

Invest Europe's response to the Sustainability Omnibus consultation by S&D

A. Section I: Experience with compliance so far, competitiveness and level-playing field

1. Have you already invested in compliance with the CSRD and CSDDD?

Answer:

Yes, significant time and resources have already been invested by private equity and venture capital (PE/VC) investors, fund managers and their portfolio companies within the previous scopes to prepare for compliance, especially with the Corporate Sustainability Reporting Directive (CSRD). This includes the development of internal reporting and data collection systems, preliminary double materiality assessments (DMAs), and efforts to interpret and align with the initial European Sustainability Reporting Standards (ESRS).

For PE/VC firms – many of which manage diverse portfolios of companies across sizes and sectors – these compliance expectations have required early investment in scalable, yet still fragmented, systems. In practice, much of the current effort has focused on legal interpretation and administrative setup, rather than on forward-looking sustainability strategies or decision-useful data that can meaningfully support investment and value creation.

2. How effective are these directives in creating a level playing field and providing legal certainty?

Answer:

In practice, the current implementation has created significant fragmentation, ambiguity, and uncertainty – particularly for sectors like PE/VC, cross-border groups, and smaller companies indirectly affected through value chain expectations.

Application has been uneven across Member States, with – among others – differing timelines for transposition, varying interpretations of consolidation rules, and inconsistent treatment of fund structures and companies operating across regions. For PE/VC fund managers and investors – who often operate across jurisdictions and rely on investment structures that do not exercise operational control – this has resulted in persistent ambiguity around reporting boundaries and obligations.

At the same time, overlapping requirements under CSRD and SFDR remain unresolved, leading to duplication rather than simplification. These challenges are further compounded by the existing number of global frameworks, including the ISSB and GRI, without clear indications of equivalence.

3.a. How has the Commission's Omnibus proposal affected your compliance plans?

Answer:

The proposal addresses several key issues that have been raised by preparers and investors – such as recalibrating thresholds, value chain scopes, reporting standards, and assurance requirements. These changes, once finalized, have the potential to make the system more scalable, proportionate, and aligned with how sustainability data is actually used by the PE/VC industry.

At the same time, the proposal has introduced new uncertainties that are affecting compliance planning – particularly for companies that had already started preparing under the original scope and may now fall out of scope altogether, or face significantly revised reporting expectations and are now unsure whether the modified standards will match the initial set they had started aligning with. Others operate in Member States where the Directives have not yet been transposed, raising concerns around fragmented implementation and enforcement. These factors have created legal and operational ambiguity, making it difficult to make informed decisions on system upgrades, data collection, and audit readiness. A uniform approach across the EU – protecting companies from penalties or enforcement action in the interim – will be essential to ensure that ongoing efforts are not undermined. Please see full details in our [letter to the Commission on forbearance measures during the Omnibus Package on Sustainability transition period](#).

Despite these challenges, the PE/VC industry remains fully committed to advancing sustainability and long-term value creation. A simplified framework that is clear, proportionate, and aligned with investor needs will enable companies to build on the work already done, rather than start over. The Omnibus proposal sets a positive direction—but urgent clarity on its implementation is now essential.

3.b. Are there costs for you associated with these reforms or political uncertainty?

Answer:

Yes, the current political and regulatory uncertainty has led to short-term costs – particularly for companies that had already begun aligning with the original requirements.

In the absence of clarity on whether and how the scope, requirements, standards, or enforcement will change, many companies continue preparing based on the original framework. This includes over-disclosing or implementing systems that prioritize compliance over usability or strategic value. While understandable, these efforts can lead to disproportionate short-term costs – especially for smaller companies or those that may ultimately fall out of scope.

However, the long-term impact of the Sustainability Omnibus proposal – which aims to make the sustainability framework more proportionate and targeted – offers a real opportunity to redirect efforts toward decision-useful, value-oriented actions. For the PE/VC industry, this means a shift from compliance for its own sake to sustainability practices that support long-term investment performance and value creation, as many firms have been doing for years. In this way, today’s short-term friction can be transformed into a long-term strategic advantage – provided the final rules are clear, coherent, and consistently applied.

3.c. How has this affected investment and strategic decisions?

