EXTENDED RESPONSIBILITY IN VALUE CHAINS: CHALLENGES AND CONTROVERSIES

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Finally, I would like to conclude by saying that the subject of this dissertation resonated with me because of the crucial issues at stake in a global context full of ecological, economic and geopolitical challenges. I'm convinced that the knowledge I've acquired in the course of this research will be invaluable for my future, both professionally and personally.

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Note de synthèse

Le souci écologique est plus que jamais au cœur des tensions actuelles. D'un côté nous constatons un réchauffement de plus en plus marqué dans presque toutes les régions du monde provoquant des catastrophes naturelles inouïes, ou encore, le « jour du dépassement » qui arrive plus tôt d'année en année. Mais d'un autre, des problèmes sociétaux et économiques eux aussi tendent à s'aggraver, comme notamment la perte de compétitivité européenne. Ces dynamiques contradictoires illustrent la complexité des défis que nous aurons à affronter dans les années à venir.

L'idée de ce mémoire a principalement vu le jour à la suite de la proposition de simplification de l'Omnibus publié le 26 février 2025. Celle-ci illustre à la fois l'urgence environnementale et les tensions économiques croissantes. Si les critiques à l'encontre des directives européennes liées à l'Accord de Paris et au Pacte vert pour l'Europe ne sont pas nouvelles, la proposition Omnibus a marqué un tournant significatif dans le débat.

Des contributions tant scientifiques que managériales avançaient la difficulté pour certaines entreprises, en particulier les PME, de mettre en place les directives permettant d'atteindre l'agenda européen concernant sa transition écologique. Le rapport Draghi, divulgué fin 2024 développe et propose des mesures à prendre afin d'endiguer le ralentissement de l'économie européenne. Dans ses nombreuses suggestions, celle de la simplification administrative et du périmètre de certaines directives ont poussé la Commission Européenne à revoir en profondeur certains de ses textes législatifs.

Celles qui nous intéressent et qui seront analysées dans ce mémoire sont celles qui prévoient d'augmenter l'étendue de la responsabilité des entreprises sur l'ensemble de leurs chaînes de valeur. Ce principe d'extension de leur responsabilité permet aux entreprises, principalement européennes, de rendre compte de leurs impacts négatifs en réalisant leurs activités, mais les force aussi à prendre des mesures permettant de mitiger ces problèmes.

Les deux directives étudiées dans ce mémoire sont la « Corporate Sustainability Reporting Directive » (CSRD) et la « Corporate Sustainability Due Diligence Directive » (CS3D). La première demande aux entreprises une obligation de rapport de leurs activités, tandis que la deuxième, elle, donne l'obligation aux entreprises de prendre des mesures concrètes afin de rectifier leurs potentiels impacts négatifs.

Cependant, dans le contexte de révisions actuelles, ces deux directives n'ont pas échappé à un allègement de leurs obligations et de leur champ d'application.

Ce mémoire a donc pour but de tenter de répondre à la question de recherche suivante : *Dans quelle mesure l'extension de la responsabilité des entreprises à l'ensemble de la chaîne de valeur, telle que promue par la CSRD et la CS3D, génère-t-elle des défis opérationnels et administratifs pour les entreprises, et quelles sont les principales critiques exprimées par les parties prenantes concernant la mise en œuvre pratique des obligations de diligence raisonnable ?*

Pour répondre à cette question, la partie empirique de ce travail se base sur de la littérature grise provenant d'acteurs issus de milieux divers. Cette analyse qualitative reprend les documents de prise de position ou encore d'avis critiques émis par ces acteurs concernant la thématique de ce projet.

Abstract

Ecological concerns are more than ever at the heart of current tensions. On the one hand, we are witnessing increasing global warming in almost every region of the world, leading to unprecedented natural disasters, and the “Earth Overshoot Dayt” is arriving earlier every year. On the other hand, societal and economic problems are also on the rise, such as the loss of European competitiveness. These contradictory dynamics illustrate the complexity of the challenges we face in the years ahead.

The idea for this thesis arose primarily from the Omnibus simplification proposal published on February 26, 2025. It illustrates both the environmental urgency and the growing economic tensions. While criticism of European directives in connection with the Paris Agreement and the European Green Deal is nothing new, the Omnibus proposal marked a significant turning point in the debate.

Both scientific and managerial contributions pointed to the difficulties faced by some companies, particularly SMEs, in implementing the directives needed to achieve Europe's ecological transition agenda. The Draghi Report, published at the end of 2024, develops and proposes measures to be taken to stem the slowdown in the European economy. Among its many suggestions, that of administrative simplification and the scope of certain directives prompted the European Commission to review some of its legislation in depth.

The ones we are interested in, and which will be analyzed in this thesis, are those which provide for an increase in the scope of corporate responsibility throughout the value chain. This principle of extending their responsibility not only enables companies, mainly European ones, to account for their negative impacts in carrying out their activities but also forces them to take measures to mitigate these problems.

The two directives studied in this thesis are the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). The former requires companies to report on their activities, while the latter obliges companies to take concrete steps to rectify potential negative impacts.

However, in the context of current revisions, these two directives have not escaped a lightening of their obligations and scope of application.

The aim of this dissertation is therefore to attempt to answer the following research question: *To what extent does the extension of corporate responsibility to the entire value chain, as promoted by CSRD and CS3D, generate operational and administrative challenges for companies, and what are the main criticisms expressed by stakeholders regarding the practical implementation of due diligence obligations?*

To answer this question, the empirical part of this work is based on grey literature from stakeholders from a variety of backgrounds. This qualitative analysis includes position papers and critical opinions issued by these stakeholders on the subject of this project.

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List of abbreviations

CS3D: Corporate Sustainability Due Diligence Directive

CSR: Corporate sustainability responsibility

CSRD: Corporate Sustainability Reporting Directive

DIHR = Danish Institute for Human Rights

ESG: Environmental, Social and Governance

ESRS: European Sustainability Reporting Standard

GVC(s): Global value chain(s)

NACE: Nomenclature of Economic Activities

NDC: Nationally determined contributions

NECPs: National Energy and Climate Plans

NFRD: Non-Financial Reporting Directive

OECD: Organization for Economic Co-operation and Development

SFDR: Sustainable Finance Disclosure Regulation

UNFCCC: United Nations Framework Convention on Climate Change

Introduction

In recent years, the concept of corporate responsibility has undergone a profound transformation, shifting away from its traditional focus on shareholder interests to embrace a broader consideration of environmental, social, and human rights impacts. This evolution is particularly salient within the European Union, which has positioned itself at the forefront of the global sustainability agenda through a series of ambitious legislative initiatives. Chief among these are the *Corporate Sustainability Reporting Directive* (CSRD)[1] and the *Corporate Sustainability Due Diligence Directive* (CS3D)[2], which enshrine the notion that companies bear responsibility not only for their own operations, but also for the externalities generated throughout their value chains both within and beyond EU borders (D'heur Michael, 2015).

This emerging regulatory framework marks a decisive move away from voluntary corporate social responsibility (CSR) towards a binding and systemic approach to sustainability governance. Under the new paradigm, firms are expected to conduct rigorous due diligence, engage with a wide array of stakeholders, and report transparently on their environmental and social impacts. Corporate responsibility is thus rendered transversal, transnational, and multi-actor, requiring companies to manage increasingly complex obligations of accountability and traceability across global supply and subcontracting networks (PWC, 2025).

However, this extension of corporate obligations has not been universally welcomed. The legislative processes surrounding the CSRD and CS3D have revealed deep tensions between regulatory ambition and operational feasibility. Numerous stakeholders, particularly from the business sector have raised concerns about the disproportionate administrative burden, the lack of reliable data, and the practical challenges of mapping stakeholders and value chains. These criticisms, often voiced through lobbying activities, public consultations, and position papers, have contributed to the softening of several key provisions during negotiations, illustrating the fragile balance between enforceability and ambition in EU sustainability policy (BusinessEurope, 2025).

This tension must be understood in the broader context of the European Union's climate and social objectives. As reiterated in the *European Green Deal*, the EU aims to become the first climate-neutral continent by 2050, decoupling economic growth from environmental degradation while ensuring a just and inclusive transition (European Commission, 2019). This ambition is legally enshrined in the *European Climate Law* (Regulation (EU) 2021/1119) and further articulated through strategies such as *A Strong Social Europe for Just Transitions.*[3] However, the implementation of this legislative arsenal has recently been called into question due to its perceived effects on European competitiveness, particularly in a context marked by high energy prices, geopolitical instability, and increased global competition.[4]

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[1] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD).
[2] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (CSDDD).
[3] European Commission. (2020, January 14). *A strong social Europe for just transitions* (COM(2020) 14 final). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.
[4] Communication from the Commission to the European Parliament, the Council, the European economic and social Committee and the Committee of the regions commission Work Programme 2025 moving forward together: a bolder, simpler, faster union, COM(2025) 45 final, p. 1.

In his September 2024 report on the future of the European economy, Mario Draghi, former President of the European Central Bank, underscores the urgent need to address structural inefficiencies and administrative complexity in order to foster investment and innovation. Echoing this analysis, the European Commission's 2025 Work Programme promotes a "bolder, simpler, and faster" Union. Among its flagship initiatives are a series of *Omnibus* legislative proposals aiming to streamline existing EU regulations and reduce administrative burdens by at least 25%, with particular attention to SMEs.[5] Sustainability reporting and due diligence frameworks are specifically identified as areas in need of simplification and improved implementation, reflecting a growing institutional awareness of the regulatory fatigue faced by economic actors. In addition, a "Stop the clock" directive was adopted on April 14, 2025, to postpone certain deadlines while negotiations on the substance of the issue are underway (Council of the European Union, 2025).

This institutional momentum towards simplification was further reinforced by the Budapest Declaration on the New European Competitiveness Deal, adopted by EU Heads of State and Government in early 2025, which explicitly called for "a simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs" (European Commission, 2024). The declaration urged the European Commission to present concrete proposals to reduce reporting requirements by at least 25% within the first half of 2025.

This thesis seeks to critically investigate the political and practical implications of the EU's evolving corporate sustainability framework, with a particular focus on the CSRD and CS3D. It will explore the main criticisms raised by business actors and other stakeholders and assess how these concerns have influenced the legislative outcomes. By drawing on academic literature as well as grey literature including consultation feedback, lobbying materials, and policy briefs this research aims to shed light on the complex interplay between normative ambition and administrative realism in the governance of corporate sustainability. Ultimately, the study contributes to a broader reflection on the legitimacy, effectiveness, and future direction of the EU's sustainable development agenda.

To guide the reader, the thesis is structured in seven chapters. Chapter 1 situates the work in the international and EU policy context (Paris Agreement, European Green Deal, the competitiveness agenda and the Draghi report). Chapter 2 clarifies the theorical foundations, value chains, corporate social responsibility, and due diligence. Chapter 3 sets out the EU legal architecture, detailing the original CSRD and CS3D frameworks, their objectives and interlinkages, and the role of the ESRS. Chapter 4 examines the 2025 simplification dynamics ("Omnibus I" and the "Stop-the-Clock" directive), including scope recalibration, the value-chain reporting cap, and adjustments to due-diligence and ESRS. A dedicated section then states the research objective and the empirical framework. Chapter 5 presents the qualitative methodology and limitations. Chapter 6 reports the empirical findings by theme and synthesizes the main fault lines in the debate. Chapter 7 offers discussion, drawing implications for EU sustainability governance. References and appendices (including comparative tables and the document corpus) conclude the manuscript.

[5] Ibid., p. 2.

Theorical framework

1. Chapter 1: Context

1.1 Paris Agreement

The Paris Agreement is an international treaty on climate change with legal obligations, adopted by 196 parties (195 countries and the EU) during the UN Climate Change Conference (COP21) held in Paris, France, on December 12, 2015, and entering into force on November 4, 2016. (As for Belgium, it deposited its instrument of ratification with the United Nations on April 6, 2017, making it the 142nd country to have ratified The Paris Agreement (The Brussels Times, 2017).

The agreement's main objective is to limit the global average temperature rise to well below 2°C above pre-industrial levels, while also pursuing efforts to keep this increase under 1.5°C. (Paris Agreement, Art. 2). In recent years, leaders worldwide have underscored the need to cap global warming at 1.5°C by the end of the century.

The UN's Intergovernmental Panel on Climate Change (IPCC) warns that surpassing the 1.5°C threshold could trigger significantly more extreme climate events, including intense droughts, heatwaves, and heavy rainfall. To stay within the 1.5°C limit, global greenhouse gas emissions must peak by 2025 at the latest and reduce by 43% by 2030 (IPCC, 2022).

The Paris Agreement marks a milestone in the global effort to address climate change, as it is the first binding accord that unites all nations to collectively combat climate change and adapt to its effects (UNFCCC, n.d.).

The agreement is based on the principle of collective responsibility and diplomatic pressure, rather than a punitive system. It encourages countries to meet their commitments through:

- A transparency mechanism: Art. 4 of the Paris Agreement calls on parties to regularly publish their progress. An international review highlights those who fail to meet their commitments. Countries must submit their Nationally Determined Contributions (NDCs), specifying the actions they plan to take to reduce greenhouse gas emissions reflecting their highest possible ambitions and adapt to the effects of climate change. (UNFCCC, n.d)
- Political and public pressure: public opinion, NGOs, and other states can criticize underperformers.
- There are no fines or economic sanctions. However, a country that fails to meet its commitments risks:
    - A loss of credibility on the international stage (Bang, G., Hovi, J., & Skodvin, T., 2016).
    - Increased pressure from other countries and civil society (Stankovic, T., Hovi, J. & Skodvin, T., 2023).
    - A possible reduction in climate funding from international organizations or other countries (Bang, G., Hovi, J., & Skodvin, T., 2016).

The Paris Agreement therefore relies on voluntary commitment and emulation between countries, rather than strict sanctions. This is justified by the fact that past experience has shown that punitive systems in place of transparency systems have failed.

The example of the Kyoto protocol supports this idea Only 37 states, mainly European, have accepted binding targets, while 156 others have limited themselves to non-binding commitments, revealing persistent skepticism about the impact of human CO2 emissions and the effectiveness of reduction measures. The absence of strict sanctions and the free-rider problem (countries benefiting from the efforts of others without contributing themselves) are highlighted as major flaws in the protocol. The abandonment or refusal to participate by countries such as the United States, Canada and New Zealand illustrates this dynamic.[6]

1.2 European Green Deal

On December 11, 2019, at the COP25 meeting in Madrid, the European Commission proposed the "Green Deal", which aims to comply with the objectives of the Paris Agreement. In particular, it aims to achieve a climate-neutral European Union by 2050.

On the day the "European Green Deal" project was announced, European Commission President Ursula Von Der Leyen stated: '*The European Green Deal is our new growth strategy – for a growth that gives back more than it takes away. It shows how to transform our way of living and working, of producing and consuming so that we live healthier and make our businesses innovative. We can all be involved in the transition and we can all benefit from the opportunities. We will help our economy to be a global leader by moving first and moving fast. We are determined to succeed for the sake of this planet and life on it – for Europe's natural heritage, for biodiversity, for our forests and our seas. By showing the rest of the world how to be sustainable and competitive, we can convince other countries to move with us*.' [7]

This speech demonstrates Europe's strategy in the face of the major contemporary challenges of climate change and international economic competitiveness. The European Green Deal is the answer to these challenges. It's a new strategy to steer Europe towards a growth society, while reducing resource exploitation and aiming to become the first climate-neutral continent by 2050. The European Green Deal does not constitute legislation per se but rather serves as a comprehensive policy strategy that sets out directions and objectives across various areas of public policy (Fetting, 2020).

In order to meet the European Commission's climate, energy and transport targets of reducing greenhouse gas emissions by at least 55% by 2030 compared with 1990 levels, a binding intermediate target has been set for 2030.[8]

The European Commission has finalized its "Fit for 55" legislative packages, aimed at cutting EU greenhouse gas emissions by at least 55% by 2030. This package ensures legally binding climate targets across key sectors and strengthens the EU's commitment to the European Green Deal.[9] This legislative package includes new proposals to help achieve climate neutrality (European Commission, n.d). Indeed, the European Council is aware of the need to put in place instruments and incentives to achieve the target (European Council, 2019).

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[6] Caytas, J. D. (2018). The COP21 Negotiations: One Step Forward, Two Steps Back. *Consilience*, *19*, p. 5.

[7] EU Commission. (2019; December 11). The European Green Deal sets out how to make Europe the first climate-neutral continent by 2050, boosting the economy, improving people's health and quality of life, caring for nature, and leaving no one behind. [Pres release].

[8] European Council. (2020, December 11). European Council meeting (10 and 11 December 2020) – Conclusions (EUCO 22/20). General Secretariat of the Council, p. 5.

[9] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law').

With the legislation now in place, Member States must implement these measures through their National Energy and Climate Plans (NECPs). The Commission will continue discussions with citizens and industries to support implementation. Additionally, negotiations on complementary European Green Deal policies in energy, circular economy, and nature protection continue (European Commission, 2023).

These targets are now enshrined in law and are therefore binding through the European Climate Law of June 30, 2021, which came into force on July 29, 2021.[10] Article 2 of the European climate law reiterates the goal of climate neutrality by 2050, i.e. reducing carbon emissions to 0. Carbon neutrality is defined as follows: "*Carbon neutrality refers to net-zero carbon dioxide (CO2) emissions attained by balancing the emission of CO2 with its removal so as to stop its increase in the atmosphere that causes global warming*" (Chen, 2021). Moreover, as reminds article 4 of the Paris Agreement:" *In order to achieve the long-term temperature goal […], Parties aim to reach global peaking of greenhouse gas emissions as soon as possible […], and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century […].*

Articles 6 and 7 of European Climate Law provide for continuous testing on both national and European Union scales from September 30, 2023, and every 5 years thereafter to monitor collective progress towards the set objective.

For the purposes of this thesis, our focus will be on "Designing a set of deeply transformative policies" that will enable the EU to achieve its ambitions.[11] The focus will be on 2 European directives that attempt to respond to the contemporary climatic and social challenges that the EU has set itself to solve or at least mitigate. These 2 directives are the Corporate Sustainability Reporting Directive (Csrd) and the Corporate Sustainability Due Diligence Directive (CS3D). They are two closely linked initiatives, destined to function in concert. Their complementary nature will not only enhance the effectiveness of the two systems but also help to bring about a genuine change in behavior within the companies concerned.[12] While the CSRD focuses on comprehensive sustainability disclosure, CS3D introduces a due diligence obligation that compels companies to embed responsible practices across their operations. The concept of due diligence will be explored later in this paper.

Their recent evolution, influenced by the Omnibus in the current context and by the findings of the Draghi report, will also be examined in this paper.

