Sustainability Omnibus

AFME's recommendations for amendments

May 2025

As the EU co-legislators' discussions on the Commission Sustainability Omnibus proposal continue, we remain committed to highlighting key considerations for streamlining the EU sustainable finance framework, ensuring that it focuses on mobilising capital for the transition while minimising regulatory burdens.

Building on AFME's position paper, we set out below priority recommendations for amendments to the proposed "substantive" changes to certain corporate sustainability reporting and due diligence requirements.

In particular, we provide drafting suggestions in the following areas:

1. **CSRD subsidiary exemption**
2. **Taxonomy disclosures (Green Asset Ratio): amendment to CSRD**
3. **Transition plans: amendments to CSDDD and CSRD**
4. **CSRD value chain cap**
5. **Aligning CSRD scope for third-country undertakings**
6. **CSRD scope for intermediate holding companies**

It is also crucial that the co-legislators uphold the changes proposed by the Commission to address a number of challenges pertaining to CSDDD application, particularly as regards civil liability. We also strongly support the proposed removal of the review of the potential extension of the Directive's scope to downstream provision of financial services. This is essential to avoid introducing additional highly burdensome and duplicative requirements which will have a significant impact not only on the competitiveness of banks operating in the EU, but also companies seeking access to finance.

1. CSRD subsidiary exemption

Text proposed by the Commission	*Amendment*
	Article 2(2), **subparagraph d (new)** amending Article 19a of Directive 2013/34/EU (2) Article 19a is amended as follows: **(d) paragraph 10 is replaced by the following:** **'The exemption laid down in paragraph 9 shall also apply to public-interest entities subject to the requirements of this Article or Article 4(5) of the Transparency Directive.'**
	Article 2(4), **subparagraph c (new)** amending Article 29a of Directive 2013/34/EU

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	(4) Article 29a is amended as follows: **(c) Paragraph 9 is replaced by the following:** **'The exemption laid down in paragraph 8 shall also apply to public-interest entities subject to the requirements of this Article or Article 4(5) of the Transparency Directive.'**
Justification The subsidiary exemption requires amendment to **ensure that subsidiaries (including those with listed securities) which are part of a group subject to CSRD do not have to report under the ESRS.** These reports are duplicative and do not enhance transparency for investors. This cost intensive process involves performing multiple double materiality assessments at the group and subsidiary levels (and redundant additional reporting of policies and actions at the subsidiary level when sustainability strategy and policies are generally set at the group level), increasing the costs involved to comply with CSRD with no added benefit. Our amendment clarifies that listed subsidiaries should not have to prepare a separate report in accordance with the ESRS regardless of whether such subsidiaries are scoped in to reporting via the Accounting Directive or Transparency Directive. In order to achieve its simplification objective, the amended subsidiary exemption should be made a maximum harmonisation provision, to ensure consistent application across the EU.	

2. Taxonomy disclosures (Green Asset Ratio): amendment to CSRD

Text proposed by the Commission	*Amendment*
	Article 2(3) adding new Article 19b to Directive 2013/34/EU, **paragraph 6 (new)** The following paragraph is added to Article 19b: *'Article 19b* *Optional taxonomy reporting for certain undertakings* **6. Member States shall ensure that, by way of derogation from Article 8 of Regulation (EU) 2020/852, credit institutions shall be exempted from disclosing non-financial information pursuant to Article 8 of Regulation (EU) 2020/852.**