Answer:

While uncertainty has influenced the timing and structure of certain implementation plans, it has not fundamentally changed the integration of sustainability into investment decisions within the PE/VC industry. Fund managers and investors continue to collect sustainability information that is relevant, decision-useful, and proportionate to company size and maturity. For example, Invest Europe’s [ESG Reporting template](#) offers a useful illustration of the types of data typically collected across different company sizes – differentiating between companies with fewer than 15 employees, those with 15 to 250 employees, and those with more than 250 employees. This tiered approach reflects how the industry has already structured sustainability data collection –

and investor reporting – in a scalable and proportionate way, based on operational realities, and which it continues to apply across portfolios.

However, the current lack of clarity around key elements of the Directives for the PE/VC industry – such as aggregation levels, value chain expectations, and data availability in the context of double materiality – has led to more substantial and formalized data requests being made to portfolio companies than would otherwise be needed or useful (i.e., material) from an investor perspective, adding compliance burden without necessarily improving decision-making or impact.

As noted in our broader feedback, revisions to the Directives should better support simple, structured data collection across portfolio companies, enable the aggregation of information for fund-level reporting, and facilitate the tracking of sustainability performance over time, while considering the nature of the PE/VC industry. This would ensure that sustainability reporting contributes meaningfully to responsible investment decision-making – supporting risk assessment, value creation, and exit readiness in a way that aligns with both business realities and regulatory intent.

4. If you are a European company, do you think the legislation offers sufficient certainty and protection vis-a-vis non-EU competitors?

Answer:

No

5. How can we ensure standards are enforced throughout the Single Market?

Answer:

Ensuring consistent application and implementation of sustainability rules across the Single Market is particularly important for the PE/VC industry, which operates through cross-border investment structures and manages portfolios that span multiple EU Member States.

Without a harmonized approach to application and implementation, companies in different jurisdictions may be subject to different obligations or expectations. This not only fragments the Single Market but also increases the administrative burden on both fund managers and portfolio companies.

To address this, enforcement should be supported by:

- Formal forbearance measures across all waves of implementation, ensuring that companies are not penalized for delayed or partial compliance caused by legal uncertainty, delayed transposition, or evolving standards;
- Stronger alignment between EU sustainability frameworks, such as CSRD and SFDR (and the upcoming revision), to ensure consistent and proportionate enforcement across frameworks. Without such coherence, enforcement risks becoming fragmented or duplicative.

B. Section II: Sustainability Reporting, Materiality and Assurance

1.a. How can reporting obligations be modified to avoid over-compliance?

Answer:

First, narrative disclosures should be streamlined and clearly distinguished from quantitative indicators that are relevant for investment decisions and should be prioritized.

Second, expectations should be differentiated based on company size and reporting maturity, as highlighted under question 3c of Section I: the PE/VC industry already distinguishes ESG reporting across portfolio companies using a tiered approach (as reflected in Invest Europe's ESG Reporting template), focusing on decision-useful indicators without imposing full-scale frameworks on small businesses. The reporting standards should reflect similar scalability.

Third, as the DMA must be significantly reduced. The ESRS revision should:

- Establish sector-wide guidance (on materiality and suggested disclosures - drawn from the ESRS), modelled on frameworks like GRI and SASB, to help streamline the application of the double materiality principle within the existing ESRS framework - without adding any new disclosure requirements.
- Clarify aggregation levels and granularity expectations for investors, especially based on the type and depth of the investment relationship, to avoid requiring double materiality assessments at the individual portfolio company level where not proportionate.
- Clarify the treatment of value chain data, particularly when data availability is limited;
- Provide practical guidance on assessing impact materiality, including its relationship to financial materiality, and how to proceed when standardised measurement is lacking.

Fourth, the concept of entity-specific topics should either be removed entirely from the ESRS and the DMA process, or accompanied by structured guidance and concrete examples that define when and how these topics should be reported. The current approach lacks clarity and creates avoidable complexity for preparers.

Finally, if duplicative reporting under the ESRS for PE/VC fund managers and investors, who are already subject to the SFDR, is not addressed within the Sustainability Omnibus proposal, the ESRS must be updated to align with other EU and global frameworks (e.g., ISSB) that already reflect specific obligations and operational challenges of the industry, particularly on complex topics such as Scope 3 category 15 Greenhouse Gas (GHG) emissions, to avoid overlapping and inconsistent reporting obligations.

1.b. Would more guidance on this issue be necessary?