1.3 The European Competitiveness and Draghi report

In these troubled and uncertain times, linked to a highly volatile and changing world, Europe has not been spared from this instability. Draghi's report made a striking and undeniable observation, namely that Europe is losing competitiveness in relation to its trading partners. This gap is the result of a number of factors: energy, which has become much worse as a result of the Russian-Ukrainian

[10] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ("European Climate Law").

[11] Communication from the Commission to The European Parliament, The European Council, The Council, The European Economic and Social Committee and the Committee of the Regions. The European Green Deal. Brussels, 11.12.2019 COM(2019) 640 final, p. 4.

[12] Proposal for a directive of the European parliament and of the council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937. Brussels, 23.2.2022 COM(2022) 71 final 2022/0051 (COD). p. 4.

conflict.[13] The dependence on certain raw materials crucial to accelerating and driving forward the required transformation of the European economy.[14] The decline in the number of innovations and our lag in certain technologies such as artificial intelligence.[15]

Among the many solutions mentioned in the report, one is of great interest for the purposes of this thesis, namely, simplifying the regulatory environment, reducing burden and favoring speed and flexibility.[16]

Indeed, this problem is far from new. In 2020, the *Annual Report on European SMEs 2020/2021* prepared for the European Commission highlighted the issue of administrative burden.

This survey revealed the following: "The majority of SMEs are positive about most aspects of their business environment but point to regulatory obstacles or administrative burden as the biggest problem."

And more specifically:

- Large companies are much more likely than SMEs to say the legal and administrative business environment is good (76% vs 65%)
- The areas that pose the biggest problems for SMEs are regulatory obstacles or administrative burden (55%), payment delays (35%) and access to finance (21%) (European Commission, *Annual Report on European SMEs 2020/2021*).

This highlights the hindrance that administrative and legal burdens can be for European companies, and SMEs in particular.

In response to these findings, in 2023, the European Commission did not stand idly by, and an SME Relief Package has been developed to counter the problems highlighted in the study for SMEs, which account for 99% of all businesses in Europe.[17]

The committee decided to take a number of initiatives, including:

- Appointing a special EU SME representative to report to the President.
- Reducing the burden of EU legislation.
- To take better account of the needs of SMEs in new legislation, the European Commission plans to incorporate specific measures, such as:
    - Longer transition periods for SMEs,
    - Adapted practical guidance (e.g. summaries, training),
    - Special attention to the impact of delegated/executing acts, and encouragement of feedback via the "Have your say" portal,
    - The introduction of sunset clauses to ensure that legislation remains relevant and streamlined for SMEs.[18]

Although the SME Relief Package of 2023 laid the foundations for a reduction in the administrative burden, the lack of concrete results by the end of 2024 reveals either a slow pace of

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[13] European Commission, *The future of European competitiveness: Part B—In-depth analysis and recommendations* (2024), p. 5.
[14] Ibid., p 44-45.
[15] Ibid., p. 67.
[16] Ibid., p. 317 ff.
[17] Communication from the Commission to the European parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *SME relief package*, COM(2023) 535 final, p. 2.
[18] Ibid., p. 7.

implementation, or a structural failure of the mechanisms envisaged to really ease the burden for SMEs, particularly in the context of sustainability requirements (BusinessEurope, 2023).

Aware of this major flaw, repeated by the Draghi report at the end of 2024, the European Commission has once again expressed its ambition to take initiatives to remedy the underlying problems. In January 2025, the European Commission shared its communication to the European Parliament on a compass for EU competitiveness which will guide the work in the coming five years in order to boost the economic dynamism in Europe.[19] In its political guidelines for the next European Commission Ursula von der Leyen states that she will make business easier by "making proposals to simplify, consolidate and codify legislation to eliminate any overlaps and contradictions while maintaining high standards.", "introducing a new category of small mid-caps and assess where existing regulation applying to large companies is too burdensome, disproportionate or a hindrance to their competitive development", and "simplifying and designing with small businesses in mind future legislation. This will notably be done through a new SME and competitiveness check to help avoid unnecessary administrative burdens, maintaining high standards."[20]

In the communication on a competitive compass for the EU, it reiterates the administrative burden placed on companies, particularly small and medium-sized ones. It also takes up the fundamental points of the Draghi report, which recommends simplifying the regulatory environment, reducing administrative overload and stimulating speed and flexibility in that same environment.[21]

Then, the European Commission has expressed its desire to make Europe bolder, simpler and faster, and to simplify the rules and make their implementation more effective. To address the growing complexity of EU legislation, the European Commission has committed to reducing administrative burdens by at least 25% overall, and 35% specifically for small and medium-sized enterprises (SMEs). This objective will be pursued through an annual programme of evaluations and "fitness checks" to ensure consistency and continuity in the simplification process.[22]

As part of its *Omnibus* legislative proposals, the Commission intends to streamline rules in key sectors identified by stakeholders and highlighted in the Draghi report. These reforms will focus on enhancing coherence across legislation, particularly in the areas of sustainability reporting, due diligence, and the EU taxonomy. Specific adaptations are planned for small mid-cap companies, easing their compliance requirements. Beyond simplification, the Commission emphasizes the importance of effective implementation. It aims to collaborate closely with the European Parliament, the Council, Member States, and stakeholders to reduce over-implementation ("gold plating") and ensure more efficient application of EU laws. Each Commissioner will be required to present annual progress reports to reinforce institutional accountability. Stakeholder engagement will play a key role in this agenda.

[19] Communication from the commission to the European Parliament, the European Council, the Council, the European economic and social Committee and the Committee of the regions, *A competitiveness compass for the EU*, COM(2025) 30 final, p. 2.
[20] Von der Leyen, U. (2024, July 18). *Europe's choice: Political guidelines for the next European Commission 2024–2029*. European Commission, p. 7.
[21] Communication from the commission to the European Parliament, the European Council, the Council, the European economic and social Committee and the Committee of the regions, *A competitiveness compass for the EU,* COM(2025) 30 final, p. 2.
[22] Communication from the Commission to the European Parliament, the Council, the European economic and social Committee and the Committee of the regions commission *Work Programme 2025 moving forward together: a bolder, simpler, faster union*, COM(2025) 45 final, p. 2.

Regular dialogues between policymakers and practitioners are planned to evaluate the implementation process, identify challenges, and collect feedback on the efficacy of existing regulations.[23]

1.4 Chapter 1 summary and Transition

This chapter has outlined the international but more specifically the European policy frameworks that structure the EU's climate and sustainability ambitions, from the Paris Agreement to the European Green Deal and recent competitiveness issues spotted, and improvements proposed by the Draghi Report and the Omnibus package. This illustrates a fundamental shift in regulatory thinking with growing attention to corporate actors and their transnational impacts.

Within this evolving landscape, the focus of the EU has turned to companies as central levers of sustainability transformation, particularly through new binding instruments such as the CSRD and CS3D. These directives aim to extend responsibility across entire global value chains, reflecting the growing importance of corporate accountability.

To understand the implications of this shift, the next chapter will explore the subject of extended corporate responsibility, including the value chain, corporate social responsibility and due diligence. Those are three pillars underpinning the emerging sustainability governance architecture in Europe.

[23] Ibid., p. 3.

2. Chapter 2: Responsible practices in global value chains

2.1 What is a value chain

Before examining the concept of the value chain, it is important to understand the distinction between it and the concept of the supply chain.[24] Whereas the notion of value chain refers to the internal activities by which a company creates value and competitive advantage, the concept of supply chain traditionally addresses a different but complementary dimension of operations. Indeed, the supply chain focuses on purely logistical and operational aspects, such as the network of suppliers, manufacturers, distributors, customers, production, transformation and delivery of goods (Mentzer et al., 2001).

In contrast, the value chain is a concept introduced by Michael Porter in 1985 in his book *"Competitive Advantage"*. It refers to all the internal activities carried out by a company to design, produce, market, deliver and support a product or service. These activities are organized to create value for the end customer, while generating a competitive advantage for the company. According to his concept, it can be separated in two types of activities, the primary ones (Inbound logistics, operations, outbound logistics, marketing and sales, and services) and the support ones (infrastructure, human resources, technology development and procurement).

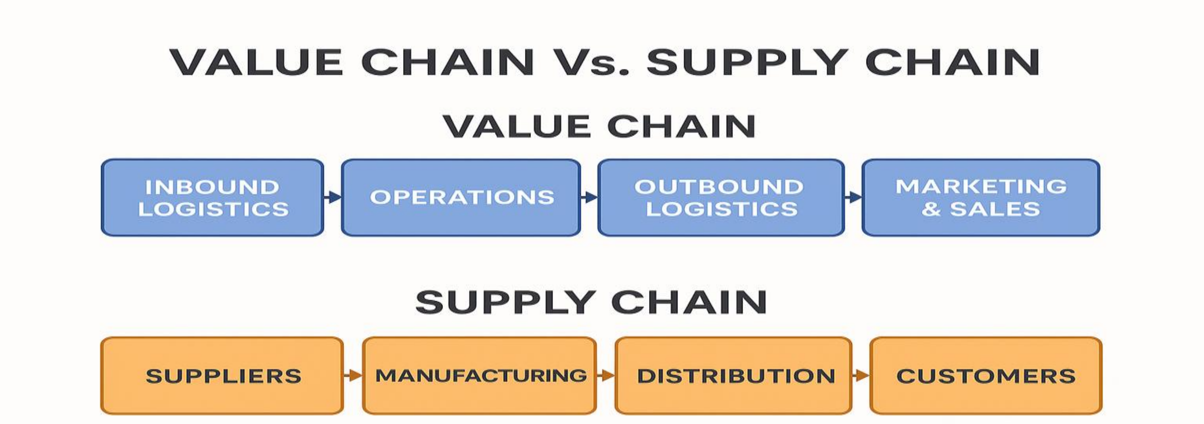

Figure 1 - Value Chain Vs. Supply Chain

OpenAI. (2025). AI-generated illustration via ChatGPT

Since Porter's initial formulation, the value chain has undergone a certain evolution, in particular through globalization. Researchers such as Gereffi, Humphrey and Sturgeon introduced the notion of Global Value Chains (GVCs), highlighting the geographical dispersion and fragmentation of production processes across different countries (Herkenhoff et al., 2024). According to Gereffi et al. (2005), governance structures within GVCs have become crucial, as firms not only coordinate production activities but also increasingly manage risks related to social and environmental standards (Gereffi et al., 2005).

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[24] Although the classical conception of supply chain management that will be examined focuses on the operational and logistical coordination between firms (Mentzer et al., 2001), more recent literature highlights an evolution of the supply chain concept towards more strategic and technology-driven considerations, integrating dimensions such as customer centricity, sustainability, data science, and blockchain (Min, Zacharia, & Smith, 2019).

This complexity has contributed to a shift in the way our economies are perceived and has changed them in recent years. Companies that previously took a narrow view and focused on short-term gains have been driven to introduce social and environmental factors into their value chains (D'heur Michael, 2015). The shift from local value creation to global value orchestration has led scholars to highlight new challenges, such as supply chain visibility, ethical sourcing, and accountability for impacts occurring outside the firm's direct control (Gereffi, 2018; Ponte, 2019). Consequently, companies are now expected to integrate broader social, environmental, and human rights considerations into their value chain management, particularly in response to growing societal and regulatory pressures (Lund-Thomsen & Lindgreen, 2014).

While some companies have changed their stance on their own initiative or in response to popular pressure linked to current social and environmental issues, others have done so in response to European Union legislative requirements. Regulatory frameworks now impose new obligations. Initiatives such as the Green Deal, the CSRD or the CS3D illustrate this move towards a more framed environment, where sustainability is no longer an option, but an operational and legal requirement, rather than a voluntary initiative (Brammer et al., 2012).

The most striking example of this is the entry into force of the CSRD, adopted by the EU in 2022. This directive is part of a broader strategic framework, that of the Capital Markets Union. Indeed, in its conclusions of December 5, 2019, the Council of the European Union had already stressed that there was a need to: "consider *the development of a European non-financial reporting standard taking into account international initiatives, with specific attention for climate-related disclosures (in order to promote Paris alignment of investment flows*)"[25]

This call to action led to the development of the European Sustainability Reporting Standard (ESRS), adopted in July 2023 via Regulation (EU) 2023/2772. These standards now impose strict obligations on European companies in terms of transparency on ESG impacts, risks and opportunities, not only within their direct perimeter, but across their entire value chain, a notion that has become central in the new regulatory landscape.[26]

According to the official definition contained in the Commission Delegated Regulation (EU) 2023/2272, the value chain is understood as follows: "*The full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. Relevant activities, resources and relationships include:*

i. Those in the undertaking's own operations, such as human resources;

ii. those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and

iii. the financing, geographical, geopolitical and regulatory environments in which the undertaking operates.

Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking's products or services. Entities downstream from the undertaking (e.g., distributors,

[25] Council of the European Union. (2019, December 5). *Council conclusions on the deepening of the Capital Markets Union* (14815/19). General Secretariat of the Council, p. 11.
[26] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, p. 13.

customers) receive products or services from the undertaking. ESRS use the term "value chain" in the singular, although it is recognized that undertakings may have multiple value chains"[27]

Companies must therefore analyze, map and disclose the material impacts on the entire chain, from suppliers to customers, via geopolitical conditions, natural resources and regulatory environments. This requirement is structured around the principle of double materiality, a fundamental pillar of ESRS reporting, and is part of a logic of due diligence extended to all the company's significant interactions.

The aim is twofold. Firstly, to report on the company's impact on society and the environment (impact materiality). Secondly, to identify ESG risks or opportunities that could affect its financial performance (financial materiality), including those originating from partners or activities not directly controlled.[28]

In this context, the value chain is no longer a strictly economic notion, but becomes a strategic, regulatory and ethical lever. It forces companies to rethink their role in a globalized ecosystem, to document their commitments, and to account for all their economic interactions. The CSRD and ESRS thus mark the transition from voluntary reporting to mandatory sustainability governance, redefining the contours of performance in the European economy.

2.2 Evolution of corporate social responsibility

The shared value principle is the new way of conceiving this paradigm. It refers to the simultaneous creation of economic value and social progress, whereby companies address societal and environmental need through their core business operations. This approach redefines competitive advantage by extending corporate responsibility across the entire value chain, making firms linearly accountable for the impacts of their suppliers and partners (Porter & Kramer, 2011).

Consequently, new dimensions are being integrated into the conception of the value chain ecological, social, and ethical, alongside the traditional economic and competitive elements (D'heur Michael, 2015). Understanding the value chain is therefore essential, as all strategic decisions taken at the corporate level ultimately cascade through it. Today, managing a value chain means more than optimizing logistics or minimizing costs, it also involves reducing environmental impact, promoting social equity, and ensuring transparency across all links of the chain, from raw material sourcing to end-customer delivery (Herkenhoff et al., 2024).

We are therefore witnessing what is known as "corporate social responsibility" (CSR).

The concept of Corporate Social Responsibility emerged in the United States in the 1970 in reaction to growing social expectations towards companies and criticism of the purely profit-driven shareholder model (Friedman, 1970). It is based on an evolving conception of the role of the company: it is no longer limited to the sole pursuit of profit for shareholders (Shareholder Theory)[29] but is part of a broader logic of general interest, taking into account all stakeholders (Stakeholder Theory) (Freeman, 2015).

From this point of view, corporate performance is understood in three independent dimensions: economic, social and environmental. CSR can thus be defined as all the steps taken by a

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[27] Ibid., p. 282.
[28] Ibid., p. 9.
[29] Caucheteux, L. et Roegiers, M., « La responsabilité sociétale des entreprises (RSE) au regard des pratiques commerciales », *R.D.C.-T.B.H., 2015/7,* p. 655.

company to voluntarily integrate social and environmental concerns into its commercial activities and its relations with stakeholders.

Over time, CSR has been progressively formalized and structured, notably through international frameworks such as the ISO 26000 published in 2010. Unlike other standards such as ISO 9001 or ISO14001, ISO 26000 is not certifiable, rather, it provides voluntary guidance on how organizations should integrate social responsibility into their operations and interactions with stakeholders (Hemphill, 2013). It defines social responsibility as the organization's accountability for the impacts of its decisions and activities on society and the environment, emphasizing ethical behavior, respect for stakeholder interests, transparency, the rule of law, international norms of behavior and human rights. Integrating stakeholder interests into corporate governance redefines managerial responsibilities and supports long-term value creation based on mutual benefits across the corporate ecosystem (MacDonald, 2009).

It should be emphasized that CSR does not have a uniform legal definition, due to its evolving and contextual nature. Traditionally, CSR commitments have been made on a voluntary basis, within the framework of soft law, as opposed to hard law, which is binding in nature.[30] However, this voluntary approach is being increasingly challenged by regulatory developments in the EU blurring the line between the two concepts. Directives such as the CSRD and the CS3D which both aim to codify sustainability obligations into binding legal frameworks, mark a transition from soft to hard law by imposing due diligence obligations and reporting requirements on companies with regard to their entire value chain.[31]

2.3 What is due diligence

Due diligence has a number of possible facets, depending on the area of law in question. Due diligence is a twofold notion, one related to business processes and the other one to a legal concept.

Due diligence as a business process: Primarily used in business law and rooted in common law systems, this practice refers to the obligation of prudence and care in transactions, particularly before corporate mergers and acquisitions[32] The term describes the process businesses are expected to follow to investigate their operations and mitigate commercial risks. The fundamental aim of due diligence is to validate the accuracy of information, facts and representations pertaining to a given commercial transaction. The scrutiny serves to evaluate the transaction's value, pricing, and risks, encompassing the possibility of future litigation.[33]

In Belgian law, due diligence is not explicitly defined.[34] Nevertheless, for pragmatic reasons, its mechanisms can be found, in addition to business law, in law of obligations. It is based on pre-contractual information obligations, the principle of culpa in contrahendo, and derives from case law. These legal foundations, which echo due diligence in Belgian law, can be seen in the guarantee against eviction (art 1626 of the Belgian Civil Code) and the guarantee for hidden defects (art 1641 of the

[30] Ibid., p. 655.

[31] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — *Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937*, COM(2022) 71 final, p. 3

[32] Verleisdonk, Y., Janssens, E. en Wilkenhuysen, M., « Hoofdstuk I - Het begrip due diligence, inleiding en situering » in *Due diligence*, 2e editie, Bruxelles, Intersentia, 2011, p. 1-12

[33] Bonnitcha, J., & McCorquodale, R. (2017). The concept of 'due diligence'in the UN guiding principles on business and human rights. *European Journal of International Law, 28*(3), p901-902.

[34] Verleisdonk, Y., Janssens, E. en Wilkenhuysen, M., « Hoofdstuk II - Due diligence in het belgisch recht » in *Due diligence*, 2e editie, Bruxelles, Intersentia, 2011, p. 13.

