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Centre for Corporate Responsibility (CCR) statement and analysis on Omnibus proposal (*COM(2025)81)* regarding the Corporate sustainability due diligence directive (CS3D)

In this statement, Centre for Corporate Responsibility (CCR), a research institute under Hanken School of Economics and the University of Helsinki, provides an analysis and statement regarding Proposal 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 (COM(2025)81) [hereafter 'Omnibus Proposal'] regarding 'regulatory simplifications' of the Corporate sustainability due diligence directive (Directive 2024/1760, henceforth CS3D) that entered into force July 25th 2024. As a preface to our analysis we want to lift up two concerns about the process of the Omnibus proposal, considering the **Commission's commitment to better regulation**: I) The unprecedented speed and ***opaqueness of the development of the omnibus consultation draft and the Omnibus proposal***, which arguably goes beyond 'regulatory simplifications' in re-opening CS3D at Level 1; and II) how the omnibus process poses serious questions about the Commission's ***commitment to better regulation*** particularly to **Evidence-Informed Policy Making**, and open and transparent decision-making.

CCR is particularly well positioned to analyse the effect of the omnibus on due diligence, through its previous research activities on EU firm-level performance of due diligence[1], due diligence effects on EU-LDC trade[2], and anticipated firm-level cumulative impacts of EU sustainability regulations[3], commissioned by the Finnish government through its commitment to Evidence-Informed Policy Making. Our analysis is as follows:

1) The proposed amendments to CS3D risks **creating fundamental tensions** between the proposal's concept of **'Due Diligence'** and the **UN Guiding Principles on Business and Human Rights**, adopted by the UN Human Rights Council in Resolution 17/4 in 2011, as the UNGPs mandate that due diligence in the value chain should occur where the risk of adverse human rights impacts is most significant, independent of tier. This tension itself will arguably create even more unclarities and splintered logics for firms to try to adhere to.

2) By limiting the scope *to direct suppliers* (Tier 1) *and large suppliers* > 500 employees the omnibus proposal seemingly **questions a fundamental logic of the soft-law approach** of corporate sustainability for:
    - *investors*, as ESG disclosures cannot credibly function as predictive of companies' *future financial performance* without information about ESG risks in the extended value chains beyond tier 1/direct suppliers; a directive with these limitations cannot be seen as reflecting how global supply chains are organized, particularly in sectors with high human rights risks.
    - *consumers* who need to trust in the completeness and transparency of due diligence information in a way that reflects the functioning of global value chains, guiding their choices and ensuring a *functioning free market economy.*
    - firms themselves will face *tension between international norms* such as the UNGPs and *the CS3D*, further complicating effective DD work within firms.

[1] Tran-Nguyen, E., et al. **(2021).** Status of Human Rights Performance of Finnish Companies (SIHTI) Project: Report on the status of human rights performance in Finnish companies. Publications of the Ministry of Economic and Employment Energy 2021:17, http://urn.fi/URN:ISBN:978-952-327-737-3
[2] Komba, N et al. (2023) Towards inclusive European CSR legislation: Analysing the impacts of the EU corporate sustainability directive on LDC trade, Ministry for Foreign Affairs, Helsinki 2023: https://urn.fi/URN:ISBN:978-952-281-374-9
[3] Cambou et al (2025) The Cumulative Effects of EU Sustainability Legislation (CEULA) : Impacts on Finnish firms, Ministry for Foreign Affairs, 2025:1 Helsinki, http://urn.fi/URN:ISBN:978-952-281-793-8

3) Mandating due diligence assessment of the adequacy and effectiveness that is carried out only every **5th year** is not grounded in evidence-based research on effective ESG data, nor in how risks develop in global value chains – reporting, assessment and follow-up needs to be continuous to be effective internally for the firm but also externally for stakeholders who evaluate ESG risks – this is also in line with the UNGPs that demands that firm HRDD be continually ongoing.

4) Re-opening the core text of CS3D (level 1) will **increase firms' uncertainties and decrease trust in the predictability of the EU regulatory landscape**. It will also effectively **reward the most reactive firms and competitively penalize the most proactive firms**, as the latter have already started to reform their global value chains in the logic of the UNGPs and CS3D directive. Additionally, limiting mandated due diligence to tier 1 will incentivize firms to focus on DD where true risks are not present or material, arguably creating datapoints and reports that are not impactful for the firms themselves nor useful for investors' ESG analysis. The UNGPs mandate that DD in the value chain should occur where the risk of adverse human rights impacts is most significant, independent of tier.

5) New, unclear notions such as **"plausible information"** will do nothing to remedy firms' concerns about the unclarities of EU regulations – the definition of plausible information of an "objective character" seems to outsource large parts of the DD of corporate responsibility to respect human rights as outlined in the UNGPs, to "NGOs and credible media" in the DD stage of identifying violations and risks beyond tier 1 in particular chains and turn it into "plausible information" that can be acted upon by the firms.

6) The omnibus proposal's **reconceptualization of due diligence** can be seen to contradict the human rights-based approach of existing international norms such as UN Guiding Principles on Business and Human Rights. The proposed amendment of the directive makes sense of due diligence only from the perspective of procedural simplifications and cost-cutting for firms **rather than from the perspective of the victims of human rights abuse** in the extended global value chains. This includes a narrowed understanding and increased ambiguity regarding who is considered a stakeholder, who can represent victims of human rights abuses in remedy processes, and the potential for EU-wide civil liability. Particularly, amendments that either intentionally or unintentionally add complexity and place greater demands on victims of severe human rights violations—often the most vulnerable groups, such as child labourers, migrant workers, and indigenous peoples—may be viewed as a strategic insertion rather than a genuine effort at regulatory simplification. The UNGPs make it clear that the duty of the state is to ensure ways to reduce legal, practical and other relevant barriers that could lead to a denial of access to remedy, particularly through effective judicial mechanisms – the omnibus proposal, with such amends, risks being seen as attempting the opposite.

7) As CCR's research shows[4], among the biggest concern for firms in terms of sustainability regulation is not overregulation, competitiveness, or red tape, but the **uncertainty created by the EU itself**. This includes the risk that important goals within the EU's Green Deal and the green transition may be lost in processes such as re-opening level-1 regulation. If companies cannot develop long-term DD strategies, there is a risk that they will continue with a reactive HRDD strategy with little impact, which is already a significant issue among EU firms (visible in large inaction for a decade regarding the UNGPs). Instead, what firms expect is clearer guidance and interpretations, **all of which can be dealt through level-2 measures**.

8) The proposal undermines the logic of "**continuously improving self-regulation"** which is the only possible justification for self-regulation as the approach to tackle market failure. Since this approach has been the overwhelmingly preferred method for addressing the social and environmental impacts of business over the past three decades, any backtracking could penalize the champions of self-regulation, reward the most reactive companies, and undermine the competitive incentives for businesses to proactively self-regulate.

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[4] Cambou et al (2025) The Cumulative Effects of EU Sustainability Legislation (CEULA) : Impacts on Finnish firms, Ministry for Foreign Affairs, 2025:1 Helsinki, http://urn.fi/URN:ISBN:978-952-281-793-8