Answer:

Yes, please see question 1a in Section II.

2.a. How do we ensure a balanced approach to materiality assessments, to avoid over-compliance and ensure reporting on what matters?

Answer:

Please see question 1a in Section II.

2.b. Would this entail changes to the ESRS, or the CSRD, or both?

Answer:

Most of the changes needed to ensure a balanced and proportionate approach to materiality should be implemented at level 2, through targeted revisions to ESRS and level 3 guidance.

Concerning the CSRD legal text (level 1), the current framework would benefit from a stronger emphasis on structured, quantitative data, ensuring that narrative obligations do not overshadow the core objectives of comparability, clarity, and usability.

3.a. What is your experience with the ESRS?

Answer:

Please see question 1-4 in Section I.

3.b. Can this be simplified without changes to the CSRD text?

Answer:

No, please see question 2b in Section II.

4.a. Is the audit and assurance of sustainability reporting currently working well?

Answer:

No

4.b. In your view, what are ways of reducing costs without compromising the reliability of non-financial data?

Answer:

The assurance framework, as currently designed, risks placing significant burden on companies that are still building internal systems and processes, especially for smaller and unlisted entities. Several challenges remain, including: limited assurance market capacity, with concerns about bottlenecks as large numbers of companies enter the reporting cycle simultaneously, a lack of clarity on what is in scope for assurance, particularly due to an overly cautious approach misaligned with the concept of limited assurance, and costs that are disproportionate to reporting maturity, especially for companies still in the early stages of integrating sustainability into their governance and operations.

As a result, the current assurance requirements are not yet functioning as intended. They need to be adjusted to better reflect the realities of implementation and to support companies in gradually improving their reporting over time, without fear of penalty or disproportionate cost.

Assurance under CSRD should prioritize structured, quantitative disclosures, in line with the spirit of the Sustainability Omnibus. These indicators are generally easier to verify, offer higher comparability, and form the basis for assessing sustainability performance over time. Qualitative disclosures, by contrast, reflect strategies, policies, or (forward-looking) plans, which are inherently more subjective and less verifiable. Requiring assurance on these elements risks adding significant cost without a corresponding gain in reliability or investor value.

In addition, allowing unlisted companies to opt out of assurance for the first three years of reporting, would both give these companies time to build internal capacity, while allowing assurance providers to develop fit-for-purpose assurance services. Such an approach would make assurance more accessible and proportionate – particularly for first-time reporters in the PE/VC ecosystem.

4.c. What changes to assurance requirements should be considered in order to avoid over-compliance?

Answer:

Please see question 4b in Section II.

4.d. What do you think could be done to further develop the market for sustainability assurance in a way that increases choice and reduces costs?

Answer:

Please see question 4b in Section II.

C. Section III: Due Diligence: how to drive impact, prioritise what matters, and avoid box-ticking?

1. Which changes should be considered to the monitoring of due diligence measures to ensure that actions are effective in preventing or mitigating adverse impacts, without monitoring becoming arbitrary on a concrete, practical level

Answer:

N/A

2. Which further measures would be beneficial, in the legislation itself or otherwise, to ensure that stakeholder consultation results in meaningful engagement, to help businesses to work in partnership and tackle human rights and environmental challenges?

Answer:

The risk-based approach could be complemented by a more structured “plausible information” mechanism, potentially integrated into the complaints process – whereby affected stakeholders or third parties could submit substantiated concerns (supplying plausible information in support of these). However, clearer guidance is needed on what qualifies as plausible, and how far downstream or upstream companies are expected to investigate. Without such clarity, businesses may adopt a defensive, over-compliant approach – effectively reintroducing the burden the proposal is aiming to reduce.

3.a. What, in your opinion, is the most effective way of identifying and prioritising adverse impacts in the value chain?

Answer:

N/A

3.b. What further clarifications can be made to the risk-based approach?

Answer:

The risk-based approach should be supported by regulatory discretion in how companies apply and prioritise due diligence. Businesses should be able to rely on their existing internal risk frameworks and apply their professional judgment when determining which partners merit further investigation. This would ensure that the Directive is both effective in identifying real risks and practical to implement.

3.c. What adjustments would you propose to improve proportionality and reasonability in the implementation and enforcement of due diligence rules without undermining sustainability objectives?