Belgian Civil Code).[35] In fact, due diligence has become a professional standard for minimizing legal risks in the event of litigation or legal action.[36]

However, the scope of due diligence has evolved with the times and the challenges that go with it. The emergence of corporate sustainability and human rights in value chains has led to an evolution in the due diligence principles described above. In addition to financial risks and information, non-financial information is now included, such as environmental and social impact. The 2018 Organization for Economic Co-operation and Development (OECD) guidelines on due diligence for responsible business conduct have extended precisely this data to due diligence in order to cover potential risks to human beings and the planet, and no longer just the risks inherent in the company itself (OECD, 2018).

Due diligence is thus no longer understood as discretionary and investor-focused, but has become mandatory and stakeholder-oriented, redefining the responsibility of companies in their value chains. Companies must prevent potential negative impacts of their activities on their value chain concerning the environment or human rights, and report on how they rectify these shortcomings.[37] Negative impacts are listed as follows: "*Adverse impacts include, in particular, human rights issues such as forced labor, child labor, inadequate workplace health and safety, exploitation of workers, and environmental impacts such as greenhouse gas emissions, pollution, or biodiversity loss and ecosystem degradation*."[38]

<u>Due diligence as a Standard of Conduct</u>: This principle is inspired by Roman law. A person was liable even for accidental harm if he did not meet the standard of conducts expected that should have been foreseen by a diligent man in order to prevent a foreseeable harm. This principle, *"the diligens paterfamilias"*, has influenced and was incorporated later on into Roman Dutch tort law and in civil law legal systems.[39] (In Belgium, the historically rooted notion of the *"bon père de famille"* has been officially replaced by the gender-neutral concept of a *"personne prudente et raisonnable"*, in line with the modernization of the Civil Code.)[40]

In international law, this standard of conduct migrated into doctrines of state responsibility, exemplified early on by the "Alabama Case" (1872) where due diligence was applied to assess whether or not the UK had failed to prevent its nationals from taking part in the Confederacy during the American Civil War.[41]

In current international legal order, due diligence functions both as a risk management process, and as a criterion of responsible conduct, and is applied to corporate conduct in particular through the UN Guiding Principles on Business and Human Rights (UNGPs). Although not explicitly a legal duty, the UNGPs frame due diligence as a social norm that embodies the corporate responsibility to respect

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[35]Ibid., p. 15.
[36] Ibid., p. 27.
[37] European Commission, *Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937*, COM(2022) 71 final, p. 32.
[38] Ibid., p. 2.
[39]Bonnitcha, J., & McCorquodale, R. (2017). The concept of 'due diligence'in the UN guiding principles on business and human rights. European Journal of International Law, 28(3), p. 902-903.
[40] Ordre des barreaux francophones et germanophone de Belgique (OBFG). (2022, 26 avril). *Les livres 1er et 5 du Code civil enfin adoptés*. La Tribune.
[41] Bartolini, Giulio, 'The Historical Roots of the Due Diligence Standard', in Heike Krieger, Anne Peters, and Leonhard Kreuzer (eds), *Due Diligence in the International Legal Order* (Oxford, 2020; online edn, Oxford Academic, 18 Feb. 2021), p. 27.

human rights.[42] Notably, if companies cause or contribute to adverse impacts and are in a position to influence them, they have a role to play to prevent and remedy the adverse impacts.

However, this previously voluntary principle has recently been transposed into binding legislation. Indeed, the effectiveness of the guiding principles outlined above has been called into question. The principles of due diligence have not achieved their intended objectives in this form.[43] International value chains and the activities of multinational companies have long had a proven impact on human rights and the environment. It is precisely this reality that led to the adoption, in 2011, of the United Nations Guiding Principles on Business and Human Rights. Nonetheless, the persistence of human rights abuses and environmental damage in the supply chains of transnational corporations has highlighted the limits of voluntary approaches. This situation has prompted legislators to recognize the need to establish binding legal obligations in terms of due diligence, both on human rights and environmental issues (KPMG, 2024).

In view of the voluntary due diligence carried out under the OECD and UN guidelines, which has not borne fruit as expected, the soft law has progressively evolved into hard law instruments. This is reflected for instance in actions taken nationally by some countries such as France, which was a pioneer, with its "*LOI no 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre*"[44] in 2017 or by Germany with its law on corporate duty of care in supply chains (*Lieferkettensorgfaltspflichtengesetz*, abbreviated *LsKG*).[45]

More recently, The OECD framework on responsible business conduct has progressively evolved from soft law into a quasi-regulatory reference. While the *OECD Guidelines for Multinational Enterprises* remain formally non-binding, their 2023 revision reflects a growing convergence toward binding standards (OECD, 2023). Initially general recommendations, they now include detailed expectations on risk-based due diligence, stakeholder engagement, and transparency. This update reinforces this trend by aligning due diligence with international sustainability goals.

In fact, the legal breakthrough that best reflects this desire to align due diligence with international sustainability goals lies in Directive 2024/1760 on corporate sustainability due diligence. The latter represents a significant normative shift, transforming due diligence from a discretionary best practice into a legal duty applicable to EU and non-EU companies. In addition, it establishes a European legal framework and thus avoids fragmentation caused by national laws such as the French and German ones described earlier, which would undermine legal certainty and equal conditions of competition for companies within the single market.[46]

2.4 Chapter 2 summary and transition

This chapter explored the conceptual and normative evolution of corporate responsibility within global value chains. After having distinguished the value chain from the supply chain, the value chain has been analyzed with its expansion from a tool of competitive advantage into a framework for

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[42] Ruggie, J. G., & Sherman III, J. F. (2017). The concept of '"Due Diligence" in the UN Guiding principles on business and human rights: a reply to Jonathan Bonnitcha and Robert McCorquodale. *European Journal of International Law, 28*(3), p. 923.

[43] European Parliament. (2020). *Corporate due diligence and corporate accountability, p.* 63.

[44] Loi n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre, JO n° 74, 28.03.2017.

[45] Grabosch, R, *The German Supply Chain Due Diligence Act: Germany sets new milestones for the protection of human rights (LkSG)*. Friedrich-Ebert-Stiftung.

[46] European Commission, *Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937*, COM(2022) 71 final, p. 2.

managing environmental, social and human rights across dispersed and interconnected production networks. This transformation reflects increasing academic, societal, and regulatory expectations for companies to ensure sustainability and accountability beyond their immediate operations.

Chapter 2 also traced the evolution of Corporate Social Responsibility from a voluntary stakeholder-drive approach to a more formalized system influenced by international standards such as ISO 26000 and the OECD Guidelines. Moreover, the same examination has been conducted for due diligence, once rooted in private law and business transactions and has now evolved into a multidimensional obligation encompassing environmental and human rights concerns. This shift from soft law to hard law is particularly evident in recent national and European regulatory developments.

Building on this conceptual groundwork, the next chapter will examine the legal foundations of the EU's corporate sustainability agenda, focusing on CSRD and CS3D. it will analyze their scope, objectives and enforcement mechanisms, as well as the simplification measures introduced through the Omnibus legislative package. The latter aims to enhance legal clarity and reduce administrative burdens, particularly for SMEs.

3. Chapter 3: Theorical and Legal foundations in the EU

As mentioned earlier in this paper, The European Union has positioned itself as a global leader in the development of regulatory frameworks aimed at promoting corporate sustainability. Among the various instruments introduced in this context, two directives stand out for their ambitious scope and systemic implications: the Corporate Sustainability (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). In this section, the evolution and foundations of both will be reviewed.

These two directives are the ones that best reflect the perspective of this dissertation, i.e., the extension of corporate responsibility even beyond company boundaries. Obligations are no longer placed solely on their internal operations, but on their entire value chains.

Moreover, they raise several political and institutional questions precisely because of the increase in the number of obligations, taking a more technocratic path for some.

Lastly, these two directives are closely linked. Indeed, where the CSRD brings reporting obligations, the CS3D tends to impose substantive obligations to identify and mitigate the adverse impacts that occur through their activities.

For these reasons, the present chapter explores the legal and theoretical foundations of the CSRD and CS3D in greater depth, before turning to the empirical controversies they have triggered. It first locates these directives within the evolving architecture of EU sustainability law and then analyses their underlying normative rationales and legal mechanisms.

3.1 The original CSRD Framework

3.1.1 Background of the CSRD

In order to achieve the objectives, set out in its resolutions of 6 February 2013, on "*Corporate Social Responsibility: accountable, transparent and responsible business behavior and sustainable growth*" and "*Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery*".[47] The European Parliament has recognized the importance of disclosing non-financial sustainability information and increasing consumer and investor confidence. Non-financial disclosures help to account for the company's potential impact on society and are essential to the successful transition to a sustainable economy. It was with this thought and ambition that the Directive (EU) 2014/95 "Non-Financial Reporting Directive" (NFRD) saw the light of day on October 22, 2014.[48] This represents a real turning point, given that in 1993, 12% of companies were involved in sustainability reporting, compared with 80% by 2020, and this figure rise to 90% when only the world's largest companies are taken into account (KPMG, 2020).

On December 14, 2022, the European Commission adopted Directive (EU) 2022/2464 "Corporate Sustainability Reporting Directive" (CSRD) on sustainable reporting, replacing the NFRD. This change was prompted by the shortcomings encountered with the NFRD, which were reported in

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[47] European Parliament, Resolution of 6 February 2013 on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery (2012/2097(INI)), OJ C 24, 33–48.

[48] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, p. 1.

an implementation appraisal based on a 2019 consultation.[49] The report highlighted several points that needed to be addressed: "lack of comparability, reliability and relevance of non-financial information disclosed by companies, limited scope ...".[50] The implementation of this directive stems largely from the commitment made by the European Commission in its 11 December 2019, communication entitled "*European Green Deal*" to revise the provisions relating to Directive (EU) 2014/95 (NFRD) on the publication of non-financial information.[51] The CSRD is one of four regulatory texts dealing with sustainable finance and corporate governance, along with Directive (EU) 2024/1760 "Corporate Sustainability Due Diligence Directive" (CS3D), the Regulation EU 2020/852 "Environmental Taxonomy" and the Regulation (EU) 2019/2088 "Sustainable Finance Disclosure Regulation" (SFDR) (Novata, 2023).

In this section, the description focused exclusively on the provisions of the initial CSRD as adopted in 2022, without anticipating later amendments introduced by the omnibus package, which will be reviewed in Chapter 4.

3.1.2 Comparison between NFRD and CSRD

The NFRD, adopted in 2014 and effective from the 2017 financial year, constituted the EU's initial regulatory framework for non-financial reporting. According to Article 1 of the Directive 2014/95/EU Its scope was confined to large public-interest entities (such as banks, insurers and listed companies) that were exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year.[52] Roughly 11,700 companies were in the scope of the directive (Greenly, 2025).

By contrast, the CSRD (Directive (EU) 2022/2464) significantly broadened the scope. It extends reporting to all "large undertakings", defined in Article 3(4) of Directive 2013/34/EU, that exceed at least two of three updated thresholds (as adjusted by Commission Delegated Directive (EU) 2023/2775)[53]: €50,000,000 net turnover; €25,000,000 balance-sheet total; 250 employees on average.[54]

Additionally, CSRD included listed small and medium-sized enterprises, thereby covering an estimated 50,000 companies.[55] Notably, its geographic scope extended beyond EU-based entities to also encompass subsidiaries of non-EU corporations that possess substantial operations within the European market.

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[49] Hahnkamper-Vandenbulcke, N. (2021). *Non-financial Reporting Directive: Implementation Appraisal*. European Parliamentary Research Service.

[50] Katrin Hummel & Dominik Jobst (2024*) An Overview of Corporate Sustainability Reporting Legislation in the European Union, Accounting in Europe*, 21:3, p. 324.

[51] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, p. 15.

[52] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, Art. 1.

[53] According to Eurostat figures between January 1, 2013, and March 31, 2023, cumulative inflation reached 24% in the eurozone and 27.2% across the EU as a whole. This analysis prompted the European Commission to adjust the thresholds referred to in Article 3(1-7) of Directive 2013/34/EU/ upwards by 25%.

[54] Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups, Art. 1.

[55] European Parliament, *European Parliamentary Research Service (EPRS), Corporate Sustainability Reporting Directive (CSRD) — Legislative Train (A European Green Deal),* 15 Dec. 2024, p. 2.

From a standards perspective companies were allowed to select from various voluntary guidelines such as those developed by the Global Reporting initiative or the United Nations Global Compact (UNGC).[56] The guidelines on non-financial information have not had a significant impact on the quality of non-financial information produced by companies.[57] In contrast, the CSRD mandated adherence to the European Sustainability Reporting Standard (ESRS), thus ensuring consistency and comparability across disclosures.[58]

Moreover, the CSRD introduces the obligatory use of a digital reporting format. While the NFRD left the publication format to the discretion of companies,[59] the CSRD imposes mandatory digital reporting using the XHTML format integrated with the European Single Electronic Format (ESEF) tagging requirements.[60] This reporting format is in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815.[61] By this way there is an enhancement in accessibility for stakeholders and regulatory bodies alike.

Another noteworthy distinction lies in the assurance requirements. Under the NFRD, there had been no explicit obligation for external audit or verification of sustainability information. As stated in article 19a, paragraph 5 of the NFRD directive: "*Member States shall ensure that the statutory auditor or audit firm checks whether the non-financial statement referred to in paragraph 1 or the separate report referred to in paragraph 4 has been provided*.".[62] This means that the statutory auditor or audit firm only looks at the presence of the report, but not its content.

However, the CSRD rectifies this gap by introducing a mandatory limited assurance regime, aimed at enhancing the credibility and reliability of disclosed data.[63] Furthermore, the materiality perspective under the CSRD is fundamentally more comprehensive. Whereas the NFRD predominantly adopted a financial materiality approach, focusing on how sustainability issues influence the company's financial performance, the CSRD introduced the principles of double materiality. This requires organizations to assess both how sustainability matters impact the company and how the company itself affects environmental, social, and governance (ESG) factors.[64]

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[56] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330, p. 8.
[57] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ L 2333, 16.12.2022, p. 26.
[58] Ibid., p. 13.
[59] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330, 15.11.2014, p. 8.
[60] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD), OJ L 322, 16.12.2022, pp. 54–55.
[61] Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF), OJ L 143, 29.5.2019.
[62] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330, 15.11.2014, p. 5.
[63] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD), OJ L 322, 16.12.2022, p. 35.
[64] Ibid., p. 24.

The thematic scope of disclosures also expands. While the NFRD required information on environmental, social, employee-related matters, human rights, anti-corruption, and bribery, the CSRD adds greater emphasis on governance and mandates standardized, detailed reporting aligned with the ESRS framework.[65] Moreover, sustainability information under the CSRD must be integrated directly into the management report, reinforcing its strategic importance (Art. 19a CSRD).[66]

For a detailed side-by-side comparison table between NFRD and CSRD, see Appendix 1.

3.1.3 The CSRD as a vector for Extended Responsibility in Value Chains

The European Parliament itself has acknowledged that for some years now there has been a demand for more information about corporate sustainability.[67] For this reason, harmonized and mandatory standards have been drawn up under the CSRD. A working group has been set up for this purpose, the European Financial Reporting Group (EFRAG).[68] EFRAG's aim is to improve the coordination of international standards for sustainability reporting, and to reduce the disruption caused by the fact that some companies have already published sustainability information.[69]

Article 1 of the CSRD amended Directive 2013/34/EU to extend reporting obligations to include corporate sustainability information based on sustainability reporting standards. Large companies, as well as SMEs (excluding micro-enterprises) considered public-interest entities, were required to disclose detailed sustainability information in their management reports. This disclosure aimed to show both the actual and potential impacts of the company on environmental, social, and governance matters, and how these factors influenced its performance, financial position, and prospects (Art. 1(1) CSRD).

The disclosure requirements set out in Art. 1 CSRD cover a broad and structured range of information:

- Description of business models and strategy

Companies must present their business model and strategy specifying:

- Their resilience to sustainability risks (Art. 1(2)(a)(i));
- The opportunities offered by sustainability issues (Art. 1(2)(a)(ii));
- Plans and actions to align their strategy with objectives set out in the Paris Agreement;
- Consideration of stakeholders' interests and the company's impact on sustainability (Art. 1(2)(a)(v));

[65] Ibid., p. 30-32.
[66] Ibid., p. 43-44.
[67] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD), OJ L 322, 16.12.2022, p. 18.
[68] The European Financial Reporting Advisory Group (EFRAG) is an independent and non-profit association established under Belgian law. It advises the European Commission on the adoption of International Financial Reporting Standards (IFRS) and has now extended its mission in 2022 for the CSRD. Composed of representatives from diverse stakeholder groups and various Member States, it ensures balanced perspectives (EFRAG, 2024).
[69] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD), OJ L 322, 16.12.2022, p. 27.

- Concrete measures already implemented to integrate sustainability into strategy (Art. 1(2)(a)(v)).

- Targets and performance monitoring

Companies are required to reach their time-bound targets, in particular for absolute reductions in greenhouse gas emissions by 2030 and 2050, to describe the progress made and to specify whether these environmental targets are based on recognized scientific foundations (Art. 1(2)(b)).

- Governance and accountability

A description is required of the role of administrative, management and supervisory bodies in managing sustainability issues, as well as their level of competence or the training arrangements in place (Art. 1(2)(c)).

- Sustainability policies

The company's sustainability policies must be set out clearly and transparently (Art. 1(2)(d)).

- Due diligence procedures and impact management

Companies must present their sustainability due diligence procedures (Art .1(2)(f)(i)), identify their main actual or potential negative impacts on their entire value chain (Art.1(2)(f)(ii)), and describe the prevention, mitigation or remediation measures implemented and the results achieved (Art. 1(2)(f)(iii)).[70]

- Sustainability risk management

The main risks and dependencies linked to sustainability issues must be identified, together with a description of the mechanisms in place to manage them (Art. 1(2)(g)).

CSRD sets out that the Commission would have to adopt delegated acts in accordance with Article 49 of Directive 2013/34/EU to define sustainability reporting standards, and therefore to supplement Articles 19 and 29 of Directive 2013/34/EU.[71] The latter were adopted following advice from EFRAG. The operationalization of the CSRD through the European Sustainability Reporting Standard (ESRS) imposes a substantial shift in the perimeter of corporate accountability, pushing companies to monitor and report not only their internal performance but also on sustainability impacts across their entire value chain.

3.1.4 Transposition and applicable timeline

Article 5 of the CSRD required Member States to adopt and publish the national legislative, regulatory, and administrative measures needed to comply with Articles 1 to 3 of the directive by 6 July 2024, and to communicate these to the European Commission (Art. 5(1) CSRD).

