The EU Omnibus Package: Key Changes and Potential Impact on Swiss entities.

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The EU Omnibus Package provides for a major regulatory revision aimed at simplifying and clarifying sustainability reporting obligations for companies operating in the European market. This legislative proposal from the EU Commission introduces adjustments to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy and the Carbon border Adjustment Mechanism, significantly reducing the compliance burden for many businesses, with the goal of enhancing EU competitiveness. While the proposed changes would primarily affect EU-based companies, they also carry significant implications for Swiss companies and financial institutions involved in the European market. This piece highlights the most relevant changes to the CSRD and CSDDD and their potential impact on Swiss entities.

1. Key Changes

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Building upon the recommendations of the Draghi report on EU competitiveness, the EU Omnibus Package published by the EU Commission on February 26, 2025 introduces several proposed modifications to sustainability reporting and regulatory requirements. Their purpose is to streamline certain aspects of the existing EU legislative framework related to sustainability.

The Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) are two of the regulations directly affected by the proposed changes. Below is a short overview of the key updates.

1.1. Corporate Sustainability Reporting Directive (CSRD)

A. Revised Scope: The EU Omnibus Package modifies the CSRD to reduce the administrative burden on businesses while maintaining transparency in sustainability reporting. One major change is the increase in the employee threshold for EU companies from 250 to 1,000, while financial thresholds remain unchanged (*i.e.*, turnover of EUR 50 million or balance sheet total of EUR 25 million). According to the proposed amendments, non-EU companies, such as Swiss entities, will fall within the directive's scope if they generate over EUR 450 million in EU turnover (current threshold: EUR 150 million) and have either (i) an EU subsidiary subject to CSRD or (ii) an EU branch exceeding EUR 50 million in turnover (current threshold: EUR 40 million). These adjustments significantly reduce the number of companies required to comply, potentially exempting many Swiss companies with EU operations from these reporting obligations.

B. Postponed Reporting Deadlines: Reporting deadlines have been extended, giving EU-based businesses two additional years before their obligations take effect. However, compliance timelines for non-EU parent companies remain unchanged.

C. Cap on Value-Chain Reporting: Companies that are no longer in scope of the CSRD may voluntarily report using standards developed by the European Financial Reporting Advisory Group (EFRAG). Larger companies subject to the CSRD reporting requirements will be restricted from demanding more sustainability-related information from smaller supply chain partners than what is required under these voluntary standards.

D. Simplification of Reporting Standards: The EU intends to simplify the European Sustainability Reporting Standards (ESRS) by reducing reporting requirements and eliminating sector-specific standards, although the double materiality principle remains intact.

1.2. Corporate Sustainability Due Diligence Directive (CSDDD)

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A. Extended Implementation Timeline: Unlike the CSRD, the CSDDD has not yet been transposed into the national laws of any EU member state, the deadline being July 2026. One of the most significant modifications is the extension of the implementation timeline, pushing the transposition deadline to July 2027 and compliance deadlines to July 2028 for large companies.

B. Focus on Direct Suppliers: The revised directive's increases its focus on Tier 1 suppliers (direct suppliers) rather than the entire supply chain. More thorough supply chain investigations, including due diligence on indirect business partners, will only be necessary if there are signs of potential or actual adverse impacts.

C. Reduced Monitoring Frequency: The frequency of due diligence assessments is being relaxed. Instead of conducting annual assessments, companies will now need to carry out evaluations at least once every five years, unless risks or inefficiencies arise.

D. Enhanced Discretion for EU Member States in Addressing Non-Compliance: Under the current regime, penalties must be based on a company's global turnover. If a maximum penalty is specified in EU member states domestic law, the cap is at least 5% of the company's worldwide turnover. These requirements for determining penalties for non-compliance have been removed. Therefore, instead of adhering to a strict EU-wide framework, individual EU member states are allowed greater discretion to determine penalties. This change might result in varying levels of enforcement across different jurisdictions, potentially influencing where businesses choose to carry out operations.

E. Removal of Civil Liability Requirement: The package removes the requirement for an EU-wide civil liability regime, leaving it to national legislators to decide whether companies may be held legally accountable for due diligence failures. This could encourage forum shopping, as businesses might seek jurisdictions with more lenient liability rules.

F. Mitigation of Climate Transition Plan Requirements: Companies will no longer be required to actively "put into effect" transition plans. Instead, they must show that through implementation actions they are making best efforts to align with the Paris Agreement's 1.5-degree warming target.

G. Exclusion of Financial Services and Investment Activities: In its current form, the CSDDD is only partially applicable to financial services companies, but provides for the obligation to reassess the need for due diligence rules for financial services and investment activities in the future. The EU Omnibus Package includes the removal of this revaluation obligation.

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2. EU Legislative Process

The EU Omnibus Package is currently progressing through the EU's legislative process, with the European Commission urging a fast-tracked adoption. However, since the European Parliament and Council have the power to introduce further amendments, the final version of the proposed amendments remains uncertain. Once the legislation becomes final, EU member states will have one year to transpose the changes into national law.

Irrespective of the final outcome of the revised legislation, businesses with EU operations – including Swiss companies – should closely monitor the progress of the legislative process and subsequently the country-specific implementations.

3. Impact on Swiss entities

The EU Omnibus Package entails potential direct and indirect consequences for Swiss entities.

The proposed amendments to the CSRD as well as those relating to the CSDDD aim to simplify reporting and due diligence obligations. Consequently, Swiss companies falling under the scope of these EU regulations should see their legal obligations reduced.

Besides these direct implications on regulatory risk mitigation, costs and competitiveness, the EU Omnibus Package may have an indirect influence on Swiss legislation on corporate sustainability.

The provisions of the Swiss Code of Obligations (SCO) relating to sustainability reporting duties and due diligence requirements (Articles 964a et seq. SCO) are in the process of being revised to align with the CSRD. Prior to the publication of the EU Omnibus Package, the scope of entities subject to sustainability reporting requirements under Swiss law was expected to expand. In March 2025, the Swiss Federal Council confirmed that the project to amend current legislation was still underway, noting however that a decision on the next steps would be made once the EU has taken a position on the proposed simplifications outlined in the EU Omnibus Package.

These latest developments highlight how Swiss sustainability regulations are largely shaped by legislative developments in the EU, demonstrating that Swiss companies, even those not directly impacted by the EU Omnibus Package, cannot afford to overlook European sustainability regulations.

Given the fast-evolving regulatory landscape, Swiss entities should closely monitor all matters relating to sustainability and sustainable finance. Keeping track of EU legislative developments on sustainability, reassessing due diligence frameworks, and preparing for potential domestic regulatory updates will be essential for ensuring compliance and minimizing operational risks.

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