

Our position

Getting Omnibus I right

Addressing extraterritorial reach and global business impacts in the CSDDD and the CSRD



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €4 trillion in 2023, directly supports more than 4.6 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

The EU has taken **significant steps in Omnibus I** toward a more proportionate and workable EU sustainability framework under the **Corporate Sustainability Due Diligence Directive (CSDDD)** and the **Corporate Sustainability Reporting Directive (CSRD)**. In particular, the recent adoption of the Omnibus report by the European Parliament's Legal Affairs (JURI) Committee marks a critical milestone for the EU's simplification agenda. This signals the EU's ongoing efforts to simplify the regulatory landscape and foster a more business-friendly environment, ensuring that legislation remains clear, consistent and practical for companies operating in Europe. Urgent attention is now needed in trilogues to deliver simplification on **extraterritoriality** and **climate transition plans**. The way these issues are regulated within the CSDDD and the CSRD still pose material legal risks for global companies and if unresolved, will likely lead to ongoing conflict with important EU trade partners and uncertainty for businesses.

Positive progress in simplification

Recent developments in the Omnibus I negotiations reflect meaningful steps toward a more streamlined and practical EU sustainability framework, delivering tangible benefits for businesses operating in Europe and globally.

- Higher company thresholds for both due diligence and reporting obligations will materially lessen the compliance burden on European and globally headquartered companies.
- The continued focus on direct (Tier 1) business partners supports a risk-based and practical approach to due diligence that is consistent with international frameworks and business realities.
- Clearer limits on information requests and specific protections for smaller suppliers in the value chain contribute to safeguarding competitiveness, maintaining supply chain inclusiveness and providing more legal certainty for larger businesses about what information they should request from their suppliers.
- Retention of Member State discretion on civil liability strengthens legal certainty for businesses and avoids unnecessary divergence or duplication across national jurisdictions.
- Progress made on aligning the CSDDD and the CSRD improves overall coherence, minimises reporting overlap and facilitates more efficient implementation by companies of sustainability requirements.

Extraterritorial impact of the CSDDD and the CSRD

However, key concerns remain. In particular, the issue of extraterritoriality has yet to be adequately addressed in Omnibus I. The current provisions risk creating significant legal and operational challenges for companies with global operations and supply chains that extend beyond the EU. This is not only an issue for US-based companies, but for all businesses with international footprints that may be subject to overlapping or conflicting legal obligations in jurisdictions outside the EU.

Both laws create extraterritorial compliance obligations, posing major legal and operational challenges for globally active companies with global operations and supply chains that extend beyond the EU.

EU sustainability legislation must operate within clear jurisdictional boundaries, preventing conflicting legal obligations for global companies and safeguarding the EU's credibility as a predictable and cooperative regulatory partner. Specifically, this means:

- Directly reframing the territorial scope of both laws by introducing a clear EU nexus boundary within Article 2(2) of the CSDDD and Article 40a of the CSRD; and
- Allowing non-EU headquartered business groups to continue to simplify their reporting obligations by filing through a single EU-based subsidiary (artificial consolidation).

To avoid misinterpretation, it is important to clarify that the 'EU nexus' concept does not propose excluding all activities outside the geographic boundaries of the EU. Rather, it seeks to ensure that compliance obligations under the CSDDD and the CSRD are directly linked to goods or services placed on the EU market. This approach is consistent with established regulatory practices in other jurisdictions, such as the 'nexus' principle used in the US Dodd-Frank Act, which determines the scope of obligations based on a material connection to the US market, rather than a blanket exclusion of foreign activities. Similarly, the Uyghur Forced Labor Prevention Act in the US applies to goods imported into the US, regardless of where they are produced, focusing on the connection to the US market rather than the geographic location of business activities. In the EU context, this means obligations should apply where a company's operations, value chains or reporting activities have a material connection to the EU market, but not to business activities that are entirely unrelated to the EU. This provides legal certainty while respecting the realities of global business operations and avoids imposing requirements on activities with no EU relevance.

Consideration could be given to recognising third countries whose supply chain standards are demonstrably high and comparable to those of the EU. This would allow companies operating in such jurisdictions to benefit from streamlined compliance, reducing unnecessary duplication and fostering international regulatory cooperation. For example, the US maintains robust environmental and sustainability regulations in many sectors and states, with frameworks that align with international best practices.

Furthermore, the CSDDD and the CSRD introduce board-level duties that differ from US corporate governance norms, where directors have broad discretion over all company activities. This divergence is another key reason for US concerns in relation to extraterritoriality, as it will likely create uncertainty and require companies to balance EU compliance with domestic legal obligations. Specifically, the continued inclusion of climate transition plans within Article 22 of the CSDDD creates unnecessary legal overlap with the CSRD and extraterritorial legal risk. Mandating climate transition plans under the CSDDD effectively requires company boards in non-EU jurisdictions – who are subject to their own national legal frameworks – to align their corporate strategies and governance with EU law, thereby extending EU regulatory influence beyond its borders and potentially conflicting with domestic legal obligations. A more effective approach would be to encourage voluntary alignment with international climate commitments through flexible, company-driven strategies that reflect diverse business models and regulatory environments, and complement companies' continued investments in sustainability.

It is critical for lawmakers to address these remaining issues during the upcoming trilogue negotiations to ensure a balanced, proportionate and globally coherent framework that supports both sustainability objectives and business competitiveness.