The application of the sustainability reporting obligations was phased in according to company size and status:

- From 1 January 2024: the requirements apply to large public-interest entities within the meaning of Art. 3(4) of Directive 2013/34/EU that are also defined as public-interest entities under Art. 2(1)(1) of that directive, exceeding on their balance sheet date an average of 500 employees during the financial year (Art. 5(2)(a)(i)). They also

[70] Here is a direct and explicit link to the CS3D.
[71] Directive 2013/34/EU, art. 29d (as amended by Directive (EU) 2022/2464 (CSRD)).

apply to parent undertakings[72] of large groups (Art. 3(7) of Directive 2013/34/EU) that are public-interest entities and that exceed the same 500-employee threshold on a consolidated basis (Art. 5(2)(a)(ii)). This first wave essentially covers the companies that were already subject to NFRD.

- From 1 January 2025: the scope extends to all other large undertakings as defined in Art. 3(4) of Directive 2013/34/EU, as adjusted by the delegated directive (EU) 2023/2775, meaning those meeting at least two of the following three criteria: (i) a balance sheet total of more than EUR 25 million, (ii) a net turnover of more than EUR 50 million, and (iii) an average of more than 250 employees during the financial year (Art. 5(2)(b)(i)). It also includes parent undertakings of large groups meeting the same criteria on a consolidated basis (Art. 5(2)(b)(ii)).

- From 1 January 2026: the obligations apply to listed small and medium-sized undertakings (SMEs) within the meaning of Art. 3(2)–(3) of Directive 2013/34/EU, excluding micro-undertakings (Art. 3(1)), provided they are public-interest entities (Art. 2(1)(a)). For size, these listed SMEs meet the Accounting Directive thresholds as adjusted by Commission Delegated Directive (EU) 2023/2775:
  – Small: do not exceed at least two of the following: a) €5,000,000 balance-sheet total (may be raised by Member States up to €7,500,000); b) €10,000,000 net turnover (may be raised up to €15,000,000); c) 50 employees;
  – Medium-sized: do not exceed at least two of: a) €25,000,000 balance-sheet total; b) €50,000,000 net turnover; c) 250 employees;
  – Micro (excluded by CSRD): do not exceed at least two of: a) €450,000 balance-sheet total; b) €900,000 net turnover; c) 10 employees.

- From 1 January 2028: point (14) of Article 1 applies to all undertakings concerned, regardless of size, marking the final stage of full application (Art. 5(2) end).

The measures implementing Article 3 apply for financial years starting on or after 1 January 2024. Member States must decide how to reference the directive in their national legislation and notify the Commission of the main provisions adopted (Art. 5(3)-(4)).

3.1.5 European Sustainability Reporting Standards: Architecture, Thematic Areas and Key Provisions

The ESRS framework is organized into three categories:[73]

- Cross-cutting standards: Applicable to all undertakings, irrespective of sector, and covering general requirements and disclosures across all sustainability topics.

[72] "'Parent undertaking' under the EU Accounting Directive means an entity that controls one or more subsidiaries; control is presumed where the parent (i) holds a majority of voting rights, (ii) can appoint or remove a majority of board members while being a shareholder/member, (iii) has a contractual/statutory right of dominant influence, or (iv) controls a majority of voting rights by agreement (Directive 2013/34/EU, Art. 22(1)). For CSRD scope from 1 Jan 2025, parent undertakings of large groups are in-scope when, on a consolidated basis, at least two of the following are exceeded: €25m balance-sheet total, €50m net turnover, 250 employees (Directive 2013/34/EU, Art. 3(7), as amended by Commission Delegated Directive (EU) 2023/2775; CSRD, Art. 5(2)(b)(ii))."

[73] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU as regards sustainability reporting standards, OJ L 2023/2772, p. 5.

- Topical standards: Thematic standards focusing on specific sustainability topics, subdivided into environmental, social, and governance themes.
- Sector-specific standards: Addressing impacts, risks, and opportunities typical for specific industries, complementing cross-cutting and topical standards.

This architecture is supported by four overarching reporting areas, governance, strategy, impact/risk/opportunity management and metric/targets. This is underpinned by the principle of double materiality which requires companies to disclose not only their impacts on people and the environment but also the financial risks and opportunities that arise from sustainability-related matters.[74]

Within the category of cross-cutting standards, "*ESRS 1 – General Requirements*" sets out the architecture, drafting conventions, and fundamental concepts governing sustainability reporting. It defines the application of the double materiality principle, specifies the scope of value chain coverage, and establishes requirements related to time horizons and the structure of the sustainability statement. ESRS 1 also mandates the preparation of entity-specific disclosures where material issues are not adequately addressed by topical standards.[75] "*ESRS 2 – General Disclosures*" defines the basic information all companies must provide, including governance arrangements, strategic integration of sustainability, stakeholder engagement, how impacts and risks are identified and managed, and the metrics and targets used to track progress.[76]

The topical standards go into more detail. The environmental ones cover: "*ESRS E1 – Climate Change*", which required reporting on transition plans, greenhouse gas emissions, climate risks, and mitigation measures.[77] "*ESRS E2 – Pollution*" covers emissions to air, water and soil and management of hazardous substances.[78] "*ESRS E3 – Water and Marine Resources*" looks at water use, discharges and impacts on marine ecosystems.[79] "*ESRS E4 – Biodiversity and Ecosystems*" focuses on impacts on species and habitats and plans to protect and restore nature.[80] "*ESRS E5 – Resource Use and Circular Economy*" addresses resource efficiency, waste management and recycling.[81]

The social standards further broaden the scope of reporting. "*ESRS S1 – Own Workforce*" requires disclosure of working conditions, diversity, training and health and safety.[82] "*ESRS S2 – Workers in the Value Chain*" extends this focus on fair treatment of suppliers" workers, due diligence, and prevention of forced or child labor.[83] "*ESRS S3 – Affected Communities*" requires companies to manage and prevent negative impacts on local communities.[84] "*ESRS S4 – Consumers and End-users*" addresses product safety, privacy and fair marketing.[85]

[74] Ibid., p. 9.
[75] Ibid., p. 4-6.
[76] Ibid., p. 40-55.
[77] Ibid., p. 72- 85.
[78] Ibid., p. 111-116.
[79] Ibid., p. 122-127.
[80] Ibid., p. 133-142.
[81] Ibid., p. 152-158.
[82] Ibid., p. 164-179.
[83] Ibid., p. 202-210.
[84] Ibid., p. 217-224.
[85] Ibid., p. 232-239.

Finally, the governance standard, "*ESRS G1 – Business Conduct*" sets expectations for ethical business practices including anti-corruption and anti-bribery measures, transparency in political engagement and lobbying activities, whistleblower protection and responsible payment practices.[86]

A distinctive feature of the ESRS is that they extend reporting duties beyond a company's direct operations to its entire value chain, both upstream and downstream. This means that impacts and risks linked to suppliers, distributors, and customers must also be assessed and reported when they are material. These standards not only implement the CSRD's obligations but also embody the broader strategic objectives of the directive, which aim to reshape corporate transparency and accountability in the EU.

3.1.6 Objectives of the CSRD

The main objective of this proposal is to enhance sustainability reporting while minimizing costs for companies. The report must be digital which lowers reporting costs and improves the comparability and use of reported information (Deloitte, 2022). It seeks to leverage the potential of the European single market to drive the transition toward a fully sustainable and inclusive economic and financial system, in line with the European Green Deal and the UN Sustainable Development Goals.

The directive aims to ensure that relevant and adequate sustainability-related information is publicly available. Under the principles of double materiality, companies should disclose both the sustainability risks they face and the impacts of their operations on people and the environment. (EY, 2022; Martinčević et al., 2024). To be effective, this information must be considered useful by stakeholders, and should be comparable, reliable, and digitally accessible on par with financial disclosures. In this respect, the directive introduces mandatory assurance of sustainability data to enhance its reliability, aiming to reduce so-called "greenwashing".[87] This helps investors, consumers and decision-makers to assess the extra-financial performance of companies and make informed decisions.

Moreover, by improving transparency, the proposal aims at reducing systemic risks within the economy and better allocating financial capital toward socially and environmentally beneficial activities. It is also intended to strengthen corporate accountability and foster trust between companies and society. According to BCG (2024), sustainability reporting under the CSRD should not be viewed merely as a compliance burden, but as an opportunity to align sustainability with business strategy and long-term value creation.

Finally, the directive seeks to lower the administrative burden of sustainability reporting by clarifying what information companies are expected to report. It also facilitates access to relevant data from across the value chain, helping companies respond more efficiently to rising information demands while avoiding duplicative requests beyond the official reporting framework.[88]

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[86] Ibid., p. 246-251.

[87] Lykkesfeldt, P., & Kjaergaard, L. L. (2022). *Investor Relations and ESG Reporting in a Regulatory Perspective: A Practical Guide for Financial Market Participants* (1st ed.). Springer International Publishing AG, p. 293.

[88] European Commission, *Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting*, COM(2021) 189 final, p. 3.

3.2 The original CS3D Framework

3.2.1 Background of the CS3D

As mentioned earlier in this paper, due diligence has recently reached a turning point, as its effectiveness has been called into question, moving from a soft law to a hard law. National laws on mandatory due diligence have begun to emerge, notably in pioneering countries such as France and Germany. Although these legal initiatives seek to enforce due diligence on their value chains in order to make companies accountable for respecting human rights, children's rights and the environment, these scattered laws also lead to fragmentation, and risk undermining legal certainty and a level playing field for businesses within the single market.[89]

3.3 The CS3D as vector for Extended Responsibility in Value Chains

3.3.1 Scope of Application of the CS3D

Article 2 of the CS3D sets out the criteria determining which companies fall within the directive’s scope. It distinguishes between undertakings established in a Member State and those formed under the laws of a third country, while also addressing group structures, exemptions, and calculation rules.

For companies incorporated in a Member State, the directive applies when they meet at least one of the conditions set out in Art. 2(2) CS3D. These include:

- Having an average of more than 1,000 employees[90] and generating a net worldwide turnover exceeding EUR 450 million in the last financial year for which annual financial statements have been or should have been adopted (Art. 2(1)(a));
- Being the ultimate parent company of a group that meets the above thresholds, even if the parent itself does not directly reach them (Art. 2(1)(b));
- Or, where the company or its group operates under franchising or licensing agreements in the Union, having received royalties exceeding EUR 22.5 million in the last financial year, coupled with a net worldwide turnover exceeding EUR 80 million in that same period (Art. 2(1)(c)).

For companies formed under the laws of a third country, Art. 2(2) provides analogous thresholds, but calculated in relation to turnover generated within the Union. The directive applies where the company has:

- Achieved net turnover above EUR 450 million in the Union during the financial year preceding the last financial year (Art. 2(2)(a));
- Or is the ultimate parent company of a group which, on a consolidated basis, reached that turnover threshold in the same reference period (Art. 2(2)(b));

[89] European Commission, *Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937,* COM(2022) 71 final, 2022/0051 (COD), p. 3.
[90] The calculation of employee numbers is clarified in Article 2(4): part-time staff are counted on a full-time equivalent basis, and temporary agency workers or those in non-standard forms of employment are included if they meet the legal definition of “worker” established by the Court of Justice of the European Union.

- Or entered into franchising or licensing agreements in the Union generating royalties above EUR 22.5 million, combined with a Union turnover exceeding EUR 80 million in the relevant year (Art. 2(2)(c)).

Article 2(3) establishes that ultimate parent companies whose sole activity is the holding of shares, without engaging in management, operational, or financial decision-making, may request an exemption from their obligations. This is conditional upon designating one of their EU-based subsidiaries to carry out the due diligence duties (Articles 6–16 and 22) on their behalf. The designated subsidiary must be given the necessary means and legal authority to fulfil these obligations effectively, and the ultimate parent remains jointly liable for non-compliance. The exemption must be approved by the competent supervisory authority.

According to Article 2(5), the scope criteria must be met for two consecutive financial years for the directive to apply. Conversely, if the thresholds are not reached for two consecutive financial years, the obligations cease to apply.

3.3.2 Due diligence obligations under the CS3D

CS3D imposes a set of risk-based human rights and environmental due diligence obligations on companies within its scope, as defined in Articles 7 to 16 and complemented by Article 22. These obligations require undertakings to identify, prevent, mitigate, remedy and report on adverse impacts throughout their chains of activities.

According to Article 5(1), companies must integrate due diligence into their policies and risk management systems (Art. 7), identify and assess actual and potential adverse impacts (Art. 8), prioritize them where necessary (Art. 9), take measures to prevent or mitigate potential adverse impacts (Art. 10) and bring actual adverse impacts to an end or minimize their extent (Art. 11). They must also provide remediation where they have caused or jointly caused harm (Art. 12), engage meaningfully with stakeholders (Art. 13), establish a notification mechanism and complaints procedure (Art. 14), monitor the effectiveness of their due diligence policies and measures (Art. 15), and publicly communicate on their due diligence practices (Art. 16).

In practice, due diligence begins with integration into company policies and governance. A due diligence policy, developed in consultation with employees and their representatives, must set out the company's overall approach, incorporate a code of conduct applying to operations and business partners, and explain the processes for implementation and verification (Art. 7(2)). This policy is not static because significant changes in the company's activities trigger immediate updates, and a review must take place at least every 24 months (Art. 7(3)).

The process of identifying and prioritizing impacts builds on a detailed mapping of the company's own operations, those of its subsidiaries, and, where relevant, those of its business partners, in order to locate areas where adverse impacts are most likely and potentially more severe (Art. 8(2)(a)). These areas are then examined in depth to better understand the nature of the risk (Art. 8(2)(b)). Where simultaneous action on all identified risks is not feasible, companies are expected to address the most severe and likely ones first, based on an assessment of severity and likelihood (Art. 9(2)).

Preventive action is a central element of the CS3D. Companies must, where relevant, adopt prevention action plans with clear timelines and measurable indicators (Art. 10(2)(a)), seek contractual assurances from business partners to uphold the code of conduct (Art. 10(2)(b)), and make operational adjustments or targeted investments to reduce risks. Supporting small and medium-sized enterprises in the value chain, including through capacity-building or financial assistance, is also part of these measures (Art. 10(2)(e)). In situations where prevention is impossible or ineffective, companies may ultimately need to suspend or terminate business relationships, provided this is proportionate and does not result in more severe harm (Art. 10(6)).

When harm has already occurred, the focus shifts to bringing adverse impacts to an end. This can involve neutralizing or minimizing the damage (Art. 11(3)(a)), implementing corrective action plans (Art. 11(3)(b)), and obtaining contractual assurances for compliance (Art. 11(3)(c)). As with prevention, ending or suspending relationships is a measure of last resort (Art. 11(7)).

Remediation plays a crucial role in closing the accountability loop. Where the company has caused or jointly caused harm, remediation is mandatory (Art. 12(1)). Even where a business partner is solely responsible, the company may choose to provide voluntary remediation or use its influence to ensure that the harm is addressed (Art. 12(2)).

The directive also places a strong emphasis on stakeholder engagement. Consultations must be meaningful, transparent, and informed, taking place at key points such as the identification of impacts, the development of prevention or corrective plans, and the design of remediation measures (Art. 13(3)). Protection against retaliation is an essential safeguard in this process (Art. 13(5)).

Effective due diligence requires open channels for raising concerns. Companies must establish notification mechanisms and complaints procedures that are accessible, confidential, and predictable, allowing affected persons, their representatives, and relevant organizations to submit complaints (Art. 14(1)-(3)). When a complaint is found to be well-founded, it is automatically considered as having identified an adverse impact within the meaning of Articles 10–12 (Art. 14(3)).

Ongoing monitoring ensures that due diligence measures remain fit for purpose. At least once a year, and whenever significant changes occur, companies must assess the adequacy and effectiveness of their actions, drawing on qualitative and quantitative indicators, and update their policies accordingly (Art. 15).

Finally, transparency towards the public is a binding requirement. Companies must publish an annual statement on their due diligence activities on their website, in a language used in international business, within 12 months of the financial year-end (Art. 16(1)). Those already subject to CSRD sustainability reporting are exempt from duplicative reporting (Art. 16(2)). A further strategic dimension is added by Article 22, which requires the adoption of a climate transition plan. This plan must set time-bound greenhouse gas reduction targets for 2030 and in five-year increments to 2050, outline decarbonization levers and planned actions, quantify necessary investments, and define governance oversight. Annual updates must describe progress towards these targets (Art. 22(3)).

3.3.3 Transposition and Applicable Timeline

Article 37 of the CS3D sets out the deadlines for Member States to transpose the directive and the phased application of its provisions. By 26 July 2026, Member States must adopt and publish the legislative, regulatory, and administrative measures necessary to comply with the directive, and communicate these to the European Commission (Art. 37(1)).

The obligations apply progressively according to company size and turnover thresholds:

- From 26 July 2027, for EU companies under Art. 2(1)(a)-(b) with over 5,000 employees and a net worldwide turnover above EUR 1.5 billion, and for non-EU companies under Art. 2(2)(a)-(b) with over EUR 1.5 billion turnover in the Union.

- From 26 July 2028, for EU companies with over 3,000 employees and net worldwide turnover above EUR 900 million, and for non-EU companies with turnover above EUR 900 million in the Union.
- From 26 July 2029, for all other companies within the scope of Art. 2, including those meeting the franchising/licensing thresholds in Art. 2(1)(c) and Art. 2(2)(c).

The public communication requirements under Art. 16 apply one financial year later for each category (from 1 January 2028, 2029, or 2030 respectively). Member States must also decide how to reference the directive in national measures and communicate the main provisions to the Commission (Art. 37(2)).

3.3.4 Objectives of the CS3D

The directive aims to establish a robust legal framework to ensure that companies operating in the European Union contribute to sustainable development by addressing adverse human rights and environmental impacts in their operations and value chains.

The first core objective of the CS3D is to foster sustainable and responsible corporate behavior throughout global value chains. By imposing mandatory due diligence obligations, the directive seeks to move beyond voluntary corporate social responsibility initiatives towards legally enforceable standards. This entails requiring companies to systematically identify, prevent, mitigate and account for actual and potential adverse impacts on human rights (such as forced labor, child labor, or occupational health and safety violations) and the environment (including biodiversity loss, pollution and climate change).[91]

The second is to improve access to remedies for victims of corporate-related human rights and environmental harm. Through the establishment of civil liability provisions[92], the directive intends to strengthen accountability mechanisms, enabling affected parties to seek damages from companies that fail to fulfill their due diligence obligations and cause harm as a result.[93]

Thirdly, the directive seeks to level the playing field for businesses operating in the EU internal market by harmonizing due diligence requirements across Member States. By establishing uniform rules, the CS3D aims to reduce legal uncertainty, regulatory divergence and associated compliance costs while ensuring a minimum standard of corporate accountability across the EU.[94]

3.3.5 Interlinkages between the CSRD and the CS3D

The CSRD and the CS3D form a coherent and complementary regulatory diptych within the European Union's sustainable finance framework. The CSRD requires companies to publicly disclose their environmental, social, and governance (ESG) performance, including, where applicable, their due diligence efforts, while the CS3D imposes a legal obligation on the largest companies to establish and implement due diligence processes to identify, prevent and mitigate adverse impacts.

