FESI Position Paper

On the Commission's **Omnibus proposal** to reduce and simplify sustainability reporting requirements

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Federation of the European Sporting Goods Industry

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Introduction

On 26 February 2025, the European Commission published the Omnibus Simplification Package, with the aim of simplifying and reducing reporting requirements. The Federation of the European Sporting Goods Industry (FESI) welcomes the Commission's proposal to simplify and address overlaps between the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD) and EU Taxonomy Regulation.

We recognise that reporting obligations are essential for effective EU legislation and evaluation. When harmonised, they also serve to replace disparate national requirements, thereby increasing efficiency. While FESI also acknowledges the positive steps already taken by the Commission, we would like to highlight the need to make a few further targeted and concrete suggestions to reduce reporting burdens while maintaining the core ambition of the legislation.

1. CSRD – SUGGESTED AMENDMENTS

a) Reintroducing standards for CSRD Limited Assurance

Context:

We continue to support the general requirement of limited assurance to ensure robust and reliable CSRD reporting. Such robust reporting also rests on a commonly shared understanding and reliable standards on how such limited assurance has to be undertaken.

Wave 1 companies have reported a range of challenges encountered by assurers and economic operators alike so far in achieving a common understanding on how to apply limited assurance to the CSRD. At times, this leads to unnecessary cost increases for this process. In this context, we welcome the Commission's decision to remove reasonable assurance requirement.

The removal of the requirement for EU-specific assurance standards in favour of non-binding guidelines is however regrettable – specifically in the context of costs associated with limited assurance. We are furthermore concerned that uncertainty or challenges on limited assurance may serve as arguments for deleting valuable impact categories from the ESRS standards. We would therefore recommend the following two steps:

Solution:

1. **Reintroducing assurance standards:** guidelines are important, but the two should not be mutually exclusive

2. **Phasing in of limited assurance across ESRS:** this could be designed via a focus on quantitative metrics (Year 1 limited assurance focused on metrics in own operations, with phase-in for value chain metrics. Specifically, this would phase in limited assurance over Scope 3 emissions and potentially other value chain target specific metrics) and/or via a focus on key topical areas (Year 1 limited assurance focused on E1 - Climate disclosures with other topics phased in (ideally over multiple years). A phase-in would allow companies to increase maturity of processes supporting new metrics and engage auditors in pre-assurance to identify gaps needing to be addressed to achieve actual assurance.

3. **Ensuring common understanding of limited assurance in place ahead of a phase in**: we support assurers' position that a global baseline for assurance would be highly valuable. The Commission should swiftly complement this with guidelines specifying:
   - areas unique to the CSRD (e.g., DMA).
   - expectations around nature of assurance procedures performed by assurance providers over the qualitative and quantitative CSRD disclosures.
   - acknowledging the use of estimates where actual information is not practical to obtain, assurance procedures over those estimates.

b) Revising ESRS

Context:

FESI welcomes the proposal of the Commission to revise sector-agnostic ESRS and delete sector-specific ESRS, which would add additional burdens given the extensive requirements already applied by sector-agnostic standards. Industry, and SMEs in particular, are overwhelmed by the excessive detail of the data points and are sometimes unable to provide the necessary data. A reduction in disclosure requirements could relieve the burden placed on companies and ensure better data quality and data procurement along the upstream value chain.

Solution:

To ensure effective implementation, the legislation should explicate how non-material topics can be more efficiently excluded from reporting obligations. This would reduce unnecessary reporting burden and enhance focus on relevant issues. Additionally, the role of assurance providers must be clearly articulated (through standards and guidance) as validating the robustness of the materiality assessment process, not reinterpreting or challenging the materiality outcomes. Without this clarity, companies risk facing contradictory expectations, undermining legal certainty and increasing compliance costs unnecessarily. This distinction is crucial to avoid conflicting interpretations and to ensure consistent, cost-effective application of the standards across sectors and company sizes.

c) Removing digital tagging

Context:

The iXBRL process is time-consuming, burdensome for both companies and auditors, and error-prone — especially when late changes require re-tagging and re-approval, risking non-compliance. Prior to the Omnibus debate, CSRD reporting was understood to require not only ESRS but also ESEF and Taxonomy alignment. Auditors have estimated that tagging accounts for up to a third of reporting resources, often requiring external specialists.

Solution:

Eliminating the XBRL tagging requirement for sustainability reporting under CSRD. This would be a clear, low-cost way to reduce administrative burden without compromising reporting quality. Tagging adds significant complexity, cost, and legal risk while delivering little practical value. Investors rarely use XBRL files, preferring PDFs, and advances in AI now allow the same information to be extracted more efficiently.

d) Improving value chain requests

Context:

We support measures that help reduce the administrative burden of EU responsible business legislation across the value chain. The sporting goods sector actively participates in several industry-led initiatives that aim to streamline audits and information gathering through shared platforms and databases.