	Alternatively, if the above amendment is not adopted: **6. Member States shall ensure that, by way of derogation from Article 8 of Regulation (EU) 2020/852, credit institutions shall be exempted from disclosing non-financial information pursuant to Article 8 of Regulation (EU) 2020/852 until [1 January 2029].**
Justification We continue to strongly believe that the Green Asset Ratio does not provide meaningful information. This is now widely acknowledged yet not reflected in the Commission's proposals. GAR reporting entails a very significant operational exercise for banks, requiring detailed information from clients, counterparties and investee companies. In addition to requiring very substantial resources for banks, it also creates burdens for their clients in providing the required information. In the future, due to the reduction in companies in scope for Taxonomy reporting, the burden for clients may lessen - but this will entail an even less pertinent GAR. Even if the GAR calculation methodology is improved, this KPI will always remain sensitive to each company's business model and therefore not be comparable across the economy. **We do not believe that these elements have been sufficiently considered and strongly encourage Member States and the European Parliament to consider extending the proposed voluntary Taxonomy reporting to remove all mandatory Taxonomy reporting for credit institutions. If the GAR is not removed as a mandatory KPI, at a minimum it is essential to suspend its application pending the outcome of the full review of the Disclosures Delegated Act and the review of Taxonomy technical screening criteria**. There is no value in requiring banks to disclose a GAR under a temporary new calculation methodology which will change in the future, as the Commission has proposed. This would create burdens for banks and their clients without benefit, as well as confusion for investors who will see year-on-year non-comparable GAR numbers. Furthermore, as we highlight in our feedback[1] to the Commission's draft Delegated Regulation, the proposed temporary adjustments to the GAR do not bring substantial simplification and changes to the methodology give rise to operational challenges.	

3. Transition plans: amendments to CSDDD and CSRD

Text proposed by the Commission	*Amendment*
Article 4(1) amending Article 1(1) of Directive (EU) 2024/1760 (1) in Article 1(1), point (c) is replaced by the following:	Article 4(1) amending Article 1(1) of Directive (EU) 2024/1760 (1) in Article 1(1), point (c) is replaced by the following:

[1] See AFME-ISDA response to the European Commission consultation on amendments to the Taxonomy Delegated Acts, March 2025

'(c) the obligation for companies to adopt a transition plan for climate change mitigation, including implementing actions which aim to ensure, through best efforts, compatibility of the business model and of the strategy of the company with the transition to a sustainable economy and with the limiting of global warming to 1,5 oC in line with the Paris Agreement.';	'(c) the obligation for companies to **disclose** ~~adopt~~ a transition plan for climate change mitigation~~,~~ ~~**including implementing actions which aim to ensure, through best efforts, compatibility of the business model and of the strategy of the company with the transition to a sustainable economy and with the limiting of global warming to 1,5 oC in line with the Paris Agreement.'**~~;
Article 4(10) amending Article 22(1) of Directive (EU) 2024/1760 (10) In Article 22(1), the first subparagraph is replaced by the following: 'Member States shall ensure that companies referred to in Article 2(1), points (a), (b) and (c), and Article 2(2), points (a), (b) and (c), adopt a transition plan for climate change mitigation, including implementing actions, which aim to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119, including its intermediate and 2050 climate neutrality targets, and where relevant, the exposure of the company to coal-, oil- and gas-related activities.'	Article 4(10) amending Article 22(1) of Directive (EU) 2024/1760 (10) In Article 22(1), the first **and second subparagraphs** are replaced by the following: 'Member States shall ensure that companies referred to in Article 2(1), points (a), (b) and (c), and Article 2(2), points (a), (b) and (c), **disclose** ~~adopt~~ a transition plan for climate change mitigation **in accordance with the requirements of Article 19a, 29a or 40a, as the case may be, of Directive 2013/34/EU.** ~~**including implementing actions, which aim to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119, including its intermediate and 2050 climate neutrality targets, and where relevant, the exposure of the company to coal-, oil- and gas-related activities.**~~'
Article 4(9) amending Article 19(3) of Directive (EU) 2024/1760 (9) in Article 19, paragraph 3 is replaced by the following: '3. The guidelines referred to in paragraph 2, point (a), shall be made available by 26 July 2026, those referred to in paragraph 2, points (d) and (e), by 26 January 2027, and those referred to in paragraph 2, points (b), (f) and (g), by 26 July 2027.';	Article 4(9) amending Article 19 of Directive (EU) 2024/1760 (9) in Article 19, paragraph**s 2 and** 3 **are amended as follows:** **(a) in paragraph 2, point (b) is deleted.** (b) paragraph 3 is replaced by the following:

	'3. The guidelines referred to in paragraph 2, point (a), shall be made available by 26 July 2026, those referred to in paragraph 2, points (d) and (e), by 26 January 2027, and those referred to in paragraph 2, points ~~**(b)**~~, (f) and (g), by 26 July 2027.';
	Article 2(2)(aa)(new) amending Article 19a(2)(a)(iii) of Directive 2013/34/EU **(aa) Paragraph 2(a)(iii) is amended as follows:** **(iii)** the plans of the undertaking, including implementing actions and related financial and investment plans, **for responding and contributing to the transition towards a low-greenhouse gas emissions, climate-resilient economy**~~**ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement under the United Nations Framework Convention on Climate Change adopted on 12 December 2015 (the 'Paris Agreement') and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council1, and, where relevant, the exposure of the undertaking to coal-, oil- and gas-related activities;**~~
	Article 2(4)(aa)(new) amending Article 29a(2)(a)(iii) of Directive 2013/34/EU **(aa) paragraph 2(a)(iii) is amended as follows:** (iii) the plans of the group, including implementing actions and related financial and investment plans, **for responding and contributing to the transition towards a low-greenhouse gas emissions, climate resilient economy**~~**to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 and**~~

	~~**where relevant, the exposure of the group to coal-, oil- and gas-related activities**~~;

Justification

We welcome the Commission's proposal to remove, under Article 22 CSDDD, the obligation to put a transition plan "into effect". Legal obligations to put transition plans 'into effect' are unclear and give rise to concerns for companies, as achieving compliance is dependent upon many external factors outside their control. This may also disincentivise preparers from setting ambitious plans.

However, **further simplification of transition planning requirements is required to ensure that they are not overly prescriptive and remain a strategic planning tool rather than a compliance exercise.** It is therefore important to:

- Improve coherence and clarity of requirements. Article 22 CSDDD should simply require companies to adopt a transition plan for climate change mitigation in the form set out by CSRD. In other words, it should not introduce new concepts or requirements or seek to replicate a description of the contents for such a plan. A cross-reference to CSRD would not only establish certainty as to the consistency of CSRD and CSDDD requirements ("one single transition plan") but also ensure that such consistency is preserved in light of possible amendments in the context of the ESRS review.
- Rather than prescribing that the plan must be compatible with a particular temperature increase, transition plans should explain how the entity will contribute to decarbonisation objectives. The requirements for transition plans to be "compatible" with the limiting of global warming to 1.5℃ are unclear and give rise to concerns for companies. Achieving such compatibility is dependent upon many external factors outside of companies' control, and it is necessary to reflect different decarbonisation trajectories in different regions across global operations. For banks, their progress is intrinsically linked to the progress of the decarbonisation of the economy in every jurisdiction that they finance. The CSRD and ESRS should be amended accordingly, as should CSDDD if our above recommendation to amend Article 22 is not applied.
- Further align CSRD transition planning requirements with international standards and provide for equivalence of transition plans disclosed. It is important to provide a workable approach for groups with international operations and for equivalence with ISSB standards on transition planning to enable groups headquartered outside the EU with subsidiaries within the EU to utilise group-level transition plans to satisfy EU obligations, provided that the group publishes a transition plan under a similar standard such as TCFD/ISSB. This would also encourage other jurisdictions to reciprocate, reducing fragmentation and benefiting EU companies with subsidiaries outside the EU.

