

JBCE'S POSITION ON THE SUSTAINABILITY OMNIBUS PROPOSAL (OMNIBUS I)

INTRODUCTION

The Japan Business Council in Europe (JBCE), representing over 100 Japanese multinational companies active across Europe, welcomes the European Commission's Sustainability Omnibus Proposal¹. We value the initiative to reduce complexity and enhance coherence in corporate sustainability reporting requirements, particularly considering the practical challenges businesses face in implementation, which reflects some of our previous recommendations. These include the further alignment of employee thresholds between the Corporate Sustainability Reporting Directive (CSRD)² and the Corporate Sustainability Due Diligence Directive (CSDDD)³, the timely adoption of delegated acts, the removal of sector-specific European Sustainability Reporting Standards (ESRS), the provision of clearer guidance, and enhanced harmonisation among Member States in the transposition of the CSDDD. We also welcome the alignment of transition plan requirements, the removal of Article 29(7) of the CSDDD, and the clarification of meaningful stakeholder engagement obligations.

However, we believe that further refinements are necessary to ensure legal clarity, alignment across EU regulatory frameworks, and operational feasibility, especially for global companies with complex supply chains.

✧ This position paper is structured into two sections:

- **Specific Issues and Proposals:** Concrete points where JBCE requests clarification or amendment.
- **Suggestions for Further Alignment and Practicality:** Further recommendations and requests to facilitate effective and pragmatic implementation

JBCE remains committed to constructive dialogue with EU policymakers to achieve the set Omnibus target of complexity reduction and enhanced coherence in a transparent manner

¹ Proposal 2025/0045 (COD) for a Directive of the European Parliament and of the council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements

² Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting

³ Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence

according to EU regulatory processes, and contribute to the realisation of a practical, coherent, and internationally operable sustainability framework.

SPECIFIC ISSUES AND PROPOSALS



1. Managing Jurisdictional Clarity and Litigation Risk under the CSDDD (Article 29(3)):

The broad jurisdictional scope under the CSDDD creates significant legal uncertainty for non-EU companies and therefore further jurisdictional clarification is needed to manage litigation risks.

- Firstly, civil liability and penalty provisions should also be aligned at the EU level to avoid fragmentation and forum shopping practices.
- Further, the current wording of the CSDDD exposes non-EU parent companies to potential uncontrolled litigation risks, even for activities unrelated to the EU market.

Companies could face lawsuits in any Member State, regardless of any material connection to that jurisdiction, undermining legal predictability.

JBCE therefore proposes adding a provision that limits the jurisdiction of Member State courts to cases where there is a clear and demonstrable connection between the alleged incident and the Member State.

This would align the CSDDD with private international law principles and ensure fair and proportionate legal exposure for global companies.

Proposed Amendment:

Amend (CSDDD) Article 29(3) as follows:

"(n) Member States shall ensure that courts of a Member State shall not have jurisdiction over claims under this Article unless there is a clear and demonstrable connection between the alleged adverse impact and the territory of that Member State."



2. Due Diligence Scope: Clear Limits and Protection Against Cascading Obligations (Omnibus I, Article 4(4)):

JBCE considers that the most appropriate and effective approach is a risk-based approach, as it ensures consistency with international standards. Ambiguities regarding "plausible information" and limitations on direct business partners could create legal uncertainty and impose disproportionate burdens on good-faith companies.

- If the current approach remains, JBCE calls for the EU to define "plausible information" clearly, providing examples and approved sources, ideally accessible via a public platform.
- Additionally, JBCE recommends clarifying that in-depth assessments based on plausible information under Article 8(2a) of the CSDDD should only be required where potential adverse impacts are identified to be most significant, ensuring consistency with the condition applied under Article 8(2)(b).

Proposed Amendment:

Suggested amendment to Article 4(4):

"2a. Where a company has plausible information that suggests that adverse impacts at the level of the operations of an indirect business partner have arisen or may arise **in the areas where adverse impacts were identified to be most significant**, it shall carry out an in-depth assessment."