However, in sectors where sustainability information sharing and due diligence practices already exceed the minimum requirements set out in the proposed legislation, there is a risk that these higher standards could face legal obstacles. If the proposal is adopted without amendments, it may create legal uncertainty around the continuation of successful collaborative initiatives.

Solution:
Introducing safeguards that protect and enable existing responsible supply chain initiatives. Adjustments could include:

1. Avoiding mandatory data collection from very small partners and allowing the use of estimates or sector-wide data where appropriate. LA guidelines should reflect this and discourage burdensome data requests beyond VSMEs.

2. Allowing micro and small enterprises to decline information requests that exceed reasonable expectations, providing a safeguard that ensures their continued participation in collaborative supply chain programmes.

2. CSDDD – SUGGESTED AMENDMENTS

a) Phasing-in the risk-based approach

Context:
FESI strongly supports the risk-based approach outlined in the original CSDDD proposal, grounded in the OECD Guidelines and the UN Guiding Principles. A clearly defined, risk-based framework is essential to ensure that due diligence obligations remain both effective and proportionate. However, we also acknowledge the wide variety of maturity levels of due diligence activities across sectors and the reasons that led the Commission to propose a limitation to conduct due diligence on direct contractual relations. In this context, we would like to propose a solution that would lead to a progressive capacity building and expansion of due diligence across supply chains

Solution:
To ensure capacity building across the wide variety of sectors concerned including buy-in from stakeholders across value chains as well as maintaining the pathway to the initial ambition of the proposal, we propose a phased-in, tier-based approach that allows companies to progressively build their due diligence systems, while gradually extending obligations beyond direct suppliers. This would help maintain the ambition of the Directive while ensuring implementation remains realistic, proportional, and sustainable across sectors.

A phased-in approach could encompass the inclusion of tier 1 suppliers from year 1 of application. Tier 2 should be subsequently phased in at a later stage. A Commission review could then determine how and when to expand due diligence to further tiers, taking into account experiences made, capacities built and specific needs for these efforts across value chains. At the same time, the objective to cover the full supply chain over time should remain enshrined in the legislation as a North Star and long- term legal certainty and planning for economic operators.

b) Clarifying 'Plausible information'

Context:

The term "plausible" is currently too vague and risks being interpreted in inconsistent ways, leading to uneven enforcement across Member States. The experience with the implementation of the German due diligence law has shown the importance of providing clear, actionable definitions and guidance on what type of information should trigger mandatory follow-up actions.

Solution:

1. Replacing the term "plausible" with "substantiated knowledge" and provide a clear definition: this should refer to credible information or evidence indicating actual violations linked to the economic operator. This definition should be formally included in the text of the Directive and supported by guidance with clear examples.

2. Introducing a provision allowing economic operators to dismiss manifestly unfounded complaints through a simplified process. A complaint should be considered manifestly unfounded if it is immediately clear from the content that it lacks merit and there is no reasonable doubt about that conclusion. This is important to avoid wasting resources on ill-intentioned or clearly baseless submissions.

3. Contractual cascading can be a useful tool which is used by a variety of sectors. It should be recognised that while successful, it is also not able to solve all due diligence challenges across supply chains. We would therefore support more flexibility for economic operators and their suppliers to consider and implement this when reasonable and the clarification that the additional obligations concern investigation and remediation. If fully mandatory, we recommend clarifying that this requirement relates to the next tier only (e.g. T1 to T2).

c) Improving information requests for SMEs

Context:

FESI strongly supports reducing the administrative burden on SMEs. However, limiting information requests strictly to the VSME standards could pose challenges for companies in scope of due diligence rules, as these standards may not provide sufficient detail to meet legal obligations.

At the same time, many companies in the sporting goods sector are already involved in responsible business initiatives that rely on shared platforms and databases to avoid duplicative audits and information requests. If the current proposal is adopted without changes, these more advanced, sector-led practices risk becoming legally uncertain or non-compliant, potentially discouraging higher standards.

Solution:

1. Allowing information requests based on the ESRS standards for listed SMEs (LSMEs), instead of limiting them to the VSME standards. This strikes a better balance between reducing SME burden and enabling companies to collect the necessary data needed for due diligence.

2. Including a safeguard clause (similar to the CSRD) allowing additional sustainability information that is "commonly shared between undertakings in the sector concerned''.

3. Recognising widely used industry tools and platforms for data sharing and audit coordination, either in place of or alongside the VSME/LSME standards. Restricting such tools could force companies to revert to inefficient, individual supply chain requests.