Answer:

We do not consider the withdrawal of a European civil liability regime to be a source of fragmentation for our industry.

While we recognise that this may lead to some differences across jurisdictions, in this context, a requirement for Member States to ensure access to recourse appears to be a more balanced and proportionate approach. The revised approach allows Member States to implement the Directive in

a way that aligns with their existing legal traditions, while still upholding its core objectives, as businesses will continue to assess liability risks under individual Member State regimes.

Importantly, a harmonised EU civil liability regime – particularly one that includes joint liability for parent companies – could incentivise speculative litigation against parent entities for impacts occurring deeper in the supply chain, rather than holding accountable those more directly involved. It is therefore important that companies retain the ability to contractually limit or exclude certain liabilities, where appropriate.

4.a. How can Small and Medium Enterprises (SMEs) be protected further from arbitrary obligations passed down from larger companies, such as questionnaires?

Answer:

Invest Europe considers the SME shield and derogation proposed in the Omnibus to be a balanced and proportionate compromise within the CSDDD framework, as without a protective mechanism, this would lead to a de facto extension of due diligence requirements onto SMEs.

This is provided that the above-mentioned shield and derogation are implemented in a way that delivers real relief for smaller companies in practice, but does not restrict ongoing investment information needs. From an investment perspective, it must be ensured that our members retain the ability to request additional sustainability-related information from portfolio companies for purposes other than CSDDD compliance – including stewardship, risk management, and performance monitoring.

4.b. What further support could be offered to SMEs?

Answer:

N/A

4.c. How can we empower those SMEs who are in a position to undertake due diligence and reporting obligations themselves, voluntarily?

Answer:

It is important to recognize that portfolio companies are already undertaking due diligence voluntarily when it aligns with business needs – particularly in the context of PE/VC investments, even in the absence of a legal obligation. Rather than over-regulating these practices, the focus should be on ensuring that due diligence remains investor-aligned, and scalable – in line with how the industry is already integrating sustainability considerations into investments and processes.

5.a. How compatible do you think the proposed limitation to Tier 1/direct suppliers is with a risk-based approach?

Answer:

Requiring companies to undertake rigorous, stand-alone due diligence on tier 1 partners – many of whom have already been assessed through internal procurement, onboarding, or risk management systems – risks creating a duplicative and disproportionate burden. Severe adverse impacts are also less likely to arise in these direct relationships.

To address this, we would support a risk-based approach exempting certain tier 1 relationships automatically based on categorisation of risk – drawing inspiration from existing EU frameworks such as the Conflict Minerals Regulation or the EU Deforestation Regulation. The EU could help operationalise Article 8(2) on behalf of businesses by identifying high-risk countries, and/or business activities, allowing companies to focus due diligence efforts where they are most needed.

5.b. Do you frequently find significant risks in the first tier of your supply chain, or are these typically closer to source?

Answer:

Please see question 5a in Section III.

5.c. Could you imagine any alternatives to the proposed Tier 1 approach?

Answer:

Please see question 5a in Section III.

6.a. What is the role of digitisation and digital tools in due diligence?

Answer:

N/A

6.b. In which ways can their role in the CSDDD be expanded to simplify the requirements?

Answer:

Invest Europe has already raised with the Commission the drafting error in Article 6(1) CSDDD. We continue to be of the view that permitting the widest cooperation between groups seeking to comply with CSDDD should be permitted and aligns with the Commission's simplification agenda, where the parent is able to influence and control the subsidiary and consequently discharge related obligations on behalf of the subsidiary (unlike a holding company, or a parent that has as its main activity the holding of shares in operational subsidiaries but do not exercise operational control over these subsidiaries). The drafting error should be corrected in any event. Please refer to our [earlier paper](#) of 2 August, 2024.

7. What type of additional guidance or support do you consider necessary to implement due diligence rules?

Answer:

Invest Europe has previously raised with the Commission the need to clarify how the double materiality assessment under the CSRD and the risk-based due diligence approach under the CSDDD interact. While the ESRS reference the OECD Guidelines and UN Guiding Principles, the CSRD's broader scope and full value chain approach create uncertainty. We recommend that upcoming CSDDD guidance confirm that a risk-based approach is appropriate under both frameworks. Please refer to our [position letter on the Sustainability Omnibus](#) published on 25 February and our [position paper](#) of 28 April.