- Furthermore, companies adopting a risk-based approach and acting in good faith based on plausible information should be exempt from both civil liability and penalties. JBCE therefore recommends introducing a legal safeguard clause to ensure protection against both types of sanctions.
- Additionally, it is important that the CSDDD follows the principle of UNGPs cause, contribute and directly linked. In order to provide greater legal certainty, JBCE recommends retaining the original wording of Article 29(1) of the CSDDD: "**A company cannot be held liable if the damage was caused only by its business partners in its chain of activities.**"
- JBCE also strongly opposes cascading contractual obligations that impose disproportionate due diligence responsibilities on midstream companies within the supply chain as they further enlarge unbalanced power dynamics and undermine the principle of shared due diligence responsibility amongst actors in the supply chain. We call for the introduction of a provision prohibiting or restricting the contractual transfer of due diligence obligations to downstream business partners within the supply chain.



3. Raising the employee threshold for third-country companies under the CSRD (Omnibus I, Article 2(12)):

JBCE recommends aligning the employee threshold for identifying "large undertakings" of third-country companies with that of EU companies under the CSRD.

- Under the Omnibus proposal, the employee threshold for large EU undertakings is proposed to be raised to 1,000. However, large undertakings that are subsidiaries of non-EU companies are defined under Omnibus Article 2(12) by reference to Article 3 (4) of the Accounting Directive, which retains the threshold of 250 employees.
- To avoid legal inconsistency, we recommend aligning the threshold for large undertakings of non-EU companies with that for EU companies. This will support clarity and ensure a level playing field.

Proposed Amendment:

Suggested amendment to Article 2(12):

“(12) in Article 40a, paragraph 1 is amended as follows:

(a) the second subparagraph is replaced by the following:

‘For the purposes of the first subparagraph, the term “large subsidiary undertakings” shall be understood as having the same definition, including the employee threshold, as laid down in Article 1(3) and Article 19a of this Directive.

SUGGESTIONS FOR FURTHER ALIGNMENT AND PRACTICALITY



1. Swift Transposition of the "Stop the Clock" Proposal into Member State Legislation and Consideration for the CSRD Fourth Wave:

To provide regulatory certainty and ensure companies are not subject to unmanageable compliance pressure due to timing mismatches.

- JBCE calls for swift and uniform transposition of the "Stop the Clock" proposal across Member States.
- For companies falling under the CSRD Fourth Wave, sufficient preparation time must be secured, particularly with final guidance and standards made available by mid-2026.

In view of the need to coordinate with European subsidiaries whose disclosure obligations have been postponed, and to ensure adequate preparation time, JBCE recommends either a phased-in application or further postponement of the implementation for Fourth Wave companies.



2. Alignment of Thresholds under the CSRD and CSDDD, and Practical Challenges in Determining Supplier Employee Numbers (Omnibus I, Article 4(4)(d))

Lack of clarity regarding company thresholds poses challenges for businesses in planning and ensuring efficient compliance.

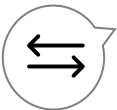
- The change in scope under the CSRD creates significant uncertainty regarding the obligations required for companies falling under the original employee thresholds (250–999 employees). Swift adoption of the Omnibus I is essential to provide clarity and ensure legal certainty.
- Determining whether a supplier has a certain number of employees is practically challenging as supplier engagement can fluctuate depending on season and timing resulting in an ad hoc business relationship where such information sharing is missing. Therefore, JBCE proposes to introduce a self-declaration form for suppliers regarding their employee numbers and allowing the use of estimated or average headcounts to account for seasonal or contractual fluctuations.



3. Timely Adoption of Implementing Acts, Clear Guidance, Support Tools, and Unified Supplier Questionnaires:

Implementation tools and clear guidance are crucial for effectively operationalising new rules, especially for companies with global value chains

- All implementing acts and guidance under the CSRD/ESRS, CSDDD, EU Deforestation Regulation (EUDR)⁴, and EU Battery Regulation (EUBR)⁵ should be adopted at least two years before their respective application dates. Such guidelines should be clear, implementable, coherent and supported by concrete examples.
- JBCE urges the development of an EU-wide, harmonised supplier questionnaire, practical tutorials and standardised risk assessment templates to mitigate the increased burden on all mid-tier businesses and especially on small and medium sized enterprises with limited resources and capacity



4. Promoting Coherence Between the CSRD, CSDDD, and Other EU Frameworks:

Inconsistent definitions and obligations across related frameworks generate unnecessary complexity and risks.