4. Harmonising the employee threshold for supply chain information requests across the CSRD and CSDDD to ensure consistency and legal clarity.

d) Terminating/suspending business relationships

Context:

We welcome the clarification that continued engagement with a business partner does not trigger liability if there is a reasonable expectation that an enhanced prevention plan will be effective. This supports responsible engagement over "cut and run" approaches.
However, two areas remain unclear:

- The concept of "suspension" lacks definition, especially when a partner is uncooperative or fails to remedy harm, creating legal uncertainty.
- The phrase "no expansion of existing business relationships" is vague, particularly in supply chains with fluctuating demand. It is unclear whether renewing contracts or maintaining volumes would count as an expansion.

Solution:

1. Maintaining the option to terminate business relationships as a last resort, with clear criteria to guide decision-making.

2. Clarifying the difference between suspension and termination, including what suspension entails, its duration, and escalation conditions.

3. Defining what constitutes an "expansion" of a business relationship to ensure companies can maintain necessary operations without breaching the rules.

e) Extending Harmonisation

Context:

We support the extension of harmonisation to ensure legal certainty, reduce administrative burden for companies, and ensure a level playing field across Member States implementation of due diligence requirements that impact global supply chains.

Solution:

We recommend ensuring maximum harmonisation across all articles.

f) Expanding Stakeholder Engagement definition

Context:

We acknowledge that due diligence practices vary significantly across sectors. The proposed definitions and guidance on stakeholder engagement provide helpful clarity and serve as a useful starting point, particularly for companies with less mature processes.

Solution:

We recommend clarifying that the proposed stakeholder engagement steps represent a minimum requirement. Companies should be encouraged to go beyond these baseline expectations where relevant, engaging stakeholders more broadly to fully support the objectives of meaningful and effective due diligence.

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3. TAXONOMY – SUGGESTED AMENDMENTS

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a) Clarifying materiality

Context:

FESI supports the introduction of materiality thresholds as part of the Omnibus and proposed Taxonomy Delegated Act. However, the current draft does not clearly define how the 10% threshold should be applied—whether it applies to individual activities or cumulatively across all activities. This lack of clarity could create operational confusion and unnecessary complexity in reporting.

Solution:

Applying the threshold to all individual activities rather than on a cumulative basis. This would prevent companies from having to report non-material activities and allow them to focus on more impactful, material activities, thus reducing administrative efforts. In addition, economic operators should retain discretion in determining which activities are aligned with the Taxonomy, even when those activities fall below the materiality threshold. Maintaining this flexibility is essential to preserve the relevance of disclosures while ensuring proportionality and legal certainty.

b) Exempting obligations for non-essential activities

Context:

The draft proposal lacks clarity regarding the level of exemption for non-essential activities. Specifically, it is unclear whether the exemption should apply to the obligation to assess conformity with the Taxonomy's technical assessment criteria, or whether the obligation to report taxonomy eligibility should also be waived. In our experience, verifying the taxonomy eligibility of non-material activities often requires more effort than the conformity assessment itself, especially when these activities involve a large number of small transactions.

Solution:
Given that the information relevance of such disclosures is minimal for capital markets, a waiver for reporting taxonomy eligibility of non-material activities should already be established at this level, not just the conformity assessment.

c) <u>Reviewing relevance of taxonomy</u>

Context:
FESI believes that the proposals could be more closely aligned with the core business activities of companies. Currently, after four years of taxonomy reporting, the taxonomy has not played a significant role in sporting goods companies' interactions with the investment community, nor has it affected their core business model. As such, for many sporting goods companies, taxonomy-eligible sales are still equal to zero.

Solution:
The reporting obligation should be more strongly linked to a company's principles of value creation and growth. The exemption from the obligation to report OpEx conformity in the case of taxonomy-eligible revenue of less than 25% of total revenue (although here too the proposed text contains references that can be interpreted in different ways as to what exactly the correct reference value is) does not go far enough. Companies not generating significant turnover from taxonomy-eligible activities should be fully exempt from the reporting obligations.

d) <u>Redefining applicability for non-EU group entities</u>

Context:
The current draft does not sufficiently address the challenge of applying EU Taxonomy criteria to non-EU group entities (e.g. those based in the United States). In practice, references to EU directives are difficult to apply outside the EU, as equivalent national laws may not exist or may be difficult to compare. This creates uncertainty for companies attempting to assess and report on the sustainability of their global operations in line with EU requirements.

Solution:
We recommend including explicit guidance on bridging mechanisms or equivalency solutions. These could support the application of the EU Taxonomy to non-EU entities by recognising comparable national frameworks or providing methodologies to assess alignment. This would enable more comprehensive and coherent sustainability reporting across multinational groups.

Founded in 1960 FESI - the Federation of the European Sporting Goods Industry represents the interests of approximately 1.800 sporting goods manufacturers (85% of the European market) through its National member Sporting Goods Industry Federations and its directly affiliated companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 700.000 EU citizens and has an annual turnover of some 81 billion euro.

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