DIGITALEUROPE

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Winning sustainability: An omnibus for a competitive Europe

Executive summary

Europe's ability to lead in the global technology race depends on a regulatory framework that fosters competitiveness. As outlined in our *Winning the tech race* report, Europe must take a strategic approach that enables innovation, sustainability progress, investment and economic resilience rather than burdening businesses with excessive bureaucracy.[1]

DIGITALEUROPE supports an ambitious EU approach to sustainability and sustainability regulation. Our members are strongly committed to the green transition, and to implementing responsible business practices through their supply chains. Designed and implemented the right way, sustainability regulation can be a strategic asset for Europe and its industry.

This notwithstanding, regulatory simplification and reduction of administrative burden are critical to ensuring that sustainability and competitiveness can reinforce each other. **We are pleased that the European Commission's proposed omnibus package proposes ambitious steps to simplify sustainability reporting and due diligence obligations.**

Overlapping obligations, unclear definitions, excessive reporting burdens and fragmented national transpositions undermine business confidence. The sustainability omnibus represents an opportunity to correct the fragmentation, complexity and inefficiencies in existing sustainability laws, ensuring that businesses can focus on meaningful progress rather than compliance overload. Without the refinements proposed in the omnibus, and a swift implementation to guarantee legal certainty, Europe risks falling behind its global competitors by discouraging investment and innovation.

[1] See DIGITALEUROPE, *Winning the tech race. Cut-simplify-incentivise: Our three-step gameplan*, available at https://cdn.digitaleurope.org/uploads/2024/11/DIGITALEUROPE-TECH-RACE-REPORT-FINAL-WEB-1.pdf.

Corporate Sustainability Due Diligence Directive (CS3D)[2]

The CS3D is still in its early stages, and companies are just beginning to prepare for compliance. The Commission and co-legislators should focus on meaningful improvements to harmonise national transpositions, provide timely guidance and ensure a structured timeline for compliance. Changes should be made in a targeted manner, limiting legal uncertainty for companies.

Building on the Commission's proposal, co-legislators should now focus on:

- Further expanding the full harmonisation clause to completely prevent divergences in due diligence obligations and definitions of key terms across Member States;
- Removing provisions that increase the risk for regulatory fragmentation through Member States' gold-plating;
- Tying entry into application to 18 months after publication of guidance, allowing businesses adequate time to implement and prepare;
- Maintaining a clear risk-based approach, regardless of depth of obligations into the value chain, which is key to manageable and impactful due diligence;
- Including only treaties and conventions directly relevant to corporate due diligence.

Corporate Sustainability Reporting Directive (CSRD)[3]

The CSRD is intended to enhance transparency, but the current framework imposes excessive, duplicative and highly complex disclosure requirements. Simply raising reporting thresholds or delaying implementation will not be sufficient. Instead, deep structural simplification is needed, by implementing the following key improvements:

- Delivering on the announced revision of the European sustainability reporting standards (ESRS),[4] which must:
  - Significantly reduce the number of data points required for disclosure by all companies; and
  - Align reporting requirements with existing EU regulations like REACH, RoHS and WEEE.[5]

[2] Directive (EU) 2024/1760.

[3] Directive (EU) 2022/2464.

[4] Commission Delegated Regulation (EU) 2023/2772.

[5] Regulation (EC) No 1907/2006 and Directives 2011/65/EU and 2012/19/EU, respectively.

- Swiftly providing a clear framework in the announced voluntary reporting standard for SMEs (VSME), which relieves burden from companies removed from the scope and secures compliance for larger companies;
- Removing the introduction of sector-specific reporting requirements;
- Including further improvements, such as:
  - Alignment with the taxonomy and other frameworks;
  - Aligning expectations for forward-looking and investment-related disclosures with international financial reporting standards (IFRS) to prevent EU companies from being disadvantaged compared to global competitors; and
  - Allowing for artificial consolidation at EU level beyond 2028.