4. CSRD value chain cap

Text proposed by the Commission	*Amendment*
Article 2(2)(b)(i) amending Article 19a(3) of Directive 2013/34/EU	Article 2(2)(b)(i) amending Article 19a(3) of Directive 2013/34/EU

(b) paragraph 3 is amended as follows: (i) the first subparagraph is replaced by the following: 'Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain. Member States shall ensure that, for the reporting of sustainability information as required by this Directive, undertakings do not seek to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned. Undertakings that report the necessary value chain information without reporting from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned, shall be deemed to have complied with the obligation to report value chain information set out in this paragraph.'	(b) paragraph 3 is amended as follows: (i) the first subparagraph is replaced by the following: 'Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain. Member States shall ensure that, for the reporting of sustainability information as required by this Directive, undertakings **~~do not seek~~ are not required** to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees as reported during the preceding financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca**~~, except for additional sustainability information that is commonly shared between undertakings in the sector concerned~~**. Undertakings that report the necessary value chain information **based on the most recent ~~without~~** reporting from undertakings in their value chain **in accordance with Articles 19a, 29a or the standards for voluntary use referred to in Article 29ca~~, which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned~~**, shall be deemed to have complied with the obligation to report value chain information set out in this paragraph.'
Article 2(4)(b)(i) amending Article 29a(3) of Directive 2013/34/EU (b) paragraph 3 is amended as follows:	Article 2(4)(b)(i) amending Article 29a(3) of Directive 2013/34/EU (b) paragraph 3 is amended as follows:

(i) the first subparagraph is replaced by the following: 'Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the group's own operations and about its value chain, including its products and services, its business relationships and its supply chain. Member States shall ensure that, for the reporting of sustainability information as required by this Directive, undertakings do not seek to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned. Undertakings that report the necessary value chain information without reporting from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned, shall be deemed to have complied with the obligation to report value chain information set out in this paragraph.'	(i) the first subparagraph is replaced by the following: Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain. Member States shall ensure that, for the reporting of sustainability information as required by this Directive, undertakings **~~do not seek~~ are not required** to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees as reported during the preceding financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca**~~, except for additional sustainability information that is commonly shared between undertakings in the sector concerned~~**. Undertakings that report the necessary value chain information **based on the most recent ~~without~~** reporting from undertakings in their value chain **in accordance with Articles 19a, 29a or the standards for voluntary use referred to in Article 29ca~~, which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned~~**, shall be deemed to have complied with the obligation to report value chain information set out in this paragraph.'
Article 2(6)(b) amending Article 29b of Directive 2013/34/EU (6) Article 29b is amended as follows: (b) in paragraph 4, first subparagraph, the last sentence is replaced by the following:	Article 2(6)(b) amending Article 29b of Directive 2013/34/EU (6) Article 29b is amended as follows: (b) in paragraph 4, first subparagraph, the last sentence is replaced by the following:

'Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of1000 employees during the financial year any information that exceeds the information to be disclosed pursuant to the sustainability reporting standards for voluntary use referred to in Article 29ca.'	'Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain **any information** from undertakings in their value chain which~~**, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that**~~ exceeds the information~~ **to be**~~ disclosed **in the most recent sustainability information published by such undertakings,** pursuant to **Articles 19a or 29a, or** the sustainability reporting standards for voluntary use referred to in Article 29ca.'
	Article 2(12)**(aa) (new)** amending Article 40a(1) of Directive 2013/34/EU (12) in Article 40a, paragraph 1 is amended as follows: **(aa) the first subparagraph is amended as follows:** 1. A Member State shall require that a subsidiary undertaking established in its territory whose ultimate parent undertaking is governed by the law of a third country publish and make accessible a sustainability report covering the information specified in points (a)(iii) to (a)(v), points (b) to (f) and, where appropriate, point (h) of Article 29a(2)**, and in accordance with Article 29a(3),** at the group level of that ultimate third-country parent undertaking.
	Article 2**(12a) (new)** amending Article 40b of Directive 2013/34/EU **(12a) Article 40b is amended as follows:** 'The Commission shall adopt by 30 June 2026 a delegated act in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards for third-country undertakings that specify the information that is to be included in the sustainability reports referred to in Article 40a.

