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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 the 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 on July 25th 2024. As a preface to our analysis, we want to lift two concerns about the process of the Omnibus proposal, considering the **Commission's commitment to improve the 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 reopening CS3D at Level 1; and
- II) The extent to which the omnibus process poses serious questions about the Commission's **commitment to improve the regulation** content particularly regarding **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 diligence¹, due diligence effects on EU-LDC trade², and anticipated firm-level cumulative impacts of EU sustainability regulations³, commissioned by The Ministry of Foreign Affairs and The Prime Minister's Office respectively. Our analysis is as follows:

- 1) The proposed amendments to CS3D risks **creating fundamental tensions** between the Omnibus proposal's concept of '**Due Diligence**' (henceforth 'DD') and the **UN Guiding Principles on Business and Human Rights**, adopted by the UN Human Rights Council in Resolution 17/4 in 2011. The UNGPs mandate that due diligence in the value chain should occur where the risk of **adverse human rights impact is most significant**, regardless of the tier. This tension could lead to further confusion and fragmented approaches for firms to navigate. The Omnibus cannot bypass or be in tension with the EC background document for the Omnibus, which itself recognizes ⁴ (SWD, 2025 80 final, p.10): "*CSDDD... translates into mandatory requirements the existing international voluntary frameworks on responsible business conduct...[n]otably the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprise*".
- 2) By limiting the scope to *direct suppliers* (Tier 1) and *large suppliers* > 500 employees the omnibus proposal appears to undermine the **fundamental logic of the legal approach** to corporate sustainability:

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>

⁴ https://finance.ec.europa.eu/document/download/4eeafeab-1ab6-4207-8e7a-efb39d56c235_en?filename=staff-working-document-simplification-omnibus-package_en.pdf

- *Investors'* ESG disclosures cannot credibly serve as predictors of a company's *future financial performance* without value chain-specific information on ESG risks beyond Tier 1.
- A legal instrument with these limitations cannot be seen as reflecting how global supply chains are organized, particularly in sectors with high human rights risks.
- Consumers must be able to trust that due diligence information is complete and transparent, accurately reflecting the realities of global value chains. This trust is essential for informed choices and the proper functioning of a free market economy. *Firms*, will face *tension between international norms* such as the UNGPs and *the CS3D*, further complicating effective DD work s. A focus on Tier 1 will also divert resources away from the parts of the supply chain where the most significant HRDD risks are known to exist, leading to ineffective and suboptimal risk management.

As Commissioner Albuquerque herself stated at press conference for the Omnibus: "*By re-assessing the information and datapoints that are really needed, and not nice to have, we make reporting more meaningful and focused – as all those in need of information will more easily find what they are looking for*". For CSDDD, by mandating Tier 1 instead of where risks are most material, the omnibus is attempting the opposite, create reporting at supplier Tier, which is neither meaningful nor material.

- 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 which require that HRDD be an ongoing and continuous process.
- 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, regardless of tier.
- 5) New, unclear notions such as "**plausible information**" will do nothing to remedy firms' concerns about the unclearities 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. The UNGPs make it clear **that this responsibility cannot be outsourced** by the firms (or the EC) to media and NGOs.

- 6) The omnibus proposal's **reconceptualization of DD** 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 abuses** in the extended global value chains. This includes a narrowed understanding and increased ambiguity regarding who is considered a right-holder, 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 amendments, risks being seen as attempting the opposite.
- 7) As CCR's research shows⁵, among the biggest concerns for Finnish firms for sustainability regulation is not overregulation, competitiveness, or red tape, but rather the **uncertainty created by the EU itself**. This includes the risk that key objectives and goals within the EU's Green Deal and the green transition may be undermined by 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 (as evidenced by the weak implementation of the UNGPs⁶ among Finnish firms). Instead, firms expect clearer guidance and interpretations, **all of which can be dealt with 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 failures. 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 leaders of self-regulation, reward the most reactive companies, and undermine the competitive incentives for businesses to proactively self-regulate.
- 9) EC background document for the Omnibus itself recognizes (SWD, 2025, 80 final, p.42) that for 300 EU companies in scope, the annual CSDDD compliance cost savings are estimated to be EUR 480,000 (/firm). This clearly demonstrates a lack of proportionality, as the cost savings are outweighed by the direct undermining of proper due diligence, as outlined in the UNGPs.

⁵ 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>

⁶ ⁶ 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>

- 10) The proposal directly contradicts the progressive trends embraced by numerous companies, civil society groups, European citizens, and international organizations since the adoption of the UNGPs. It represents a significant setback in advancing a legal framework that promotes sustainability and justice within the EU and beyond its borders. This proposal not only undermines the progress made towards a more responsible and sustainable global economy but also risks diminishing the EU's credibility and competitiveness as a leader in human rights and environmental protection.

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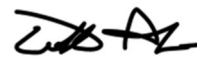
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