Taxonomy Regulation[6]

Taxonomy is designed to channel investments into sustainable activities, but usability challenges, excessive granularity and misalignment with other regulations have turned it into a compliance burden rather than an enabler of sustainable finance. Companies face significant administrative hurdles and disproportionate reporting costs, which often outweigh the taxonomy's intended benefits as a benchmark for sustainable investment and environmental performance. To fulfil its purpose effectively, the taxonomy must be streamlined, made more practical and better integrated with existing regulations, ensuring that it facilitates rather than obstructs investment in Europe's green transition.

Limiting the scope of mandatory reporting, as proposed by the Commission, provides welcome relief to smaller companies but is not sufficient in light of the taxonomy's shortcomings:

- Taxonomy disclosures should be applied on a fully voluntary basis, until its major usability challenges are resolved and complexity significantly reduced;
- Appendix C must be fixed to clarify 'do no significant harm' (DNSH) criteria for chemicals, which conflict with existing EU regulations such as RoHS;[7]

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[6] Regulation (EU) 2020/852.

[7] Delegated Regulation (EU) 2021/2139.

- Reporting should be focused on truly material activities through a clear threshold, and proportionality of technical screening criteria improved, preventing overly detailed and impractical reporting requirements;
- Reporting on the opex KPI should be entirely voluntary, going beyond the materiality threshold proposed by the Commission; and
- Globally accepted international certifications should be recognised.

If Europe is to win the global tech race, it must reduce unnecessary regulatory burdens whilst maintaining high sustainability standards. Businesses support ambitious sustainability goals, but these must be accompanied by clarity, feasibility and proportionality. The sustainability omnibus must ensure that compliance efforts can be focused to achieve meaningful impact.

Table of contents

The need for a coherent approach to sustainability regulation

DIGITALEUROPE supports a common and ambitious EU approach on human rights and environmental due diligence, as well as sustainability reporting. Our industry is fully committed to the green transition and responsible business practices. Nevertheless, ambition must come with clarity, predictability and legal certainty.

In recent years, Europe has produced a wealth of sustainability legislation, each with strong ambitions but often overlapping and inconsistently implemented across Member States. The result is a fragmented system that forces companies to spend more time on compliance than on advancing sustainability goals and innovation.

We welcome the sustainability omnibus as a step towards correcting this trend by simplifying rules, eliminating redundancies and letting companies invest in long-term sustainability strategies rather than reacting to constant legislative shifts.

DIGITALEUROPE urges policymakers to seize this opportunity to create a sustainability framework that empowers businesses, drives innovation and reinforces Europe's leadership in the green transition.

Corporate Sustainability Due Diligence Directive (CS3D)

The CS3D represents a major step towards integrating responsible business conduct into European corporate governance. However, for it to be effective, it must minimise unnecessary burdens and ensure coherence across Member States.

The directive was only recently adopted, and businesses are in the early stages of preparing for compliance. Any modifications must be clearly targeted and not add new layers of uncertainty. As a priority, the omnibus should ensure a harmonised transposition across Member States, preventing regulatory fragmentation and providing businesses with clear, timely guidance and a structured implementation timeline. This will enhance clarity, predictability and feasibility whilst maintaining the directive's integrity and ensuring coherence with due diligence obligations under existing regulations.[8]

[8] For example, due diligence requirements under the Battery Regulation (Regulation (EU) 2023/1542).

Seize the opportunity for harmonisation

Preventing fragmentation of the due diligence framework across Member States and ensuring a level playing field are the most effective ways to reduce the administrative burden resulting from CS3D. We strongly welcome the Commission's proposal to **expand the full harmonisation clause to cover additional key aspects** of the directive.[9]

Full harmonisation should be further expanded to eliminate diverging human rights and environmental due diligence obligations – as laid down in Arts 5–14 – and ensure Member States adopt consistent definitions, including 'chain of activities,' 'adverse impacts' and 'appropriate measures' – as laid down in Art 3 - preventing ambiguities that create room for inconsistent national transpositions.

In addition, **contradicting language encouraging Member States to introduce additional requirements should be deleted in Art. 4(2) and Recital 31** as it undermines harmonisation efforts and creates an uneven playing field for companies in different jurisdictions.

Provide a structured and predictable timeline

To avoid rushed and potentially inadequate compliance efforts for CS3D, companies need clear guidance from the Commission and sufficient time – at least 18 months – between the publication of guidance and entry into application.

