

Position Paper

Omnibus Package I: Sustainability

CSRD & CSDDD

MAY 2025



Introduction:

The Malta Business Bureau (MBB) favours sustainable and responsible business practices and believes that these could be achieved through smart and practical solutions engrained in competitiveness.

Throughout the discussions leading to the first adoption of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), the MBB highlighted the disproportionate burden these two legislations place on Maltese businesses. These included obligations on large and mid-cap companies with significant trickle-down effects on respective SMEs within their chain of activities that diverts significant resources and attention away from the crucial objectives of the green and digital transitions.

The MBB welcomes the new EU political agenda focused on competitiveness and regulatory simplification for businesses and believes that the Omnibus Package I moves in this direction. The recent adoption of the “stop-the-clock” proposal by the EU Council and the European Parliament postponing the CSRD by 2 years and CSDDD by 1 year, as well as an upcoming initiative by the European Commission of a Delegated Act postponing certain phased-in obligations under the CSRD applicable for so-called Wave 1 companies, are positive initiatives.

Clear timelines and predictable frameworks are important for business’ investments decisions, particularly in the context of ESG strategies. Furthermore, the postponement provides a critical breathing-space for further discussion on the proposed Amendments to the current legislations at EU level, to secure simplification, and with an opportunity to address other pending provisions in the proposals that in our view require further assessment and finetuning.

A general transversal remark on the Omnibus Package I is that the Commission’s proposal for the company thresholds of companies falling in scope under the CSRD, CSDDD and Taxonomy need further alignment. While the MBB supports a 1,000-employee threshold for the CSRD, the second applicable criteria of either having a turnover above EUR 50 million or a balance sheet valued over EUR 25 million is not consistent with the threshold applicable to the CSDDD, which is set at a turnover of EUR 450 million. The MBB considers that aligning the CSRD, CSDDD and Taxonomy frameworks would provide companies with a streamlined set of reporting standards.

More broadly beyond the Omnibus Package I, the MBB warns against losing sight of the cumulative impact of current and future legislations, which could render the overall simplification objectives ineffective. For this reason, it urges the European Commission to conduct a thorough review of the EU acquis as committed in the political guidelines for this legislative term, and the co-legislators to avoid adding regulatory layers introducing new burdens on businesses.

Corporate Sustainability Reporting Directive (CSRD)

Article 19a(3): The MBB believes it would be appropriate to reinforce companies' ability to **withhold sensitive information from disclosures**. For instance, eliminating mandatory disclosures of competitively sensitive data such as expected financial impacts is vital to safeguarding the competitiveness of companies.

Article 19a(9): The current framework exempts subsidiaries of holding companies when exceeding the CSRD thresholds as an individual company if their parent includes them in a consolidated sustainability report. The MBB believes that this exemption should be supported as it would eliminate duplicate reports and removes additional administrative complexity.

European Sustainability Reporting Standards (ESRS)

The MBB welcomes that the current Set 1 of the ESRS will be simplified through a delegated act. **Reducing the current overall sustainable reporting** comprised of around 1200 data points is critical in the overall reduction of reporting burden. The accompanying simplification exercise must ensure that sustainability disclosures focus only on essential data points.

Further **simplification of language in the ESRS** is needed. The standards should be written in clear, simple, and easily understandable language. Complicated definitions and technical terminologies should be avoided.

There needs to be a **clearer delineation between disclosure requirements and application guidance** and a **removal of duplications** between the minimum disclosure requirements on policies, actions, targets, and metrics (ESRS2) and the full requirements in the topical standards. Moreover, **disclosure should be of a qualitative nature** if the undertaking can demonstrate that it does not have the skills or resources to provide quantitative information.

The **concept of positive impacts must be removed from Materiality Assessments** due to the difficulty in defining them. There needs to also be **an alignment between the ESRS and the GHG Protocol Standards** for consistency.

As regards to **Voluntary Standards (VSME)**, these should be elaborated, particularly for small-midcaps, and have an assurance requirement. Special attention is needed to ensure comparability to avoid that entities apply the VSME framework inconsistently.

Corporate Sustainability Due Diligence Directive (CSDDD)

Article 8: Risk based approach in Tier 1 and downstream

The MBB welcomes that the Omnibus proposal places due diligence obligations of companies falling in scope of the CSDDD to own operations, subsidiaries, and **direct business partners (Tier 1 companies)**. It also considers limiting requests for information from direct partners with <500 employees to CSRD voluntary reporting standards, as a good step.

As regards to additional due diligence further down the chains of activities that would be triggered in case of “plausible information” received indicating adverse impacts that go beyond Tier 1, and requiring a deeper assessment, the MBB is concerned about the term used. **“Plausible information” is rather vague** and could be interpreted in a very broad way. If misused, deeper assessments will ultimately trickle down to companies in the chains of activities, in many cases SMEs, which would make them subject to rigorous obligations, and ultimately defeats the good intentions of the Omnibus package.

Therefore, the MBB first suggests clear references that the mapping of operations as referred to in **Article 8(2)(a)** shall apply a **risk-based approach**, and consequently, **Article 8(2)(b)** must refrain from using ambiguous terms such as **“plausible information”**. Where an in-depth assessment is required, this would be a risk-based one rather than mandating a full review of the whole chain of activities.

Article 36: The MBB considers positive the **deletion of the review clause** for the Commission to introduce a separate proposal **for financial undertakings**. This would have created adverse effects considering how this sector is already heavily regulated on sustainability aspects, possibly resulting in disproportionate spill-over effects on companies looking for financing.

Carbon Border Adjustment Mechanism (CBAM)

The MBB **supports the De Minimis exemption of small importers** for certain CBAM goods limited to 50 tonnes per year and calls on the EU Council and European Parliament to agree to this threshold during the legislative negotiations.

In view of upcoming assessments on potentially extending CBAM to include additional goods (including downstream products) and indirect emissions, the MBB cautions against applying new thresholds that include small importers, who based on the current requirements, faced excessive administrative burden due to the complexity of registration and data submission.

For questions or more detailed information please contact EU Affairs Manager

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