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[91] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD), OJ L 322, 16.12.2022, p. 18.
[92] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (CSDDD), OJ L 2024/1760, p. 49.
[93] European Commission, *Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937*, COM(2022) 71 final, 2022/0051 (COD), pp. 43–44.
[94] Ibid., p. 4.

In addition, CSRD explicitly refers to due diligence in its Art. 1(4)(f) which states that companies must disclose in their management report the due diligence procedure implemented by the company on sustainability issues.

One thus focuses on transparency and accountability through reporting, while the other emphasizes the operational obligation to act. As explicitly stated in the Commission's proposal for the CS3D: "*The two initiatives are closely interrelated and will lead to synergies. First, a proper information collection for reporting purposes under the proposed CSRD requires setting up processes, which is closely related to identifying adverse impacts in accordance with the due diligence duty set up by this Directive. Second, the CSRD will cover the last step of the due diligence duty, namely the reporting stage, for companies that are also covered by the CSRD*".[95]

In this way, the CSRD provides the transparency framework through which companies report the implementation of their due diligence. Conversely, the existence of the CS3D ensures that disclosures under the CSRD reflect operational reality and legal compliance, rather than mere declarative statement (Covington, 2024).

3.3.6 Complementarity of Objectives

Both directives are integral parts of the European Green Deal.[96,97] they pursue a shared goal of fostering sustainable development and corporate social responsibility, but through different regulatory tools.

The CS3D aims to change corporate behavior by legally requiring companies to integrate respect of human rights and environmental standards into their operations and value chains, embodying the principle of "do no harm". Meanwhile, the CSRD aims to inform investors and the public about companies' sustainability performance, thereby creating market pressure for better practices, reflecting the principles of accountability (Accountancy Europe, 2025).

3.3.7 The Emergence of Simplification Pressures

The Corporate Sustainability Due Diligence Directive (CS3D) and the Corporate Sustainability Reporting Directive (CSRD) both reflect the European Union's ambition to embed sustainability into corporate governance and accountability. Despite targeting different mechanisms due diligence in the CS3D and reporting in the CSRD both directives have been subject to similar patterns of critique from stakeholders, notably regarding feasibility, proportionality, data challenges, and unintended consequences.

[95] Ibid., p. 4.
[96] Ibid., p. 1.
[97] European Commission, *Proposal for a directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting* (COM(2021) 189 final; 2021/0104 (COD)), p. 1.

4. Chapter 4: The "Omnibus" and "Stop the clock" directives

4.1 Legislative context

In February 2025 the Commission tabled a two-track simplification effort. A swift "stop-the-clock" measure to postpone application dates under the CSRD (Directive (EU) 2022/2464) and the CS3D (Directive (EU) 2024/1760), and a broader "*Omnibus*" proposal to re-scope and streamline corporate sustainability reporting and due-diligence requirements. The Council granted political priority to the postponement, which was adopted as Directive (EU) 2025/794 on 14 April 2025.[98] The Omnibus text then moved to negotiations on the basis of the Presidency's mandate with an annexed compromise draft amending the audit directive (2006/43/EC),[99] the Accounting Directive (2013/34/EU), the CSRD and the CS3D. Collectively, the reforms aim to lower administrative burdens while preserving the Green Deal policy objectives.

4.2 Implementation timeline adjustments under the "Stop-the-Clock" Directive (EU) 2025/794

4.2.1 Amended CSRD reporting schedule

Article 1 of Directive (EU) 2025/794 ("Stop-the-Clock") amends Article 5(2) of the CSRD by postponing the application of the second and third cohorts by two years. Under the revised text, point (b) now applies to financial years starting on or after 1 January 2027, while point (c) applies to financial years starting on or after 1 January 2028. The timetable for the first cohort remains unchanged.

Cohort composition and legal basis:

- Wave 1 – Timing unchanged, but limited to FY 2024-2026

Financial years starting between 1 January 2024 and 31 December 2026 inclusive apply to public-interest entities with more than 500 employees, and to public-interest parent undertakings of a large group with more than 500 employees on a consolidated basis (CSRD, Art. 5(2)(a), as limited in time by the Omnibus amendment). After 2026, undertakings that fall within point (a) but do not meet the new point (b) thresholds (see below) fall out of scope.[100]

- Wave 2 – From FY starting on or after 1 January 2027

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[98] Directive (EU) 2025/794 of the European Parliament and of the Council of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements (CSDDD), OJ L, 2025/794, 16.4.2025.

[99] Council of the European Union., *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 – Mandate for negotiations with the European Partliament,* ST10276/25 INIT, 21 June 2025. (Interinstitutional File No. 2025/0045(COD); COM(2025) 81 final).

[100] European Commission, *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 final, 2025/0045 (COD)). Art. 3(1)(a), p. 37.

Applies only to undertakings that exceed both: €450,000,000 net turnover and an average of 1,000 employees on the balance-sheet date; and to parent undertakings meeting the same thresholds on a consolidated basis (CSRD, Art. 5(2)(b)(i)–(ii), as amended).[101]

- Wave 3 – Deleted by the Omnibus

The reference to listed SMEs (and certain financial entities) as a separate wave is removed: Article 5(2)(c) is deleted. Consequently, there is no "listed-SME" wave under the new regime.[102]

4.2.2 Adjusted transposition and entry-into-force for the CS3D

The timetable for the application of the CS3D has undergone significant adjustments with the adoption of Directive (EU) 2025/794, commonly referred to as the stop-the-clock directive. By amending Article 37(1) CS3D (as replaced by Article 2 of Directive (EU) 2025/794), it postpones the transposition deadline for Member States from 26 July 2026 to 26 July 2027, while reorganizing the phasing-in of substantive obligations. The implementation is now divided into two waves.

The first will take effect on 26 July 2028 and will target only the most economically significant operators: EU companies with more than 3,000 employees and a net worldwide turnover exceeding EUR 900 million (Art. 37(1), second subpara., point (a) CS3D, as replaced), as well as third-country companies generating the same amount of turnover within the Union (Art. 37(1), second subpara., point (b) CS3D, as replaced). For these entities, the reporting obligations under Article 16 CS3D will apply to financial years beginning on or after 1 January 2029.

The second wave, commencing on 26 July 2029, will extend the directive's obligations to the remainder of companies within scope, namely those exceeding 1,000 employees and EUR 450 million in turnover for EU companies (Art. 2(1)(a) CS3D) and third-country companies reaching this turnover threshold within the Union (Art. 2(2)(a) CS3D), with application dates specified in Article 37(1), second subpara., point (c) CS3D, as replaced. In this second phase, Article 16 reporting will be required for financial years beginning on or after 1 January 2030. Although the material obligations are thus postponed, Directive (EU) 2025/794 itself must be transposed by 31 December 2025 (Art. 3), thereby formalizing the deferral within a much shorter time frame.

Beyond this recalibration of deadlines, the Omnibus proposal will introduce further substantive changes to the CS3D. The thresholds for inclusion will be raised to 5,000 employees and EUR 1.5 billion in worldwide turnover for EU companies, and EUR 1.5 billion of Union turnover for third-country companies (Art. 2(1)(a) and 2(2)(a) CS3D, as amended by the Omnibus), thereby substantially narrowing the category of undertakings directly concerned.

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[101] Ibid., Art. 2.

[102] Ibid., Art. 3(1)(c).

4.3 The omnibus proposal and corporate responsibility along the value chain

4.3.1 The scope

There was an asymmetry between the CSRD and the CS3D. The CSRD applied to large companies and legal entities in the European Union that met at least 2 of these 3 criteria[103]; a) More than 250 employees, b) more than €50 million net turnover, c) total assets of €25 million. The criteria used for the CSRD were the ones listed in the directive 2013/34/EU in its article 3.[104] (as adjusted by Directive (EU) 2023/2775).

On the other hand, the CS3D did not apply to the same companies; group (a) EU companies with over 1,000 workers and over €450 million in net turnover globally; group (b) Third country companies with over €450 million in net turnover in the E;, group (c) Franchising/licensing networks (EU and non-EU) meeting €80 million in EU net turnover and at least €22.5 million in royalties from licensees in the EU.[105]

As a consequence, the Omnibus proposal will try to harmonize the two regimes. On the CSRD side, the Council's compromise text would confine mandatory sustainability reporting to undertakings, and parent undertakings of groups, that exceed both 1,000 employees and €450 million net turnover, thereby also removing listed SMEs from scope (revisions to Art 19a(1) and 29a(1) Dir. 2013/34/EU; deletion of Art. 29c CSRD; and amendments to Art. 5(2) Dir. (EU) 2022/2464).

On the CS3D side, the Council text would raise the base scope to 5,000 employees and €1.5 billion net worldwide turnover for EU companies, and €1.5 billion EU turnover for third-country companies (amendments to CS3D Art. 2(1)-(2)).

4.3.2 The voluntary SME reporting standard and the statutory "value chain cap"

The Omnibus Directive introduces a statutory limit, known as the "value-chain cap", to ensure proportionality in sustainability reporting obligations. Under Article 19a(3) and the ESRS empowerment clause in Article 29b(4) of Directive 2013/34/EU, CSRD reporters may not require sustainability information from value-chain partners with 1,000 employees or fewer beyond the scope of a forthcoming voluntary SME reporting standard established in Article 29ca.

This voluntary standard, to be adopted by the European Commission via delegated act and based on EFRAG's Voluntary Standard for non-listed SMEs (VSME), will serve as the maximum content that in-scope undertakings may request for CSRD reporting purposes (Art. 29ca(1)). Until the delegated

[103] Beuselinck, L., Brackley, A., Durmus, O., Guaqueta, A., Klie, J., Kroon, J., Langemeier, K., Neilson, D., & Weicht, J. (2025, mars). *EU Omnibus: Preparing for upcoming changes to European sustainability regulations*. ERM International Group Limited, p. 5.
[104] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC and repealing Council Directives 78/660/EEC and 83/349/EEC, OJ L 182, 29.6.2013, p. 28.
[105] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (CSDDD), OJ L 2024/1760, pp. 25–26.

act is in place, companies may rely on a Commission Recommendation incorporating the VSME.[106] The delegated act must be reviewed at least every four years to ensure that the ceiling remains up to date without requiring amendments to the Directive (Art. 29ca(3)). If a CSRD reporter seeks information exceeding the standard, the supplier must be informed of its statutory right to refuse (Art. 19a(3)), and any contractual clause to the contrary is non-binding (Art. 29b(4)). Compliance with the standard suffices for fulfilling value-chain disclosure obligations (Art. 19a(3)), and assurance providers must respect these limits (Art. 29b(4)).

The scope of this cap is narrowly defined. It does not prevent the voluntary exchange of commonly used sectoral information, nor does it affect obligations arising from other Union or national laws or contractual arrangements. In addition, It applies only to information gathering for CSRD reporting purposes, not to information sought for other purposes (e.g., risk management) or under due diligence law.

4.3.3 Distinguishing the CSRD value chain reporting cap from CS3D

The Omnibus proposal draws a clear legal line between reporting obligations under CSRD and due-diligence duties under CS3D. The new value-chain cap in Art. 19a(3) Directive 2013/34/EU and the parallel limitation in Art. 29b(4) Directive 2013/34/EU, both pointing to the voluntary SME standard in Art. 29ca Directive 2013/34/EU, apply only to information gathering for the purposes of preparing CSRD-mandated sustainability statements.

The binding provisions make it clear that nothing in these rules restricts a company's ability, or obligation, to request information for other legal purposes, including EU requirements to carry out a due diligence process. In practice, this means that the cap set by the CSRD for partners with 1,000 or less employees does not stop a company from gathering additional or different data if such information is needed to comply with Article 8 CS3D (identifying and assessing actual or potential adverse impacts) or with any other stage of the due diligence process (Articles 6–11 CS3D).

4.3.4 A tier-1-first model for due diligence

The Omnibus proposal reshapes Art. 8 CS3D to make its due diligence obligations more explicitly risk-based and tier-1-focused. Under the amended Art. 8(1)–(2), companies must begin with a scoping exercise across their own operations, subsidiaries, and direct business partners. The goal of this initial phase is to pinpoint the areas where adverse human rights or environmental impacts are most likely to occur and where their potential severity is greatest. Once these high-risk areas are identified, the company must carry out in-depth assessments in those specific parts of the value chain.

A key new provision, Art. 8(2a) CS3D, sets the conditions for looking beyond tier-1 partners. Companies must map their entire chain of activities, but they are only obliged to investigate indirect relationships if they have, or could reasonably be expected to have, objective and verifiable information indicating an actual or potential adverse impact further down the chain. This obligation also applies when there are signs that a business relationship has been artificially split to avoid scrutiny.

This structure balances feasibility, by steering companies away from indiscriminate investigations into every indirect partner, with accountability, by mandating escalation when credible "red flags" arise and reinforces contractual cascading and supplier-support programs to ensure risks are not only detected but actively prevented and mitigated.

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[106] European Commission, *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 final; 2025/0045 (COD)). Recital 14a.

4.3.5 Simplifying and refocusing ESRS requirements

The Omnibus proposal introduces substantial changes to the ESRS framework under the Accounting Directive (Directive 2013/34/EU), aiming to lighten the reporting burden, particularly where data collection cascades down value chains.

It first narrows the population of mandatory reporters. The revised Art. 19a(1) Directive 2013/34/EU and Art. 29a(1) limit CSRD reporting to undertakings above the new 1,000-employee and €450 million turnover thresholds, significantly reducing the number of companies that must prepare ESRS-based sustainability statements and, by extension, request value-chain data.

Then, Omnibus removes the legal basis for sector-specific ESRS. The third subparagraph of Art. 29(1), which mandated the adoption of sectoral standards tailored to specific industries, is deleted. This eliminates the obligation for the Commission and EFRAG to develop separate ESRS sets for each sector.

It also eliminates the mandatory ESRS for listed SMEs. Art. 29c, which had provided for proportionate standards for listed small and medium-sized undertakings, is repealed. With listed SMEs now excluded from the CSRD scope, SME standards will only be available on a voluntary basis via the new Art. 29ca voluntary SME reporting standard.

Furthermore, the text tightens the rules on value-chain data requests within ESRS. Amended Art. 29b(4) stipulates that ESRS cannot prescribe disclosures that would compel in-scope companies to obtain information from value-chain partners with 1,000 employees or less beyond what is set out in the voluntary SME standard (Art. 29ca). This provision mirrors the “value-chain cap” in Art. 19a(3) and ensures the limitation is built directly into the standards’ design.

Finally, The Omnibus Directive also introduces an accelerated timetable for revising the first set of ESRS. Pursuant to the amended Article 29b(1), the European Commission is required to conduct a review of the initial cross-sectoral ESRS within six months following the entry into force of the amending directive.[107] This requirement reflects the legislator’s intention to promptly address concerns raised by stakeholders regarding the scope, complexity, and operational feasibility of the initial standards adopted in July 2023 under Delegated Regulation (EU) 2023/2772.

The review process must result in a significant reduction and streamlining of the number of data points required for compliance, thereby alleviating the administrative burden on reporting undertakings, particularly small and medium-sized enterprises. It also must provide clearer guidance on the application of double materiality. he explicit reference to clarifying this principle in the review mandate acknowledges feedback from preparers and auditors that its practical implementation remains inconsistent across sectors.[108]

4.3.6 Third-country reporting alignment

The Omnibus directive also revises the third-country reporting regime under the Accounting Directive (Directive 2013/34/EU), as introduced by the CSRD in Art. 40a. This provision requires certain non-EU companies with significant activity in the Union to prepare and publish sustainability reports in accordance with EU standards.

Under the amendment, the EU turnover trigger in Art. 40a(1) Dir. 2013/34/EU is raised from €150 million to €450 million. Similarly, the branch threshold, used when there is no qualifying

[107] Ibid., Recital 12(a).
[108] Ibid., Recital 13.

subsidiary, is increased from €40 million to €50 million, aligning it with the "large undertaking" turnover test in Art. 3(4) Dir. 2013/34/EU. This higher branch threshold reflects the updated size criteria introduced by Delegated Directive (EU) 2023/2775, which already raised the turnover element of the "large" definition to €50 million.

The scope conditions are also tightened. A third-country group becomes subject to the CSRD reporting obligation only if it has either at least one EU subsidiary that meets the large undertaking thresholds in Art. 3(4) Dir. 2013/34/EU or, if no such subsidiary exists, a single EU branch with net turnover above €50 million.

These changes aim to align the extraterritorial reach of the CSRD with its revised scope for EU-based undertakings, ensuring consistency and avoiding a situation where non-EU companies would face stricter thresholds than their EU counterparts.

4.3.7 Redefining Stakeholder Engagement and Access to Remedy under the Omnibus

The Omnibus proposal introduces substantive changes to CS3D that reshape both the concept of stakeholder engagement and the framework for access to remedy.

First, it narrows the definition of "stakeholders." Under the amended Art. 3(1)(n) CS3D, stakeholders are now defined as the company's own workers, those of its subsidiaries and business partners, and individuals or communities directly affected by its operations, together with their legitimate representatives, such as recognized trade unions or representative NGOs. This replaces the broader and more open-ended definition in the original directive, which could have included a wider range of interest groups and advocacy actors. The engagement obligation in Art. 13 CS3D remains, but with a sharper focus. Companies must involve these defined groups at key stages of the due diligence process, including risk identification, the design of preventive or corrective measures, and the development of remediation plans. This targeted scope may reduce the diversity of perspectives feeding into due diligence assessments, especially from actors indirectly affected or specialized in certain thematic risks.

Second, while the complaints mechanism under Art. 14 CS3D is retained, its scope is altered. In the original text, representative actions could be brought by trade unions, NGOs, and national human rights institutions under a harmonized EU framework. The Omnibus proposal removes this harmonization, as set out in recitals 27–28 and the revised Art. 14, leaving the recognition of such representatives to national law. This creates a risk of fragmentation, where access to formal grievance channels may vary depending on the jurisdiction in which the harm occurs or where the complaint is lodged.

Third, and most significantly, the Omnibus proposal deletes the harmonized civil liability regime previously contained in Art. 29 CS3D. Under the original directive, victims could seek compensation under a common EU framework if harm resulted from a company's failure to comply with due diligence obligations. In the amended version, compensation claims are now entirely subject to the rules of Member States. This change removes the EU-level guarantee of access to remedy and could result in widely varying enforcement conditions across the internal market, depending on the strength or weakness of national liability systems.