	Sustainability reporting standards for third-country undertakings shall not specify disclosures that would require undertakings to obtain any information from undertakings in their value chain which exceeds the information disclosed in the most recent sustainability information published by such undertakings, pursuant to Articles 19a or 29a, or the sustainability reporting standards for voluntary use referred to in Article 29ca.'
Justification It is necessary to clarify the "value chain cap" to provide that all companies subject to CSRD, and third-country undertakings referred to in Article 40a, have no obligation to collect data from companies not subject to CSRD for the purposes of their CSRD reporting and that the data collection for CSRD reporting purposes should be limited to publicly available CSRD data (which could be based on CSRD reports published the prior year, as companies will be on different reporting dates and cycles). Currently, the Commission proposal appears to imply an expectation on companies within scope to request data from smaller companies under the voluntary standard, making reporting de facto mandatory for such companies. Companies which have to publish reports should not be required to estimate information to close this data gap.	

5. Aligning CSRD scope for third-country undertakings

Text proposed by the Commission	*Amendment*
Article 2(12)(a) amending Article 40a of Directive 2013/34/EU (12) in Article 40a, paragraph 1 is amended as follows: (a) the second subparagraph is replaced by the following: 'The first subparagraph shall only apply to large subsidiary undertakings as defined in Article 3(4) of this Directive';	Article 2(12)(a) amending Article 40a of Directive 2013/34/EU (12) in Article 40a, paragraph 1 is amended as follows: (a) the second subparagraph is replaced by the following: 'The first subparagraph shall only apply to large subsidiary undertakings as defined in Article 3(4) of this Directive **which, on their balance sheet dates, exceed the average number of 1000 employees during the financial year'**;
Justification	

There is currently a misalignment between EU and third country undertakings in the scoping criteria for CSRD. The scope for subsidiaries of third country undertakings under the amended Article 40a(1) of the Accounting Directive should be aligned with the scope criteria for EU undertakings and limited to large subsidiary undertakings with more than 1,000 employees. The Commission proposal does not introduce this new employee threshold for such companies, but retains it at 250 employees, creating misalignment with EU groups under Article 19a.

6. CSRD scope for intermediate holding companies

Text proposed by the Commission	*Amendment*
	Article 2(4), **subparagraph d (new)** amending Article 29a(8) of Directive 2013/34/EU (4) Article 29a is amended as follows: **(d) Paragraph 8 is amended as follows:** 8. Provided that the conditions set out in the second subparagraph of this paragraph are met, a parent undertaking which is a subsidiary undertaking shall be exempted from the obligations set out in paragraphs 1 to 5 of this Article (the 'exempted parent undertaking') if such parent undertaking and its subsidiary undertakings are included in the consolidated management report of another undertaking, drawn up in accordance with Article 29 and this Article. A parent undertaking which is a subsidiary undertaking of a parent undertaking that is established in a third country shall also be exempted from the obligations set out in paragraphs 1 to 5 of this Article where **(i)** such parent undertaking and its subsidiary undertakings are included in the consolidated sustainability reporting of that parent undertaking that is established in a third country and where that consolidated sustainability reporting is carried out in accordance with the sustainability reporting standards adopted pursuant to Article 29b or in a manner equivalent to those sustainability reporting standards, as determined in accordance with an implementing act on the equivalence of sustainability reporting standards adopted pursuant to the third subparagraph of Article 23(4) of Directive 2004/109/EC; **(ii) the parent undertaking is an intermediate holding company, that does not**

	have any subsidiaries in the Union with an operating business; or (iii) the exemptions in Article 23 (with the exception of Article 23(8)) apply. Insert the following definition in Article 2 of Directive 2013/34/EU: **"Intermediate holding company" means an undertaking, the principal activities of which are the holding of investments in, and the financing of legal entities, subsidiaries, partnerships, enterprises, or affiliates.**
Justification Amend the requirement to allow entities that are not subject to consolidated financial reporting not to be subject to consolidated CSRD reporting under Article 29a. Without this, certain holding companies which are exempt from consolidated financial reporting may be subject to consolidated CSRD reporting. Additionally, groups that have an EU holding company with only non-EU operating subsidiaries, should be exempted from the regime from a proportionality perspective, as the group in that question does not have any EU operating business activities.	

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About AFME

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