We therefore strongly **welcome the proposed postponement of the transposition deadline and the phased implementation of requirements**, as well as the earlier publication of guidelines, now set for 26 July 2027 and 26 July 2026, respectively.

Given the critical nature of these guidelines, **the entry into application should also be tied to the publication of guidelines**. This will provide companies with a truly predictable timeframe to develop due diligence frameworks and adjust internal procedures to the CS3D's spirit and expectations.

Maintain a clear risk-based approach

DIGITALEUROPE supports relieving companies from administrative burden and understands the intention behind the proposal to limit the obligation to conduct due diligence at the level of indirect business partners.

We underline that a **limitation of the obligation to systematically conduct in-depth assessments to direct business partners (tier 1) must not**

[9] Art. 4 CS3D.

infringe on the principle of a risk-based prioritisation, regardless of the depth of the obligation.

Furthermore, companies still in scope will require clarity on certain aspects of this proposal, for instance what constitutes plausible information in the context of Art. 8(2a).

Promote effective stakeholder engagement and disengagement

Effective due diligence **relies on meaningful engagement with relevant stakeholders**, but this should not translate into **indiscriminate litigation powers** that allow any entity to bring claims to court. DIGITALEUROPE supports the proposed changes to CS3D that ensure engagement is **limited to directly affected stakeholders or their legitimate representatives**,[10] preserving the directive's intent without creating excessive legal exposure.

Additionally, the **obligation to terminate business relationships risks incentivizing irresponsible disengagement**, where companies cut ties with problematic partners rather than working to address and remediate adverse impacts.[11] This approach runs counter to internationally recognised due diligence principles, which prioritise risk mitigation over disengagement. We therefore **support the removal of the mandatory termination requirement**.

Clarify civil liability and mitigate extraterritorial application

The current civil liability framework under Art. 29 introduces legal uncertainty and risks disproportionate enforcement, particularly in the absence of full harmonisation. As it stands, Art. 29 does not sufficiently mitigate the risk of diverging liability regimes, leading to an uneven playing field for businesses operating across different jurisdictions.

In this context, we support the proposed removal of the EU-level civil liability regime, which aligns the framework towards obligations of means rather than obligations of result. This shift will provide greater legal clarity and will limit the risk that companies are subjected to open-ended liability risks for outcomes beyond their direct control.

Furthermore, we welcome the deletion of extraterritorial liability provisions, which would have exposed companies to lawsuits within the EU and in other jurisdictions, even when they had fully complied with their EU due diligence obligations.[12] Extraterritorial liability rules create significant legal and

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[10] Arts 3 and 13, ibid.

[11] Arts 10-11, ibid.

[12] Art. 29(7), ibid.

compliance challenges for multinational businesses with operations outside the EU, adding legal uncertainty and potential conflicts with third-country laws.

Instead of imposing liability beyond EU borders, the EU should engage in deeper regulatory cooperation with key global trade partners to develop common due diligence standards and to give suppliers located in low- and middle-income countries time to build capacity to comply with the CS3D.

Revise the list of applicable conventions

Although not currently addressed in the proposal, the list of international treaties, agreements and legal instruments referenced in the CS3D should be narrowed to include **only those directly applicable to corporate actors**.

For example, Part II of Annex I includes environmental protection prohibitions and obligations that are difficult for companies to interpret or comply with, as these conventions were not designed for corporate implementation and have been implemented differently across countries.

A more practical approach would be to **replace generic references to international conventions with a clear list of environmental and human rights risks and obligations**, similar to Annex X of the Batteries Regulation.[13] This would create a transparent and enforceable compliance framework for businesses.

Corporate Sustainability Reporting Directive (CSRD)

The sheer volume, granularity and complexity of data required under the CSRD impose a significant compliance burden in terms of costs of collecting and processing data as well as hiring and training employees – or engaging external resources – to conduct the reporting. Companies are required to report on as many as 1,200 data points across environmental, social and governance topics, often in extreme granularity.[14]

To effectively reduce this burden, both **a substantial simplification of reporting requirements and a narrowing of the scope through higher thresholds are necessary** – particularly for SMEs and mid-caps, which bear a disproportionate burden due to cascading compliance demands from larger companies.