For a detailed side-by-side comparison table of the CSRD and CS3D before and after the Omnibus/"Stop-the-Clock" amendments, see Appendix 2.

Research objective

This thesis examines how the recent EU turn from soft-law CSR to binding sustainability governance translates into operational realities for firms across their value chains. It addresses the following question: *To what extent does extending corporate responsibility to the entire value chain, under the CSRD and the CS3D, generate operational and administrative challenges for companies, and what criticisms do stakeholders raise regarding the practical implementation of due-diligence obligations?*

The focus on the CSRD and the CS3D rests on three criteria.

- Regulatory centrality: both instruments structure the EU's corporate sustainability architecture more directly than adjacent frameworks (e.g., SFDR or the Taxonomy) that mainly enable finance-sector transparency. The CSRD and CS3D are directly applicable to real-economy corporations, especially large companies embedded in global value chains.
- Scope and impact: their broad (including extraterritorial) applicability and horizontal obligations shape corporate processes across sectors.
- Complementarity: disclosure duties under the CSRD depend on, and in turn reinforce, CS3D due-diligence systems, creating a feedback loop between transparency and conduct that links reporting to accountability.

Empirically, the study mobilizes recent grey literature, position papers, consultation responses, and policy briefs from business associations, civil society, investor groups, and public bodies, to map stakeholder critiques of administrative burden, data gaps, feasibility of value-chain scoping, and sequencing of obligations. This corpus informs the qualitative coding strategy and anchors the analysis in the 2025 debates surrounding the Omnibus/"stop-the-clock" adjustments to the sustainability framework.

Empirical Framework

5. Chapter 5: Methodology

5.1 Research Design

In order to complement academic sources and capture real-world tensions and operational criticisms surrounding the extension of corporate sustainability obligations in the EU legal framework, this study integrates a qualitative analysis of grey literature.

Grey literature refers to materials and research produced outside of traditional academic publishing channels, without formal peer review, but which nonetheless hold significant informational value (Auger, 1998). In the context of this thesis, it encompasses position papers, advocacy statements, public consultation responses, press releases, and analytical reports published by business associations, NGOs, trade unions, and think tanks.

The inclusion of grey literature serves two primary objectives:

Empirically, it captures the concrete critiques and concerns raised regarding the due diligence and non-financial reporting obligations introduced by the EU directives.

Methodologically, it complements academic literature by reflecting political, strategic, and institutional dynamics, particularly those influenced by lobbying activities.

Grey literature here refers to non-peer-reviewed but authoritative materials, such as positions papers, consultation responses, advocacy briefs, policy recommendations, expert letters and joint statements. This corpus provides a valuable empirical lens to examine how different stakeholders perceive the implementation of CSRD and CS3D, particularly in relation to extended value chain responsibilities.

Documents were primarily sourced through:

- The EU Transparency Register and the Commission's "Have Your Say" portal, which archive stakeholder feedback on legislative proposal.
- Official websites of key actors such as BusinessEurope, MEDEF, AFEP, ECCJ, Sherpa, Oxfam, etc...
- Targeted search queries combining terms like *"due diligence," "value chain," "administrative burden," "CSRD," "CS3D,"* and filtering by domains (e.g., *.europa.eu*, *.org*, *.pdf).

In addition to contributions from private stakeholders, the dataset also includes:

- Institutional positions papers from national ministries (e.g. Austria) and public bodies (e.g. the Danish Institute for Human Rights), offering insights into state-level implementation concerns.
- Academic interventions, such as open letters from legal scholars, which articulate critical analyses of proposed legislative revisions.

This diversified document base was essential to ensure the inclusion of both technical-legal perspectives and field-level concerns, while also enabling a comparative understanding of how EU policy is received across institutional and national contexts.

5.2 Sample Selection

The final sample includes 20 documents published between 2023 and mid-2025 selected based on the following criteria:

- Topical relevance: The document had to explicitly address the CSRD, CS3D, or associated sustainability instruments (e.g. ESRS), particularly their implications for corporate responsibility over global value chains.
- Stakeholder representativeness: the selection aimed to balance industry voices (e.g. BusinessEurope, MedTech Europe, Assuralia), civil society organizations (e.g. European coalition for corporate justice), trade unions (SMEunited) , investor coalitions (e.g. PRI, Eurosif), and public institutions (e.g. the Austrian Ministry of Labour, Danish Institute for Human Rights).
- Analytical and qualitative depth: Preference was given to contributions that not only expressed a normative position but provided argumentation or evidence, either legal, technical, or operational.

In order to obtain a comprehensive and balanced understanding of the debates surrounding the extension of corporate responsibility under recent European directives, this empirical section incorporates the positions of a wide range of stakeholders from different institutional backgrounds. This plurality of perspectives enhances the robustness of the analysis by highlighting the political, operational and normative tension that emerges between economic competitiveness and environmental compliance.

Stakeholder representation includes actors who are generally more inclined to advocate for regulatory simplification, such as industry associations and business solutions, as well as those who defend the original ambition of the CSRD and the CS3D as essential tools for achieving the objectives of the Paris Agreement and the European Green Deal, such as civil society organizations, trade unions, and human rights institutions.

In order to broaden the empirical scope beyond lobbying actors, the sample also integrates contributions from national parliaments, ministries, public bodies and academic experts, whose interventions provide additional, legal, institutional, and strategic insights into the implementation challenges and regulatory implications of the EU’s sustainability framework. Moreover, those contributions tend to be more neutral and adopt intermediate positions.

Finally, particular attention was paid to the recency of the sources included in the sample. The majority of documents analyzed were published in 2025, reflecting the most up-to-date positions following the announcement of the Omnibus I proposal. Nonetheless, a limited number of documents dating from 2023 were also retained. This decision was justified by their continued relevance to the ongoing legislative debate and their analytical value in demonstrating that stakeholder criticisms of the CSRD and CS3D are not recent or opportunistic but rather embedded in a long-standing and structurally complex policy discussion.

5.3 Data Collection

To systematically capture the discursive landscape of stakeholder feedback, a thematic content analysis was conducted on the collected documents. Texts were coded according to a deductively derived coding scheme based on existing academic literature and regulatory analysis.

Main themes included:

- Administrative burden
- Legal uncertainty
- EU competitiveness
- Regulatory simplification
- Value chain transparency
- Double materiality
- Sustainability reporting

Based on the data collection strategy outlined above, a corpus of 20 non-academic yet authoritative documents was assembled, covering the period from 2023 to mid-2025. These texts originate from a wide range of stakeholders as explained sooner in the “sample selection”. The selection reflects both the diversity of positions expressed in the public debate and the institutional variety of those contributing to it.

In order to ensure analytical clarity, each document was categorized according to stakeholder type, institutional origin, and document format (e.g., position paper, consultation response, joint letter). The resulting dataset offers a structured view of how different actor groups responded to the evolving EU sustainability framework, particularly in relation to the CSRD, CS3D, and the Omnibus I simplification package.

The table that constitutes the corpus and serves as the empirical foundation for the thematic analysis developed in the subsequent section can be found in Appendix 3.

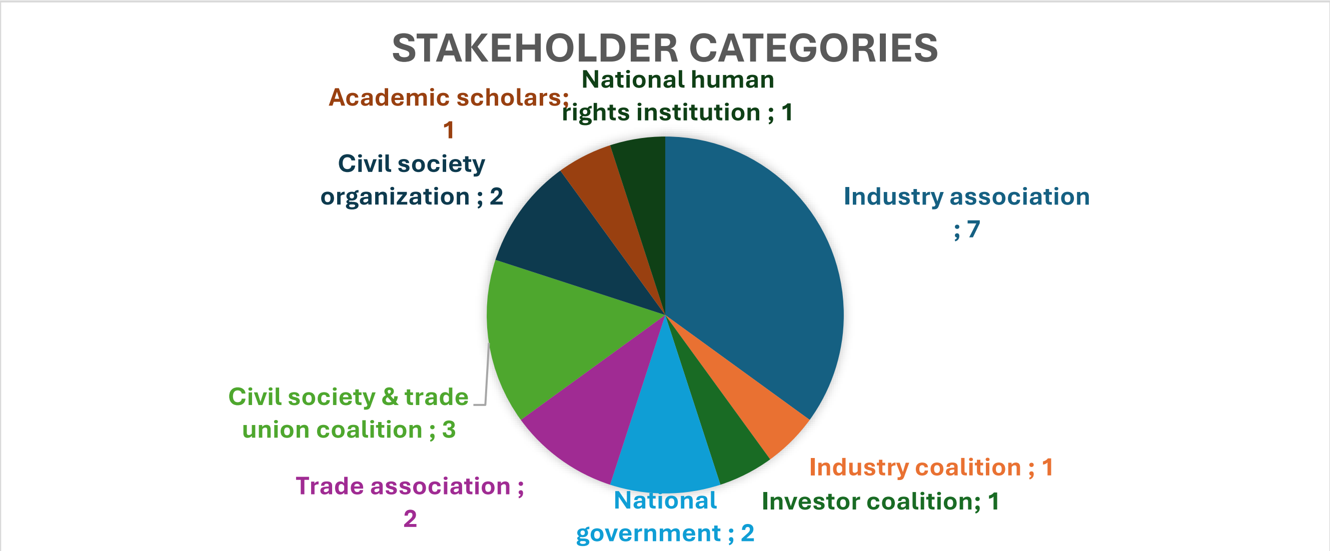

Figure 2 - Pie chart of the data from the empirical research corpus

5.4 Limitations

This research was conducted using systematic and transparent criteria, yet several limitations must be noted.

To start with, document selection, guided by relevance, diversity, and recency, was inevitably shaped by the visibility and communication capacity of certain stakeholder groups. Industry associations, well-established NGOs, and institutional actors are typically more present in formal consultations and public advocacy. That means the sample may under-represent stakeholders with fewer resources or limited political access, including SMEs outside large federations or suppliers based in third countries.

A second point follows naturally. The analysis concentrates on actors who have made their positions public through lobbying materials, position papers, and consultation responses. Stakeholders directly affected by the CSRD and CS3D but less visible in public for a, companies embedded in extended value chains or located outside the EU, do not appear in the corpus. Their absence may signal disengagement or institutional exclusion rather than neutrality, and that, in turn, can bias how representative the dataset is of the policy system as a whole.

Then, the sample size (n = 20) restricts generalization, although diversity in sector, geography, and institutional profile mitigates this. Collective statements, such as the "*Joint Civil Society Statement on the Omnibus Proposal*" signed by over 350 organizations, broaden the representativeness of the dataset.

Furthermore, the corpus is concentrated around early to mid-2025, during debates on the Omnibus I simplification package. While a few 2023–2024 documents add temporal depth, the dataset reflects a specific, reactive policy moment. New consultations, such as EFRAG's review of ESRS (July–September 2025), were ongoing during the thesis.[109]

Finally, the study relies exclusively on written sources, omitting interviews or informal exchanges that could illuminate behind-the-scenes dynamics.

These limitations mean the findings should be interpreted as a snapshot of publicly stated positions within a defined institutional and temporal context, not an exhaustive mapping of all perspectives.

[109] European Commission. (2025, March 27). *Letter from Commissioner Maria Luís Albuquerque to EFRAG regarding the simplification of ESRS*. https://www.efrag.org/sites/default/files/media/document/2025-03/Commissioner%20Albuquerque%20Letter%20to%20EFRAG%20March%202025.pdf

6. Chapter 6: Empirical findings and Thematic Analysis

6.1 Introduction to the analytical framework

This chapter presents the empirical findings derived from a qualitative content analysis of grey literature documents related to the EU's evolving corporate sustainability legislation, with a focus on the CSRD and CS3D. The objective of this analysis is to understand how various stakeholders, which have been presented in the previous chapter, position themselves with respect to the extension of corporate responsibility across global value chains, as proposed or amended in recent EU initiatives, particularly through the Omnibus I package.

The coding process which has been explained earlier allowed for the identification of recurrent patterns, arguments, and divergences in the way different actors evaluate key regulatory concepts, such as *double materiality, supply chain due diligence*, *climate transition plans*, and *proportionality of obligations*.

The analysis is organized around a series of key tensions and variables that emerged across the dataset. These include, for instance, concerns about administrative burden, legal clarity, data availability, and the enforceability of corporate duties. Such variables reflect the core fault lines in the policy debate over how far, and under what conditions, corporate sustainability responsibilities should extend.

Each of the next subsection focuses on one of these core thematic controversies, presenting a comparative synthesis of stakeholder positions supported by their arguments from the analyzed documents. In doing so, the chapter highlights not only who supports or opposes provisions, but rather why, drawing on both pragmatic arguments and normative considerations.

To make this thesis easier to read, the arguments by theme are summarized in tables. More detailed analyses of each document can be found in Appendix 4.

6.2 Administrative burden and feasibility

One of the most frequently cited concerns in the stakeholder corpus relates to the administrative burden and operational complexity associated with implementing the CSRD and the CS3D, and their accompanying standards. This issue cuts across most stakeholder categories but is articulated with particular intensity by business actors and SMEs, who frame it as a threat to both operational feasibility and global competitiveness.

Stakeholder	Position
MedTech Europe	Warns that the cumulative reporting obligations across various EU instruments (CSRD, IVDR, EU Taxonomy) create an excessive burden for mid-sized firms. Requests risk-based exemptions and standardized templates.
BusinessEurope (European employer's federation and lobbying organization representing private enterprises to the EU)	Repeatedly argues that the current EU sustainability framework imposes an unmanageable regulatory burden, especially through overlapping CSRD, CS3D and Taxonomy obligations. Emphasizes the lack of proportionality and legal clarity, calling for horizontal simplification agenda.

World Employment Confederation – Europe	Expresses concern that rigid sectoral standards and the scope of double materiality are not feasible in practice for many service-oriented employers. Advocates more flexibility and reduced frequency of reporting.
Assuralia	Criticizes the cost and duplication of reporting between CSRD and Taxonomy regulations, highlights administrative inefficiencies for the insurance sector. Suggests that the value of certain ESG disclosures is questionable in terms of stakeholder impact.
Spectaris e.V.	States that the reporting requirements under CSRD, EU Taxonomy and the CS3D place disproportionate demands on small and medium-sized enterprises in the medical technology sector.
Insurance Europe	Contends that overlaps across CSRD/ESRS, the EU Taxonomy and prudential sustainability add-ons (e.g., proposed Solvency II Sustainability Risk Plans[110]) create duplicative reporting. Calls for proportionate simplification (removal of sector-specific ESRS, limited assurance) and clearer timelines ("stop-the clock") to restore legal certainty.
Joint Business Coalition (AmCham EU, EuroCommerce, etc…)	Emphasizes that extremely short implementation timelines under CSRD and CS3D increase compliance costs and pressure, particularly for smaller market actors.
PRI, IIGCC, Eurosif, and 165 investors	Caution that reducing reporting obligations may improve feasibility in the short term, but will ultimately harm data quality, increase market fragmentation and raise costs due to inconsistent disclosures across companies.
Ministry of Labour and Economy (Austria)	Highlights the lack of coordination between overlapping EU obligations and calls for streamlining. Notes that compliance is burdensome especially for companies operating across multiple jurisdictions.
French Senate	Notes that reporting obligations, particularly for value chain traceability generate a heavy administrative burden. While supporting simplification, it warns against excessive exemptions that could erode comparability and ambition.
SMEunited	Repeatedly stresses that SMEs suffer from indirect obligations via value chains, especially under CSRD and the Taxonomy. Urges proportionality and simplified tools for small businesses.
Joint Civil Society Coalition (350+ organizations)	Acknowledges the complexity of sustainability reporting but warns against using administrative burden as justification for deregulation. Stresses the importance of maintaining strong ESG transparency obligations.
BETTER FINANCE	Argues that reducing the scope of CSRD for the sake of simplification deprives investors, particularly retail investors, of essential sustainability information and increases long-term risk.

[110] Under the 2024/25 Solvency II review, Article 44 requires insurers to adopt a sustainability risk plan—a risk-management plan with measurable targets and processes to monitor and address financial risks arising from sustainability factors across short, medium and long horizons.

Table 4 - Stakeholder Positions on Administrative Burden and Feasibility

Most industry associations present the administrative burden as structurally unsustainable, using framing devices such as "reporting overload", "duplicative frameworks and "implementation fatigue". These arguments are particularly prevalent among sector-specific federations (e.g., MedTech Europe, Spectaris), who point to the cumulative effect of CSRD, CS3D, and EU Taxonomy, and, in the insurance case, on mid-sized and regulated entities. The logic of these claims is grounded in a pragmatic conception of feasibility, prioritizing proportionality clarity and cost-efficiency.

This concern is particularly acute for small and medium-sized enterprises, which though formally out of scope, are indirectly impacted through the value chains of larger companies. Several stakeholders including SMEunited, Spectaris and MedTech Europe, refer to a "trickle-down effect" whereby SMEs are required to align with reporting obligations imposed contractually by larger clients. Insurance Europe similarly underlines capacity constraints for smaller undertakings within groups, warning that duplication diverts scarce expertise from transition activities. These indirect requirements, ranging from ESG disclosures to risk-mitigation clauses, represent a disproportionate administrative burden for businesses lacking dedicated sustainability staff or reporting infrastructure.

Beyond the cost dimension, such demands may result in commercial exclusion, with SMEs being passed over in procurement processes due to an inability to comply. Public authorities such as the Austrian Ministry and the French Senate acknowledge this risk and advocate for adjusted thresholds, simplified templates, and technical support mechanisms to preserve SME inclusion in European value chains.

From a theoretical perspective, this reinforces the idea that "burden" is not solely a matter of volume or quantity of disclosure, but also of structural asymmetry in regulatory capacity. The challenge lies in ensuring that extended responsibility does not translate into concentrated fragility for actors with fewer resources.

On the other end of the spectrum, investor coalitions and civil society organizations do not dismiss the reality of administrative constraints but contest their use as a justification for dilution. For them, transparency is not just a legal obligation but a mechanism of accountability and a precondition for sustainable capital allocation. As such, simplifying the framework may generate false efficiency if it leads to fragmentation, greenwashing or diminished access to ESG data.

Ultimately, this thematic field illustrates how actors invoke the notion of "burden" not simply to express resistance, but to articulate conflicting visions of corporate sustainability. Some argue feasibility in terms of cost and operational capacity, others in terms of regulatory effectiveness and normative coherence.

Recent legislative adjustments directly respond to concerns about excessive administrative pressure.

CSRD reporting obligations are now limited to companies exceeding 1,000 employees and €450 million in turnover, while the planned "listed-SME wave" has been removed. In addition, a statutory "value-chain cap" linked to a voluntary SME reporting standard restricts the information that larger firms can request from partners with 1,000 employees or fewer, thereby reducing the trickle-down effect repeatedly highlighted by stakeholders.