⁴ Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation

⁵ Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries

- Alignment of key concepts, terminology and definitions such as "value chain" (CSRD) and "chain of activities" (CSDDD) is critical.
- While aiming for harmonisation and simplification of business' due diligence implementation activities, the lack of alignment between the approaches to the due diligence concept under the CSDDD, the Forced Labour Regulation (FLR)⁶, the EUDR, and the EUBR is creating highly challenging practical implementation situations. Therefore, JBCE calls for increased alignment of due diligence concepts and coherent processes across the CSDDD, FLR, EUDR, and EUBR.
 - ❖ Particularly regarding the due diligence obligations under the EUBR, midstream companies often lack full access to upstream information and face confidentiality and anti-competition concerns, while upstream actors are frequently outside the regulatory scope and are therefore not obliged to provide such information. Furthermore, the increased information sharing requests in global supply chains following EUBR and other due diligence regulations, result in counter-initiatives from supplier countries aiming to limit such information-sharing processes and make them more "efficient". JBCE therefore recommends focusing on verifying the process of due diligence including risk identification of in-scope material supply chain, ensuring better alignment with the due diligence concept included in the CSDDD.
 - ❖ After the implementation of the CSDDD, companies that comply with the due diligence obligations under the CSDDD should be deemed to have fulfilled the due diligence requirements under the EUBR.
- JBCE urges the alignment of exemption regimes under the CSRD and the Accounting Directive⁷.
 - ❖ Having different exemption regimes under the CSRD and the Accounting Directive creates practical difficulties in applying Articles 19a, 29a, and 48i of the CSRD. Depending on the location, EU Regional headquarters (HQs) subsidiaries are exempted from preparing consolidated financial statements. As the CSRD imposes companies to conduct financial materiality, having a different exemption scheme imposes extra challenges to streamline the process. It also brings other challenges to calculate thresholds on a consolidated basis as they are exempt from consolidation of financial statements in member states.

⁶ Regulation (EU) 2024/3015 of the European Parliament and of the Council of 27 November 2024 on prohibiting products made with forced labour on the Union market

⁷ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings



5. Third-Country Guidance and Equivalence Standard on the CSRD:

Third-country companies lack clarity on how to comply with CSRD requirements, particularly under Non-European Sustainability Reporting Standards (NESRS).

- All relevant implementing acts, including the NESRS, must be adopted by mid-2026. Guidance for non-EU companies, with practical examples and in multiple languages, should also be published at least two years before the reporting obligations take effect.
- JBCE supports the use and alignment of ISSB standards as much as possible to recognise them as equivalent to ESRS and to prevent duplicative reporting obligations in third countries.
- Clarification on assurance procedures for consolidated sustainability reports prepared by non-EU parent companies is also necessary.



6. Stakeholder Dialogue and Global Capacity Building:

Companies across global value chains are required to support the operationalisation of EU obligations, particularly SMEs and third-country suppliers.

- Inclusive stakeholder dialogue involving non-EU actors should be actively promoted when developing implementing measures and initiatives with the aim of making such implementation more efficient.

Technical support and capacity building for SMEs and third-country suppliers are critical to achieving equitable, effective and balanced compliance across global value chains respecting the shared responsibility of all global supply chain actors.

CONCLUSION

JBCE supports the objectives of the Sustainability Omnibus Proposal to simplify compliance and enhance coherence across corporate sustainability frameworks.

However, it is critical to address the remaining gaps to ensure legal clarity, operational feasibility, and global compatibility, particularly for companies operating in complex international value chains.

We respectfully call on EU policymakers to carefully consider our concrete proposals and suggestions outlined above. JBCE remains committed to continuing constructive dialogue

with the EU institutions and stakeholders to contribute to the development of a balanced, practical, and internationally operable sustainability framework.

ABOUT JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 100 multinational companies. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceuticals, textiles, and glass products.

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