DIGITALEUROPE welcomes the important steps taken in the proposal to rectify some of these challenges. This being said, further simplification and clarification measures should be considered.

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[13] Regulation (EU) 2023/1542.

[14] For example, one large, listed company in our membership reported on 100 quantitative and 1,000 qualitative data points for financial year 2024.

Simplifying reporting requirements

The announced ESRS revision is crucial to achieving meaningful burden reduction. We urge the Commission to swiftly fulfil its commitment to **significantly reduce the number and complexity of required ESRS data points**. The focus must be on **thorough simplification across all companies**, ensuring that reporting becomes more manageable and effective.

A substantial reduction in mandatory ESRS disclosures is essential, prioritising only the **most relevant quantitative and qualitative reporting requirements**. Non-material and additional disclosures should remain **voluntary**, allowing companies to **focus on material sustainability topics**.

Furthermore, **reporting obligations should be aligned with existing regulations** to avoid redundancy and conflicting requirements. For example, the CSRD currently mandates disclosure of all 'substances of concern,' yet the term lacks a clear legal definition, leading to expensive and inefficient data collection across thousands of products.[15] Instead, **reporting should be limited to substances of very high concern (SVHCs) that are directly procured or generated in manufacturing processes**, aligning with existing REACH and RoHS rules to ensure coherence.

Reducing burden and securing compliance

DIGITALEUROPE supports **reducing the burden on smaller companies** with less than 1,000 employees by removing them from the scope of reporting obligations and limiting the trickle-down effect of compliance requests.

With this change in scope, **larger companies now need clarity on what information they will be allowed to request from their value chains** to ensure they can comply. The announced VSME standard will play a critical role for the entire supply chain and must provide a clear framework that protects smaller companies from cascading requests whilst ensuring that larger companies can comply with their obligations.

Furthermore, **postponing reporting requirements by two years** is essential to allow sufficient time for the omnibus changes to be negotiated and effectively implemented.

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[15] Additional examples include:

- The WEEE Directive requires producers the amount of electrical equipment they sell, collect and recycle. ESRS E5-4 asks companies to report on resource use and waste management. ESRS E5-5 focuses on reporting pollution and environmental standards.
- For gender pay gap reporting, companies should use the detailed data from the Pay Transparency Directive (Directive (EU) 2023/970) to meet the CSRD's requirements for remuneration metrics.

However, it is important to recognise that many companies have already reported under the CSRD or have made significant investments in preparation. To ensure these efforts are not rendered meaningless, legal certainty and a level playing field must be established.

Listed companies (wave 1) are issuing their first CSRD disclosures this year, yet additional data points will become mandatory from the 2025 financial year onwards.[16] This will not only increase the administrative burden on listed companies themselves but also place further compliance pressure on their entire value chain, as suppliers and partners are required to provide data. To complement the delay granted to wave 2 and 3 companies and ensure fairness across reporting entities, **the scope of CSRD reporting for wave 1 companies should be locked at the 2025 data point requirements**, preventing further expansion of reporting obligations before the framework is fully stabilised.

Sector-specific reporting and assurance

Existing sector-agnostic standards provide a comprehensive foundation for corporate reporting. Developing sectoral ESRS at this stage would only add complexity and uncertainty to this emerging framework, with unclear benefits. **Stopping the introduction of additional sector-specific ESRS requirements** will help to stabilise the framework and avoid creating new overlaps and excessive granularity.

Limited assurance is generally sufficient for non-financial information, providing a meaningful level of verification without imposing excessive costs. Moving to mandatory reasonable assurance would significantly increase compliance expenses for businesses, with limited added value. We therefore support **withdrawing the option to mandate reasonable assurance**.

Furthermore, assurance requirements must be standardised and simplified. The current limited assurance obligations under the CSRD already generate high compliance costs and legal uncertainty due to inconsistent implementation across jurisdictions. The omnibus should establish clear, EU-wide assurance rules, with well-defined and proportionate audit depth expectations, particularly for static data points where verification complexity adds little benefit.