The application calendar has also been postponed under the "stop-the-clock" mechanism. Companies initially required to report from financial year 2024 will now begin in 2025, those with over

500 employees and €150 million turnover shift to 2026, while subsequent categories move to 2027 and 2028.

These changes ease time pressure and avoid rushed compliance processes. Together, they reflect an attempt to preserve proportionality by protecting the capacity of SMEs, while keeping core transparency duties in place for the largest market actors.

6.3 Legal Certainty and fragmentation

A major theme emerging from the corpus concerns the perceived lack of legal certainty and the risk of regulatory fragmentation associated with both the original directives (CSRD and CS3D) and the changes proposed in the Omnibus package. Stakeholders across sectors highlight that unclear or ambiguous legal provisions, especially when transposed inconsistently across Member States, may hinder enforcement, increase litigation risk, and erode trust in the EU's regulatory environment.

Stakeholder	Position
BusinessEurope	Criticizes the complexity and lack of consistency across CSRD, CS3D and EU Taxonomy. Warns that the current regulatory patchwork generates significant uncertainty for companies and may lead to divergent national implementations. Calls for horizontal simplification approach.
Insurance Europe	Emphasizes the need to avoid fragmentation across CSRD/ESRS, the EU Taxonomy and proposed Solvency II Sustainability Risk Plans. Calls for an interoperability review, the removal of sector-specific ESRS, limited assurance and a pause on mandatory electronic tagging to reduce interpretive divergence. Supports clearer sequencing ("stop-the-clock") and calibrated scope thresholds to prevent scope volatility, framing these as conditions for legal certainty.
Group of legal scholars	Strongly oppose the rewording of Article 22 CS3D arguing it weakens enforceability of climate duties by turning an obligation of result into an obligation of means and also opens the door to legal uncertainty, litigation, and incoherent interpretation across Member States.
Danish institute for Human Rights	Warns that the proposed changes would undermine the clarity and enforceability of sustainability due diligence obligations, especially If monitoring and liability mechanisms are removed. Emphasizes the importance of aligning with UNGPs and OECD standards to ensure legal robustness.
French Senate	Expresses concern about vague terminology in CS3D (e.g., "plausible information") and the removal of harmonized civil liability, which could increase legal alignment across Member States. Also expresses deep concern about the softening of Article 22 CS3D, regretting that the revised version removes any binding obligation to implement transition plans, thereby lowering ambition and legal enforceability.
Ministry of Labor and Economy (Austria)	Points to overlapping and inconsistent obligations across CSRD, CS3D and SFDR ("sustainable finance disclosure regulation"). Calls for a coherent regulatory framework with unified reporting standards and supervision mechanisms to avoid confusion and implementation delays.
Investor coalition (PRI, Eurosif, IIGCC)	Argues that reopening Key directives the Omnibus introduces legal and procedural uncertainty, damages regulatory predictability, and undermines investor confidence in long-term ESG data comparability.

Joint Civil Society Statement (350+ organizations)	Critiques the Omnibus as rushed legislative move lacking legal clarity and democratic legitimacy. Emphasizes weak definitions, re-opened negotiations and missing sanctions contribute to an overall erosion of trust in the EU legal process.

Table 5 - Stakeholder engagement over Legal certainty and fragmentation

Across these contributions, several dimensions of legal uncertainty emerge. First, multiple stakeholders, including industry groups (BusinessEurope), national institutions (Austria, France), and legal scholars, converge in identifying the fragmentation of obligations across different instruments as a key problem. The simultaneous application of CSRD, CS3D, SFDR and EU Taxonomy, often with diverging scopes, timelines, and definitions, generates interpretive ambiguity and compliance confusion.

Then, the withdrawal or softening of key legal concepts, such as enforceable climate transition plans or harmonized civil liability, is seen as creating legal vacuums. For instance, the shift in wording under Article 22 CS3D which originally required companies to "put into effect" transition plans aligned with the Paris Agreement will now be substantially softened in the Omnibus proposal reducing the obligation to merely "including implementation actions". This change has provoked debate between those who see it as necessary clarification and those who interpret it as a significant regression of climate accountability within the EU regulatory framework. Conversely, Insurance Europe frames legal certainty primarily in terms of coherence and predictability, through interoperable standards, clearer sequencing ("stop-the-clock"), and calibrated thresholds, rather than through additional prescriptive duties.

This shift is criticized by legal experts and national bodies alike for introducing grey zones in obligations, which could vary widely across national jurisdictions and expose companies to unequal enforcement regimes.

Last but not least, civil society and investors articulate the risk that regulatory backtracking and re-opening of agreed texts will undermine the legal credibility of the EU. This concern is less about technical ambiguity and more about procedural legitimacy and rule-of-law consistency.

Finally, the recurring concern about fragmentation, both in stakeholder consultations and institutional feedback, underscores the need to maintain harmonization as a core objective. Whether framed in terms of market efficiency, legal accessibility, or human rights protection, most actors agree that divergence between Member States would weaken the entire regulatory architecture.

To address critiques regarding legal uncertainty and fragmentation, several measures now aim to strengthen consistency across the regulatory framework.

Within CSRD, the ESRS have been streamlined through the removal of sector-specific and SME-specific standards, while a statutory review mechanism, scheduled by 2026, was introduced to reduce the number of datapoints and enhance clarity.

The "stop-the-clock" adjustment functions not only as relief for firms but also as a sequencing tool, designed to limit overlapping timelines across instruments.

On the CS3D side, thresholds have been raised substantially: EU companies will fall in scope only if they have more than 5,000 employees and €1.5 billion worldwide turnover, while non-EU companies are included only if they generate €1.5 billion turnover in the EU. This, combined with a two-wave entry into force in 2028 and 2029, and a tier-1-first, risk-based due diligence model, is intended to reduce interpretive divergence among Member States.

In addition, clearer turnover triggers for third-country companies seek to delimit external enforcement. These modifications aim to mitigate the regulatory patchwork identified by many stakeholders and to reinforce predictability by narrowing the scope for divergent national transpositions.

6.4 Value Chain Traceability and Control

A central point of contention in the stakeholder discourse revolves around the scope and depth of corporate responsibility across value chains, particularly under the CS3D. While the principle of identifying and addressing adverse impacts along the entire value chain has been a cornerstone of the directive's original ambition, several actors question its practical feasibility, legal boundaries, and economic consequences. Others, on the contrary, argue that the EU's credibility on sustainable governance hinges on maintaining a broad and risk-based approach to value chain traceability.

Stakeholder	Position
BusinessEurope	Argues that full value chain due diligence is unrealistic, especially for upstream suppliers over whom companies have little leverage. Advocates focusing on direct suppliers and contractual assurances rather than comprehensive risk mapping.
MedTech Europe	Notes that many SMEs and mid-sized suppliers cannot be fully traced due to complex and dynamic value chains. Calls for limiting due diligence to tier-1 suppliers and contractual frameworks.
French Senate	Acknowledges the challenge of collecting reliable data beyond direct business relationships but insists that excluding value chain traceability would weaken environmental and human rights protections.
Danish Institute for Human Rights	Strongly supports a risk-based approach extending beyond direct suppliers, in line with the UNGPs and OECD guidelines. Warns against reverting to a purely contractual logic that overlooks systemic risks in global chains.
Group of legal scholars	Argue narrowing traceability obligations to tier-1 suppliers undermines the preventative purpose of due diligence. Emphasize that risks often materialize deep in the chain. (e.g., raw materials)
Joint Civil Society Statement (350+ organizations)	Criticizes the Omnibus for reintroducing a supplier-based model of corporate responsibility. Calls for reinstating full-chain obligations with robust monitoring mechanisms.
Investor coalition (PRI, Eurosif, IIGCC)	Emphasize the financial materiality of risks hidden deep in value chains. Stress that limiting traceability would erode ES data reliability and increase long-term investment risk.

Table 1 - Stakeholder positions on the challenges and stake of traceability obligations

Several conflicting positions emerge from this set of contributions. On one side, industry associations and SME representatives advocate for a narrow interpretation of traceability, limited to direct suppliers and framed in terms of contractual control. Their core arguments center on practical feasibility, limited leverage, and risk exposure to litigation. BusinessEurope, MedTech Europe and

SMEunited, for instance, emphasize that firms cannot reasonably be held accountable for actors several tiers removed, especially in sectors with high fragmentation or fluid supply chains.

In contrast, civil society actors, human rights institutions, and investor coalitions defend the principle of extended due diligence based on a risk-based logic, irrespective of contractual proximity. They argue that serious adverse impacts, such as forced labor, deforestation, or child labor, often occur deep in global value chains. For them, limiting traceability to tier-1 suppliers amounts to as strategic blind spot, both ethically and financially.

The French Senate attempts to reconcile these tensions by recognizing the difficulty of full traceability while nonetheless asserting that excluding value chain transparency would erode the directive's effectiveness. This intermediate position reflects broader institutional efforts to balance regulatory ambition with implementation realism.

The debate over value chain traceability is reflected in a reorientation of the CS3D model toward a "tier-1-first" approach. Companies are now primarily required to focus on direct suppliers, with an obligation to extend due diligence further down the chain only when there are objective and verifiable indications of risks. This framework responds to business concerns about feasibility and limited leverage, while still preserving the possibility of escalation in cases of severe environmental or human rights impacts.

Although it narrows the immediate scope of corporate responsibility, the approach maintains a risk-based logic that allows for proportionate intervention beyond contractual boundaries. In practice, this represents a compromise between implementation realism and the ambition of addressing systemic risks embedded deeper in global supply chains.

6.5 Stakeholder Engagement and Access to Remedy

Another key dimension of the stakeholder debate concerns the degree to which parties, particularly workers, communities, and civil society organizations, are meaningfully included in the due diligence process and granted effective access to remedy. These issues are central to the legitimacy and effectiveness of the CS3D, which aims not only to prevent harm but also to strengthen victims' rights and the accountability of companies operating across global value chains.

While not always explicitly addressed under the term" stakeholder engagement" this theme emerges across several documents, especially in relation to the removal of harmonized civil liability, the weakening of due diligence mechanisms, and the risk of tokenistic or passive consultation.

Stakeholder	Position
Joint civil society statement (350+ organizations)	Condemns the weakening of stakeholder rights and engagements mechanisms under the Omnibus proposal. Argus that the removal of liability provisions and reduced due diligence requirements disempowers communities and affected people, limiting their ability to seek redress.
Group of legal scholars	Regret the removal of a harmonized civil liability regime under CS3D. Stress that without legal avenues for victims to hold companies accountable, stakeholder engagement becomes symbolic and lacks enforcement power.
Danish Institute for Human Rights	Emphasized that meaningful stakeholder engagement is essential for risk identification and prevention, particularly in high-risk sectors and transnational contexts. Warns that weakening these mechanisms disconnects due diligence from its human rights foundations.

French Senate	Critiques the withdrawal of harmonized civil liability provisions. Argues that this undermines legal certainty and the effectiveness of enforcement across the EU, especially for cross-border victims.
BusinessEurope	Opposes a harmonized EU civil liability regime, arguing that national legal systems already provide sufficient recourse. Supports voluntary grievance mechanisms but warns against litigation-based models that may deter investment.
SMEunited	Opposes extend liability exposure for companies, particularly SMEs. Argues that legal risks may be disproportionate and discourage cross-border operations. Favors for non-judicial resolution tools.
Investor coalition (PRI, Eurosif, IIGCC)	Express concerns that the removal of enforceable remedy mechanisms reduces the reliability of due diligence processes and risks reputational damage for investors relying on ESG metrics.
Better Finance	Emphasizes that access to remedy is a condition for investor trust. Warns that opaque or ineffective grievance systems prevent capital from flowing toward truly responsible companies.

Table 6 - Stakeholder engagement and access to remedy

The faut lines on this issue follow a division between industry actors and civil society and investor groups, with institutional bodies such as the French Senate and Danish Institute for Human rights also expressing caution toward recent revisions.

Civil society organizations and the group of legal scholars frame stakeholder engagement as a normative cornerstone of the due diligence model. For them, access to remedy is not an optional or procedural element but a rights-based obligation, especially for victims of environmental harm, forced labor, or land dispossession. From this perspective, removing civil liability or weakening stakeholder participation transforms the directive into a box-ticking exercise, undermining both its ethical basis and its legal enforceability.

National public institutions, such as the French Senate and Danish Institute, echo these concerns, warning that abandoning harmonized liability creates legal fragmentation and procedural asymmetries, especially in cross-border contexts where victims often face jurisdictional obstacles.

By contrast, business actors, particularly BusinessEurope and SMEunited, advocate for non-judicial mechanisms, voluntary grievance platforms, and a greater role for contractual risk allocation. They argue that extensive liability would create legal uncertainty and raise operational costs, especially for companies exposed to long global value chains.

Investor coalitions and organizations like Better Finance offer a third angle. They stress that stakeholder engagement and access to remedy are also governance indicators. If these mechanisms are weakened, the credibility of ESG ratings and sustainability claims collapses, increasing reputational and investment risk.

The revisions also reshape the way stakeholder participation and remedy mechanisms are integrated. The removal of the harmonized EU-wide civil liability regime eliminates a provision that would have created a common right of action for victims across Member States, leaving enforcement instead to national jurisdictions. This reduces direct judicial avenues of redress, reflecting business concerns about disproportionate litigation risks.

At the same time, the framework continues to require companies to establish processes for engaging stakeholders in risk identification and management, ensuring that participation remains a formal component of due diligence. Instead of litigation-based enforcement, the emphasis shifts toward voluntary or non-judicial grievance mechanisms, which lower legal risks for companies but raise questions from NGOs and investors about the effectiveness of remedy in practice.

6.6 ESRS, Transparency and Confidence

A final but critical area of contestation concerns the role of ESG data, transparency obligations, and the effects of the proposed revisions on investor confidence. While transparency is often presented as a neutral compliance requirement, several stakeholders treat it as a foundational mechanism of market trust, accountability, and comparability. Others, in contrast, frame excessive disclosure obligations as a burdensome process with limited added value, especially for companies with less exposure to sustainability risks.

Stakeholder	Position
Investor coalition (PRI, Eurosif, IIGCC)	Opposes the reduction in CSRD and CS3D scope via the Omnibus proposal. Advocates for keeping ESRS strong and stable, interoperable with ISSB/GRI[111], and digitally accessible. Argues that robust, comparable ESRS standards are vital for investor confidence, and warns that cutting data points would reduce accountability and increase greenwashing risks.
Better finance	Criticizes the potential simplification of sustainability disclosures. Warns that reduced transparency harms retail investors, who rely on comparable ESG/ESRS information to make informed decisions.
BusinessEurope	Calls for streamlining ESRS to focus on truly decision-useful information. Highlights the disproportionate costs of workforce breakdowns (ESRS S1), detailed climate plans (ESRS E1), and extensive value-chain requests, arguing these impose burdens without equivalent benefits.
Assuralia	Advocates aligning ESRS with the EU Taxonomy to avoid duplication. Calls for more consistent indicators and assurance processes to reduce overlap and reporting costs while maintaining data quality.
World Employment Confederation	Seeks clarification of double materiality and the definition of "own workforce" within ESRS. Argues for more sector-fit workforce metrics under ESRS S1 to improve feasibility and relevance for employment-services companies.
French Senate	Expresses concern that narrowing the scope of CSRD may lead to significant gaps in ESRS data, weakening the EU's sustainable finance objectives. Supports simplification, but not at the expense of data reliability.
Danish Institute for Human Rights	Opposes any reduction in ESRS datapoints or sector-specific requirements. Argues that these elements are essential for ensuring comparability, legal certainty, and corporate accountability across the EU.

[111] The International Sustainability Standards Board (ISSB) is a global standard-setting body established by the IFRS Foundation to develop a comprehensive baseline of sustainability disclosure standards for capital markets. The Global Reporting Initiative (GRI) is an independent international organization that provides widely-used standards for sustainability reporting, focusing on the impacts of organizations on the economy, environment, and people.

Joint Civil Society Statement (350 + organizations)	Opposes attempts to dilute disclosure standards, including ESRS. Frames transparency as a precondition for democratic oversight and stakeholder empowerment.
MedTech Europe	Argues that SMEs and mid-cap companies are overwhelmed by the volume and complexity of ESRS data requests. Calls for standardization and prioritization of indicators relevant to company size and sector.

Table 7 - Stakeholder position on the role of Transparency, ESG Data, ESRS, and Investor Trust

Across these contributions, two contrasting logics emerge. On the one hand, investor coalitions, civil society organizations, and some institutional actors present ESRS-based transparency as a non-negotiable pillar of the EU's sustainable finance architecture. For them, robust, comparable, and standardized ESRS disclosures are indispensable to evaluate corporate behavior, inform investment decisions, and prevent reputational risk or greenwashing. Investor coalitions such as PRI, Eurosif, and Better Finance explicitly warn that simplifying or reducing ESRS requirements under the Omnibus threatens the credibility of the EU's sustainable finance agenda and undermines investor trust in the comparability and integrity of corporate sustainability reporting.

On the other hand, industry actors and some sectoral organizations, such as BusinessEurope, Assuralia, and MedTech Europe, argue that the current ESRS framework is overly complex, redundant, and insufficiently targeted. They advocate for a materiality-driven, sector-adapted ESRS regime, warning that standardized burdens disproportionately affect low-capacity firms, especially SMEs. Their discourse often shifts the focus from ESRS-driven transparency as a governance principle to ESRS reporting as an administrative cost.

Meanwhile, institutions like the French Senate position themselves between these camps, acknowledging the need to streamline ESRS obligations while opposing any reduction in data quality or scope that would weaken public oversight or investor confidence.

This controversy illustrates a deeper tension between two conceptions of transparency. One that treats ESRS disclosures as a market-enabling tool essential for aligning private capital with public sustainability goals, and another that views ESRS obligations as a regulatory overhead to be minimized for proportionality and cost-effectiveness.

Finally, revisions to the ESRS framework directly shape the transparency and data reliability debates. The legal basis for sector-specific ESRS has been eliminated, and the Commission is mandated to conduct an accelerated review of the first set of ESRS by 2026, with the goal of reducing the number of datapoints and ensuring coherence.

At the same time, the narrowing of CSRD scope to companies above 1,000 employees and €450 million turnover concentrates disclosure obligations on a smaller group of large undertakings, thereby easing the reporting burden on SMEs.

While these changes strengthen feasibility and predictability for companies, they also create the risk of information gaps, as highlighted by investors and public authorities. The EU thus seeks to balance simplification with credibility, maintaining a baseline of standardized disclosures while accepting that fewer datapoints and fewer reporting entities may affect the depth and comparability of sustainability information available to the market.

