes amendments to European **investment programmes** (in particular, InvestEU and EFSI).

## 2. Main Proposed Changes

### CSRD

Entered into force on 5 January 2023, EU member states had until **July 2024** to transpose the Directive into national law. However, as of yet, this process has not been completed by several member states. For an overview of current requirements under CSRD, see our [ESG Update of June 2024](). CSRD complements CSDDD (below) regarding due diligence reporting. The Commission's proposal would align the personal scope of application of the two Directives. Major proposed changes include:

– **Reduction of scope of application/ alignment with CSDDD**: Increase of **full time employee** (FTEs) threshold from 250 (current) to **1,000** (and either a turnover of above EUR 50 mio or a balance sheet above EUR 25 mio), thereby greatly reducing the number of in-scope companies (by around 80%); for **third-country undertakings** (for example, Swiss-based companies), the Commission proposes to increase the **net turnover** threshold from EUR 150 mio (current) to **EUR 450 mio**; exclusion of listed SMEs;

– postponement of **entry into force** by two years (until 2028) for companies in scope of CSRD as of 2026 or 2027 (wave 2 and 3 companies);

– development of a **voluntary reporting standard** for not-in-scope companies, limiting the information that in-scope companies can request from not-in-scope companies (**value-chain cap**);

- revision of the European Sustainability Reporting Standard (**ESRS**) to substantially reduce the amount of data points;
- no requirement to obtain **reasonable assurance** (limited assurance requirement remains); and
- no development of **industry-specific reporting standards** (currently set to be adopted by the Commission by 30 June 2026).

The concept of **double materiality** that underlies CSRD reporting is not called into question by the omnibus proposal.

### CSDDD

CSDDD entered into force on 25 July 2024. As per the current implementation timeline, member states must transpose the Directive into national law and communicate the relevant texts to the Commission by 26 July 2027, with the subsequent implementation of the rules scheduled to occur in a phased manner. Major proposed changes include:

- **Postponement** of transposition deadline for member states by one year, until 26 July 2028, leading to a postponement of application of CSDDD requirements to the largest companies (until 26 July 2028);
- limitation of due diligence requirements to **direct business partners** (tier 1), except for cases of evident adverse impacts from indirect business partners;
- reduction of the **frequency** of required due diligence assessments from annually to **five years**;
- limitation of the **amount of information** that in-scope companies can request from SME or small midcap business partners (companies with less than 500 FTEs) to the information set out in the CSRD voluntary sustainability reporting standard (**VSME standard**);
- no requirement to **terminate business relationships** as a last resort;
- **stakeholder engagement limited** to stakeholders directly impacted by the companies' operations;
- deletion of **harmonized civil liability** conditions and revocation of obligation for member states concerning **representative actions** by trade unions and NGOs; this would result in the civil liability regime being deferred to member states' discretion;
- deletion of **maximum penalty** not less than 5% of global turnover, resulting in a greater degree of discretion at member state level;
- **climate transition plans**: companies still need to adopt a transition plan to achieve net zero, but deletion of requirements concerning implementation (with uncertain implications);
- deletion of review clause for inclusion of **financial services** in the scope of the Directive; and
- deletion of option for member states to adopt **stricter due diligence requirements** in certain areas.

### Taxomony Regulation

The Taxonomy Regulation, which came into effect on 12 July 2020, established the foundation for the EU Taxonomy by delineating the four overarching conditions that an economic activity must fulfil to be considered environmentally sustainable. Majors proposed changes include:

- **Voluntary** Taxonomy reporting for companies in scope of CSRD (as proposed, more than 1,000 FTEs) with a net turnover no more than EUR 450 mio;
- introduction of option to voluntarily report on **partial Taxonomy-alignment**;
- introduction of **materiality threshold** (10% of total turnover, CapEx, or total assets);
- simplifications to the Do No Significant Harm (**DNSH**) requirements; and
- amendments to main KPIs of financial institutions, in particular the Green Asset Ratio (**GAR**) for banks.

### CBAM

CBAM is the EU's mechanism to ensure a fair price on the carbon emissions resulting from the production of carbon-intensive goods entering the EU market. CBAM will be implemented in its definitive regime from 2026, following the current transitional phase from 2023 to 2025. Goods originating in Switzerland are exempt from the CBAM due to the linked emissions trading systems of Switzerland and the EU. Major proposed changes include:

- Exemption of **small importers** from CBAM obligations by introducing a cumulative annual threshold of **50 tonnes**, thereby de-scoping around 90% of importers, while still covering 99% of emissions in scope (according to the Commission);
- **simplification** of CBAM requirements; and
- strengthening the rules concerning **avoidance of circumvention and abuse**.

## 3. Impact on Swiss Companies and Outlook

A considerable number of Swiss companies are impacted, either **directly or indirectly**, by the legislative acts of the EU that have been targeted by the initial omnibus package (concerning CSRD, see our ESG Update of June 2024). Further, Switzerland is currently assessing a **revision** of its ESG requirements in the areas of sustainability reporting and due diligence, in particular, art. 964a et seqq. Code of Obligations (see our ESG-Update of July 2024) and the Ordinance on Climate Reporting, in line with developments at the EU level and the international level. Consequently, the proposed amendments are of significant importance to Switzerland and its business community.

The proposed simplification package is a legislative proposal that would make substantial changes to major EU legislative acts that have either just been adopted or entered into force. This comes at a time where many EU member states are in the process of transposing them into national law, and with numerous companies having already initiated implementation. If enacted, the proposed changes would exempt many companies from sustainability reporting and due diligence requirements. Furthermore, it is anticipated that indirect effects on business partners, such as suppliers, would be reduced. While reducing administrative burden is generally welcomed, the Commissions' proposals have given rise to a controversial debate surrounding the justification of some of the proposed amendments and its impact on legal certainty and the level-playing field.

The Commission's proposals were submitted to the European Parliament and the Council of the EU for their consideration. The Commission has invited its co-legislators to treat the omnibus package with priority. With respect to certain proposed amendments, the European Commission has delegated powers.

The Commission's first simplification package proposal could be understood as an attempt of setting a low baseline for later negotiations with the European Parliament and the Council. Swiss companies should assess the extent to which they are affected by the proposed changes, thinking in scenarios. It is advisable to closely monitor the developments in this area over the coming months and to adjust the ESG regulatory strategy accordingly.

Overall, while there is clearly a need for further simplification initiatives in the context of ESG rules, it remains to be seen to what extent these new changes address the important demands raised by Swiss companies.

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Environmental, Social and Governance (ESG) & Sustainability have become key strategic issues for companies and their boards. The transition to more sustainable business practices presents both challenges and opportunities for companies. Walder Wyss can help you navigate the complex and rapidly evolving ESG & Sustainability landscape. See here for more information.