[16] For example, one large, listed company in our membership will be required to report on 55 additional data points for financial year 2025.

Further recommendations to complement the omnibus proposals

Trade secrets, information requests and harmonised timing for reporting obligations

The CSRD requires companies to publish **forward-looking and investment-related disclosures** that could compromise competitiveness, particularly when non-EU companies are not subject to equivalent transparency requirements. This type of disclosure **should be left to companies' discretion**, in line with the IFRS approach, to prevent unfair competitive disadvantages for European firms.

Furthermore, **EU-wide standardisation of sustainability information requests** is essential to streamline data sharing and reduce bureaucratic inefficiencies. Business partners along value chains currently receive inconsistent and excessive information requests, creating major administrative burdens, particularly for SMEs.

Finally, the **CSRD reporting timeline should be harmonised across Member States**. Currently, Member States have discretion over when reports must be published, creating planning difficulties for multinational firms. The omnibus should set a **uniform deadline of 12 months** after the fiscal year-end to simplify compliance and ensure predictability in reporting obligations.

Ensuring better alignment with taxonomy and other frameworks

The CSRD must be better aligned with the Taxonomy Regulation, as inconsistencies between the two frameworks create unnecessary administrative complexity.

For instance, both the CSRD and taxonomy require narrative disclosures on investment in sustainability. The CSRD mandates five-year reporting horizons,[17] whilst the taxonomy does not specify a timeframe. These discrepancies should be eliminated to avoid duplicative efforts. Additionally, companies should be able to **rely on existing climate-risk and vulnerability assessments under the taxonomy for CSRD reporting**.

The omnibus should also clarify how sustainability risk assessments (climate, water and biodiversity) interact with **the taxonomy's DNSH requirements**. The taxonomy's DNSH criteria apply at the economic-activity level, whilst CSRD risk assessments apply at the corporate or parent entity level, leading to potential reporting contradictions.

[17] ESRS E1-1, para. 16(e).

Further **alignment** is also needed in relation **with the Sustainable Finance Disclosure Regulation (SFDR).**[18] Whilst the CSRD applies to non-financial organisations and the SFDR to financial institutions, both reporting standards should be harmonised to maximise their value and streamline compliance with reporting requirements. Aligning SFDR and CSRD would simplify the exchange of information between financial and non-financial entities. Without this alignment, financial entities that hold shares in non-financial companies could request different data than required under the CSRD, increasing administrative costs by forcing companies to gather additional information.

Addressing usability challenges in data management and verification

The lack of **clear data management principles** within the CSRD is causing compliance uncertainties. Companies require guidance on:

- How to use estimates in reporting;
- How to address changes in reported data over time; and
- How to align disclosure expectations with assurance requirements.

Additionally, current **data verification processes** are proving costly, as companies lack access to sufficient verification solutions in the market. Clear examples should be provided to demonstrate how companies can ensure compliance without incurring excessive costs.

Enable artificial consolidation at the EU level beyond 2028

To prevent disproportionate burdens and avoid duplication, it is critical that groups of companies retain the ability to consolidate information for reporting purposes, as this is a significant simplification for companies.

Furthermore, the postponement of reporting requirements proposed in the omnibus reduces the window of opportunity for reporting under a consolidated approach, leading to most of the cost and efficiency benefit to be lost, unless extended.[19]

The omnibus should therefore **extend the provisions for artificial consolidation,**[20] **enabling consolidation at the EU level beyond 2028**.

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[18] Regulation (EU) 2019/2088.

[19] Since the proposal would not postpone reporting requirements for wave 4 of companies, wave 2 companies taking advantage of the current accommodation to report under the artificial consolidation approach could only do so for financial year 2027 (reporting in 2028). After that, the company would have to report for the full enterprise under wave 4 for 2028 (reporting in 2029).

[20] Art. 48i CSRD.

In addition, companies that already report comprehensively under Art. 48i CSRD using Set 1 ESRS should not be required to report under Art. 40, as this would result in duplicative reporting with minimal added value.

Final recommendations

- Allow for flexibility in reporting scope, ensuring that companies can integrate new entities into CSRD compliance over a two-year transition period after acquisitions.
- Clarify that non-EU subsidiaries with no geographic operations in the Union may be excluded from CSRD reporting obligations for EU-based entities if they are part of a larger non-EU group that will report at group level in a later reporting wave.[21]

Taxonomy Regulation

The Taxonomy Regulation can be a useful tool in directing investments towards sustainable activities, yet it is currently not fit for purpose and its implementation has created significant usability challenges. The complexity and ambiguity of technical screening and DNSH criteria have resulted in unintended barriers and administrative burdens for companies attempting to align with the framework.

Reducing the burden of taxonomy reporting

DIGITALEUROPE welcomes and supports the proposals to relieve some of the burdens of taxonomy reporting. Making reporting voluntary for companies outside the scope of CSRD and CS3D will provide much-needed breathing space to smaller companies.

However, large swathes of companies struggle with implementation of the taxonomy due to its overly complex reporting requirements and usability challenges.[22] Moreover, the alignment of taxonomy criteria with climate and environmental objectives is often haphazard and limits the taxonomy's ability to guide investments towards green deal objectives and to serve as a benchmark for sustainable investment and environmental performance. **For most companies, the costs of reporting currently clearly outweigh the taxonomy's benefits.**

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[21] Specifically, if an EU-based entity is required to report under wave 2, it should not be required to include data on its non-EU subsidiaries if those subsidiaries are part of a larger non-EU group that will report under wave 4.

[22] A full 50 per cent of DNSH technical screening criteria face usability challenges, such as a lack of clarity on definitions and vague languages that require significant interpretation, according to the Platform on Sustainable Finance. See https://finance.ec.europa.eu/document/download/a16d1111-dbf6-4316-a05f-3cb76d86d407_en?filename=221011-sustainable-finance-platform-finance-report-usability_en_1.pdf.

The taxonomy is a first-of-its-kind tool – it needs time and comprehensive rework to mature into its potential. Until this has been achieved, we consider it more appropriate to **make all disclosures under the taxonomy voluntary.**

Clarify criteria in Appendix C

Appendix C,[23] which outlines generic DNSH criteria for pollution prevention and control regarding the use and presence of chemicals, is currently preventing many technology providers from declaring alignment with the taxonomy.

We welcome the Commission's proposal to clarify some of the criteria in Appendix C, and urge that these changes be implemented with urgency:

- **Requirements must not exceed or contradict existing EU legislation**: The current version of Appendix C uses ambiguous language and inconsistent terminology compared to other chemical regulations, such as REACH. Additionally, the criteria open the door to varying assessments of whether a substance meets the Art. 57 criteria under REACH, resulting in inconsistent enforcement across different jurisdictions.[24]
- **Para. (f) bis should be deleted**. The lack of transparent information on substances in articles within complex global supply chains makes compliance with this requirement impossible, particularly for multinational companies that rely on diverse supplier networks.

Ensuring proportionality and feasibility in technical screening and DNSH criteria

The technical screening and DNSH criteria must be reviewed to ensure feasibility, proportionality and usability in real-world business applications. Several changes would substantially improve the practical implementation of taxonomy alignment assessments, including:

- **Focusing on truly material activities**: Many taxonomy requirements request data at an excessive level of detail, even when it is not material to the company's sustainability profile.[25] The omnibus proposal to **introduce a clear financial materiality threshold of 10 per cent** will ensure that reporting focuses on relevant, investor-useful information.
- **Making the operational expenditure KPI voluntary:** The opex KPI's disconnection from financial reporting standards makes it difficult to

[23] Delegated Regulation (EU) 2021/2139.

[24] Furthermore, para. (d) does not recognise the validity of exemptions under RoHS. These exemptions are time limited and granted only when no suitable alternatives exist, ensuring that they are applied only in circumstances where the risk is acceptable.

[25] For example, manufacturers of IT solutions must prove that their hardware is not powered by fossil fuels, despite having no direct control over energy sources in third-party supply chains.

calculate accurately. As a result, the opex KPI lacks usability and is not fit for its intended purpose. We welcome the Commission's proposal to introduce a financial materiality threshold of 25 per cent for mandatory reporting on operational expenditure. However, we would consider it more appropriate if companies were allowed to voluntarily disclose the opex KPI, if considered meaningful and practical for their environmentally sustainable activities.

- **Simplifying taxonomy disclosure templates and requirements**: The required contextual information and templates are complex and difficult to comprehend for readers. These requirements should be streamlined, the reporting templates simplified, and the supplementary tables introduced with the environmental delegated act removed. We are therefore pleased that the Commission has proposed simplifying the reporting templates. This will reduce preparation efforts, increase usability and understandability, and enhance the framework's acceptance.

Further recommendations to complement the omnibus proposals

Better integration of taxonomy with existing European regulations

The taxonomy should be fully integrated with existing EU sustainability regulations to eliminate unnecessary duplication and regulatory conflicts. This is unfortunately only insufficiently addressed in the omnibus proposal, with several overlaps yet to be aligned and clarified:

- **DNSH risk assessments under the taxonomy should be aligned with the ESRS risk assessments.** Businesses currently face parallel reporting obligations under the CSRD and the taxonomy, all of which require overlapping assessments for climate, water and circular economy risks. Given that the same companies fall under the scope of both CSRD and taxonomy reporting, their risk assessment requirements should be consolidated into a single streamlined process.
- **Compliance with pre-existing EU emission standards should automatically satisfy related taxonomy criteria**. For example, manufacturers already complying with ecodesign standards for energy efficiency should not be required to undergo additional taxonomy-specific compliance tests.
- **Eliminate discrepancies between regulations**. Current inconsistencies, such as ecodesign requiring repairability for up to seven years, whilst taxonomy requires eight years, create unnecessary compliance burdens. Where new taxonomy criteria are needed, they

should be integrated into existing 'golden standard' regulations rather than creating separate, redundant compliance pathways.[26]

- **Minimum social safeguards should be defined as a result of EU law**, for example CS3D, or equivalent international standards.

Recognition of non-EU certifications to reduce compliance burden

With tens of thousands of companies subject to CSRD, taxonomy and CS3D operating across global markets, the substantial contribution (SC) and DNSH criteria should **recognise equivalent international certifications** to prevent unnecessary duplication:

- The EU Ecolabel is currently the only accepted certification for electronic and electrical equipment (EEE) under taxonomy SC criteria. However, other globally recognised certifications, such as ENERGY STAR (energy efficiency), EPEAT (environmental performance) and TCO Certified (sustainable IT products), should also be accepted.
- A clear list of equivalent non-EU ecolabels should be provided, allowing companies to comply without the need to apply for multiple overlapping certifications.

Industry-specific guidelines and reporting flexibility

The relevance of environmental objectives varies significantly by industry, and the taxonomy must account for these differences:

- **Companies should focus assessments on the most relevant objectives for their sector**. A modular reporting approach should allow businesses to submit detailed assessments only for objectives where they have a significant impact, whilst providing a brief acknowledgment for less relevant categories.
- **Aggregation of similar activities should be permitted**. Whilst disaggregation enhances transparency, aggregation should be allowed for highly similar activities, e.g. sale of second-hand goods, spare parts and manufacturing of electronic equipment, to streamline reporting obligations.

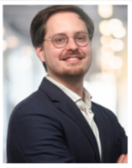
Correcting and phasing in future taxonomy SC criteria

Certain SC criteria under the taxonomy reference future regulatory developments that have not yet been fully implemented. The omnibus should:

[26] For example, vehicle recyclability should be regulated through sectoral regulations rather than taxonomy criteria. Instead of introducing separate recycling standards under the taxonomy, existing vehicle recyclability regulations should fully align with sustainability objectives.

- **Ensure that future criteria include clear applicability dates**. Currently, SC criteria for the 'manufacture of electrical and electronic equipment' reference future regulatory changes, e.g. ecodesign regulations for computers or imaging equipment, without specifying when they will take effect.
- **Clarify enforcement timelines**. Future regulatory changes should be phased in gradually, rather than being included before they are officially enforceable.

FOR MORE INFORMATION, PLEASE CONTACT:



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