6.7 Synthesis: Mapping Political Fault Lines in the debate

The stakeholder responses to the CSRD, the CS3D, and the Omnibus I proposal reveal not a binary split but a structured field of tensions. Across themes, from administrative burden to legal certainty, value-chain scope, stakeholder remedy, and ESRS transparency, actors advance competing priorities about what corporate sustainability regulation should do and how far it should reach.

A first fault line opposes those who frame sustainability obligations primarily as a compliance burden to be minimized and sequenced, and those who view them as governance tools that require stable, comprehensive disclosure. The recent narrowing of scope, capping of value-chain requests to smaller partners, and deferral of timelines are read by the former as proportionate relief, while the latter warn that concentrating obligations on fewer entities and trimming datapoints risks information gaps and weaker comparability.

A second cleavage turns on enforceability. Business constituencies emphasize flexible, contract-based risk management, whereas civil society, legal scholars, and some public institutions stress the importance of binding, justiciable duties. The move toward a risk-based, tier-1-first model and the withdrawal of harmonized civil liability are interpreted, respectively, as practical clarifications or as steps that may dilute the effectiveness of climate and human-rights obligations.

A third tension concerns coherence versus fragmentation. Industry groups and national administrations call for predictable sequencing and interoperable standards across CSRD/ESRS, CS3D, the EU Taxonomy, and related instruments. Streamlining of ESRS and revised calendars are intended to reduce overlap, yet the reopening of core texts is seen by investors and NGOs as introducing procedural uncertainty that could invite divergent national transpositions.

A fourth divide centers on transparency and market integrity. Investor coalitions and civil society treat standardized, comparable ESRS data as foundational for capital allocation and accountability, while several business associations argue for narrower, materiality-focused reporting to align with operational capacity. The recalibrations thus redistribute administrative effort while raising questions about the depth and stability of the information set available to markets and stakeholders.

Not all actors align neatly with one camp. National institutions and some investor voices adopt intermediate positions that pair simplification with safeguards, seeking clarity, phased implementation, and differentiated obligations without undermining the overarching framework.

In this light, Omnibus I functions less as a technical clean-up than as a political inflection point. By narrowing scope, streamlining standards, revising timelines, and reshaping due-diligence architecture, it crystallizes the trade-offs at the heart of EU sustainability governance: feasibility versus ambition, flexibility versus enforceability, and simplification versus comparability. The resulting equilibrium reduces some frictions identified by businesses while sustaining concerns, especially among investors and civil society, about consistency, access to remedy, and the long-term integrity of the disclosure ecosystem.

7. Chapter 7: Discussion

The fault lines identified do not amount to a verdict but delineate a field of tensions where competing ends confront one another: governing through responsibility or diluting it into routines of compliance; accelerating ambition or accommodating the longtime of organizations; treating transparency as a common good that guides capital, or as an added cost that saturates attention. As law oscillates between soft incentives and enforceable requirements, the question is no longer merely technical but one of responsibility. What does it mean to be answerable within fragmented value chains? Easing rules can remove obstacles while also, in other respects, producing unintended effects, weakening the comparability of information, accentuating asymmetries between actors, risking regulatory fragmentation, or rendering downstream impacts less visible.

Against this backdrop, Europe appears as a laboratory of unstable equilibria: enough unity to secure comparability and trust, yet enough pluralism to accommodate differentiated trajectories across sectors and territories. Enough stringency to steer investment, yet enough pragmatism to account for the capacities of SMEs without obscuring the reality of impacts.

The question may not be to choose between competitiveness and transition, but to invent the complementarities that make them co-productive. Looking ahead, what evolving combination of requirements and flexibilities, scope and granularity of information, risk targeting, thresholds for applicability, assurance, avenues for redress, will allow the Union to preserve the integrity needed for the ecological transition while turning this trajectory into a shared competitive advantage?

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Statement on the Use of Artificial Intelligence

The "ChatGPT" generative artificial intelligence tool developed by OpenAI was used for this thesis.

This tool helped in various ways in the development and writing of this thesis. The following is a list of the different ways in which it was used:

- In the writing process, as a linguistic assistant, making the text flow more smoothly, increase its stylistic quality and suggest more sophisticated phrasing.
- For the creation of visuals such as: "Figure 1 - Value Chain Vs. Supply Chain".
- The "Deepsearch" tool was also used as an information retrieval assistant.

Throughout the use of this tool, its contribution was always scrupulously checked and critically evaluated. Suggested reformulations were reread, and search results were checked both for content and accessibility of sources, systematically mentioning the authors of the documents consulted.

The use of AI has not replaced academic research or the exercise of critical thinking. Its use has been transparent and remains in line with the University of Liège's ethics, as described in its charter on the use of generative artificial intelligence in academic work: "*ULiège Charter for the use of generative artificial intelligence in academic work* ".

Appendices

Appendix 1: NFRD Vs. CSRD comparative table

Category	NFRD	CSRD
Adoption Year	2014	2022
Effective From	2017	2025 (reporting on 2024 data)
Scope (Companies Covered)	Large public-interest companies with >500 employees (~12,000 companies)	All large companies meeting 2 of 3 criteria (€40M turnover, €20M balance sheet, 250 employees) + listed SMEs (~50,000 companies)
Geographic Scope	EU-based companies	EU companies + subsidiaries of non-EU companies with significant EU presence (those which generated a net turnover of more than 150 million in the Union for each of the last two consecutive financial years)[112]
Reporting Standards	No standardized framework: companies may choose guidelines (e.g., GRI, UNGC, etc.)	Mandatory EU Sustainability Reporting Standards (ESRS)
Digital Reporting Format	No mandatory digital format; often published on company websites	Mandatory digital reporting (XHTML format with ESEF tagging)
Audit Requirement	No mandatory audit	Mandatory limited assurance (audit) of sustainability information
Materiality Perspective	Primarily financial materiality (how sustainability issues affect company's financial performance)	Double materiality (both impact of company on environment/people and impact of sustainability issues on company)
Disclosure Topics	Environment, social and employee matters, human rights, anti-corruption, bribery	Environment, social, governance, employee, human rights, anti-corruption, bribery

[112] European Parliament and Council. (2022). Directive (EU) 2022/2464 of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. Official Journal of the European Union, L 322, 15–80. Article 40a.

Category	NFRD	CSRD
Disclosure Requirements	Narrative statement included in management report or separate report	Detailed, standardized disclosure aligned with ESRS, integrated in management report
Assurance Standard	No specific assurance standard	Limited assurance covering compliance and reliability of sustainability disclosures

Table 1 NFRD Vs. CSRD

Appendix 2: Side-by-side comparison of the CSRD and CS3D before and after the Omnibus/"Stop-the-Clock" amendments

Directive/ Topic	Baseline (before reforms)	Combined Changes (Omnibus proposal + "Stop the clock" proposal"
CSRD – Scope	Large undertakings meeting at least 2 of 3: ≥ 250 employees, €50m net turnover, €25m balance-sheet total (after Delegated Dir. 2023/2775); listed SMEs (except micro) also in scope.	Scope narrowed to undertakings (and parent undertakings of groups) that exceed both 1,000 employees and €450m net turnover (individual and consolidated). Listed SMEs removed entirely from scope.
CSRD – Phasing/ Timeline	Three waves: 1. Wave 1 (FY ≥ 2024) public-interest entities > 500 employees (and PI parent of large group > 500, consolidated). 2. Wave 2 (FY ≥ 2025) all other large undertakings (and large groups). 3. Wave 3 (FY ≥ 2026) listed SMEs (excl. micro), small & non-complex institutions, and captive (re)insurers	1. Wave 1: Applies only for financial years 2024–2026. Target: public-interest entities with > 500 employees (and parent undertakings of groups meeting the same consolidated threshold). 2. Wave 2: From financial years starting in 2027: only undertakings exceeding both 1,000 employees and €450 million net turnover (individual or consolidated). 3. Wave 3: Deleted: there will be no separate wave for listed SMEs.
CSRD – Value chain information requests	No statutory cap; value chain disclosures required where material via ESRS	Cap introduced: CSRD reporters may not require information from value chain partners with ≤ 1,000 employees beyond the content of a forthcoming VSME. Requests exceeding the ceiling can be refused, contractual clauses to the contrary are non-binding. Assurance engagements must respect this ceiling. Applies only to CSRD reporting tasks, not to other legal or contractual needs (e.g. CS3D due diligence)
CSRD – VSME	/	Under Art. 29ca of Directive 2013/34/EU, the Commission will, via a delegated act, adopt a voluntary SME reporting standard based on EFRAG's VSME, with a review at least every four years. Until this act is in force, companies can use a Commission

		Recommendation incorporating the VSME. If a CSRD-reporting company only asks its smaller value-chain partners (≤ 1,000 employees) for the information set out in this standard, it is considered fully compliant with CSRD value-chain data requirements, auditors cannot demand more for reporting purposes.
CSRD – ESRS architecture & review	ESRS organized as crosscutting + topical + planned sector-specific sets; listed-SME ESRS foreseen; first cross-sectoral set adopted in July 2023 (Dir. 2023/2772).	Sector-specific ESRS mandate deleted; listed-SME ESRS deleted; ESRS cannot compel reporters to seek info from ≤1,000-employee partners beyond the voluntary SME standard. Accelerated review (6 months) of first ESRS set to reduce data points, clarify double materiality, improve interoperability.
CSRD – Third country group reporting	Non-EU groups must report if they have €150m EU turnover; if no qualifying subsidiary, a branch ≥ €40m turnover can trigger	Thresholds raised to €450m EU turnover; branch trigger raised to €50m (only if no qualifying subsidiary). Must have either a qualifying EU subsidiary (large undertaking) or, if none, a branch above €50m turnover
CS3D – Scope	- EU companies with ≥ 1,000 employees and ≥ €450m net worldwide turnover; - third-country companies with ≥ €450m EU turnover; - franchising/licensing networks (EU or non-EU) with ≥ €80m EU turnover and ≥ €22.5m royalties from EU licensees.	Base scope raised to ≥ 5,000 employees and ≥ €1.5bn net worldwide turnover for EU companies; ≥ €1.5bn EU turnover for third-country companies.
CS3D – Transposition & application	Transposition by 26 July 2026	Transposition by 26 July 2028; single application date: 26 July 2029 for all in-scope companies (two-wave phasing proposed by the Stop the clock directive is removed by Omnibus).
CS3D – Due diligence method	Risk-based due diligence across operations, subsidiaries, and value chain; full identification, prevention, mitigation, remediation; stakeholder engagement; monitoring; annual statement.	Tier-1-first, risk-based: start with own operations, subsidiaries and direct partners; go beyond tier-1 only where objective, verifiable red flags exist or where relationships are artificially split. Data requests to direct partners must be necessary; if a partner has ≤1,000 employees, request only when the information cannot reasonably be

		obtained otherwise. Escalate measures when risks are confirmed.
CS3D – Stakeholder engagement and access to remedy	- Stakeholder definition: included employees, trade unions, workers in the value chain, affected communities, civil society organizations, and other relevant stakeholders. - Civil liability: Harmonized EU regime (Art. 22–29 CS3D original proposal) allowing victims of corporate-related harm to bring claims before EU courts, with uniform conditions for liability across Member States. - Access to remedy: Explicit link between due diligence breaches and the right for affected persons to seek judicial redress, supported by harmonized evidentiary and limitation rules.	- Stakeholder definition: only employees, directly affected communities, and their legitimate representatives remain expressly covered. - Civil liability: Harmonised EU regime removed. Liability now referred back to national laws of Member States (Art. 22 deleted/revised). No uniform EU rules on burden of proof or limitation periods. - Access to remedy: Still mentioned as a principle, but effectiveness depends entirely on domestic legal systems. Companies must ensure grievance mechanisms are in place, but judicial redress varies across Member States.

Table 2 CSRD & CS3D synthesis table

Appendix 3: Corpus of empirical research

Stakeholder category	Title of the document	Type	Author/Organization	Date	Source/Link
Industry association (medical technology sector)	*MedTech Europe's Proposal for Rationalization of EU Reporting Requirements in the Medical Technology Sector*	Consultation response / Sector-specific policy position paper	MedTech Europe (European trade association representing the medical technology industry)	12/2023	https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements_en
Industry association (cross-sector business federation)	*Reform Barometer 2025 EU in a new political cycle: competitiveness as a true priority in a complex global context*	Policy report	BusinessEurope (European employer's federation and lobbying organization representing private enterprises to the EU)	03/2025	https://www.businesseurope.eu/publications/businesseurope-reform-barometer-2025-eu-in-a-new-political-cycle-competitiveness-as-a-true-priority-in-a-complex-global-context/
Industry association (cross-sector business federation)	*Reducing regulatory burden to restore the EU's competitive edge. 68 proposals for reduction of regulatory burden*	Regulatory mapping report	BusinessEurope	01/2025	https://www.businesseurope.eu/publications/reducing-regulatory-burden-to-restore-the-eus-competitive-edge/
Industry association (employment services sector)	*Position paper on EU CSRD and ESRS*	Position paper	World Employment Confederation (Global federation representing private employment services such as recruitment agencies)	02/2025	https://www.weceurope.org/uploads/2025/02/WEC-position-paper-on-CSRD-and-ESRS.pdf
Industry association (Insurance Sector)	*Assuralia Feedback on the European Commission Omnibus Simplification Package*	Position paper	Assuralia (Belgian professional federation on insurance companies)	03/2025	https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14546-Taxonomy-Delegated-Acts-amendments-to-make-reporting-simpler-and-more-cost-effective-for-companies/F3531967_en

Industry association (optics, photonics, medical technologies)	*Position on Administrative Burden and Rationalization of Reporting Requirements*	Position paper	SPECTARIS e.V. (German industry association representing optics, medical technology, and analytical technologies sectors)	12/2023	https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements/F3445481_en
Industry association (insurance sector)	*Key messages on the first Omnibus package*	Position paper	Insurance Europe (aisbl)	04/2025	https://insuranceeurope.eu/mediaitem/bf1b5976-b10d-4a45-8b67-347c96925198/Key%2Bmessages%2Bon%2Bthe%2Bfirst%2BOmnibus%2Bpackage.pdf?inline=1&utm_source=chatgpt.com
Trade Association	*SMEunited Position Paper on Omnibus Simplification package (CSRD, CS3D, CBAM, Taxonomy)*	Position paper	SMEunited (European association representing small and medium-sized enterprises)	02/2025	https://www.smeunited.eu/news/omnibus-i-on-csrd-cs3d-cbam-and-taxonomy
Trade Association	*SMEunited Position Paper on Omnibus 1 for sustainability Reporting*	Position paper	SMEunited	04/2025	https://www.smeunited.eu/publications/omnibus-1-on-sustainability-reporting-2
Industry coalition	*Joint Statement in Support of a Fast-Track Adoption of the Longer Transition Periods of the CSRD and the CS3D*	Joint business association statement / position paper	Multi-association coalition (including AmCham EU, CEFIC, CLEPA, DIGITALEUROPE, Eurochambres, EuroCommerce, ERT, etc…)	01/2025	https://www.eurochambres.eu/wp-content/uploads/2025/03/Joint-statement-in-support-of-a-fast-track-adoption-of-the-longer-transition-periods-of-the-CSRD-and-the-CS3D.pdf
Investor coalition	*Joint Investor Statement on the Proposed Omnibus Legislation*	Joint investor statement	PRI, IIGCC, Eurosif, and 165 institutional investors	02/2025	https://www.eurosif.org/news/investor-joint-statement-on-omnibus-legislation/
National Government	*Reduction of reporting obligations*	Position paper	Federal Ministry of Labour and Economy (Austria)	12/2023	https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements/F3445482_en

National Parliament	*Avis politique sur la révision des directives CSRD et CS3D - Sénat français*	Parliamentary opinion	French parliamentary committee on European affairs	07/2025	https://www.senat.fr/fileadmin/cru-1750816532/Commissions/Affaires_europeennes/Fichiers/Avis_politiques/Avis_politique_revision_CSRD_CS3D_mel.pdf
Civil Society & Trade Union coalition	*Joint statement on Omnibus: Omnibus proposal will create costly confusion and lower protection for people and the planet*	Joint civil society / trade union statement	European coalition for corporate justice (Network of European NGOs)	01/2025	https://corporatejustice.org/publications/joint-statement-on-omnibus/
Civil Society & Trade Union coalition	*The Big Eu Deregulation: Disastrous Omnibus proposal erodes EU's corporate accountability commitments and slashes human rights and environmental protections*	Joint civil society / Advocacy paper	Multi-organization coalition (over 350 civil society organizations and trade unions)	03/2025	https://eeb.org/library/joint-cso-statement-reacting-to-commission-omnibus-publication/
Civil Society & Trade Union coalition	*Civil Society Stakeholder input to the European Commission Roundtable Consultation on Simplification*	Joint civil society statement / roundtable contribution	Multi-organization coalition (over 150 civil society organizations and trade unions)	02/2025	https://www.business-humanrights.org/en/latest-news/cso-input-simplification-consultations/
Civil Society organization	*BETTER FINANCE Recommendations for Omnibus 1 (CSRD) Revisions*	Position paper	BETTER FINANCE (European federation of individual investors and financial services users)	03/2025	https://betterfinance.eu/publication/position-paper-omnibus-recommendations/
Civil Society organization	*BETTER FINANCE Raises Concerns over Proposed "simplifications" to EU Sustainability Legislation*	Press release / advocacy statement	BETTER FINANCE	02/2025	https://betterfinance.eu/publication/pr-better-finance-concerns-proposed-simplifications-eu-sustainability-legislation/#:~:text=BETTER%20FINANCE%20urges%20the%20co,make%20well%2Dinformed%20investment%20decisions.

Academic scholars	*Legal Scholars' Letter on the Weakening of Article 22 CS3D'*	Expert letter	Group of European legal scholars (multi-university academic coalition representing 27 universities and institutions from 8 European countries)	05/2025	https://www.business-humanrights.org/en/latest-news/eu-legal-academics-express-concern-about-the-weakening-of-article-22-CS3D-on-climate-transition-plans/
National human rights institution	*Reaction to the European Commission's Omnibus I Proposal*	Policy position	Danish Institute for Human Rights	02/2025	https://www.humanrights.dk/news/reaction-omnibus-proposal-made-european-commission

Table 3 Corpus of empirical research

Appendix 4: Corpus profiles and Per-Document Analyses

MedTech Europe's Proposal for Rationalization of EU Reporting Requirements in the Medical Technology Sector. (From MedTech)

The submission prepared by MedTech Europe draws attention to the growing administrative pressure that has built up in the medical technology sector under a series of EU regulatory initiatives. Among the most important are the Medical Devices Regulation (MDR), the In Vitro Diagnostic Medical Devices Regulation (IVDR), the Corporate Sustainability Reporting Directive (CSRD), and the forthcoming Corporate Sustainability Due Diligence Directive (CS3D). According to the association, which represents a wide network of medical device and diagnostic companies, the cumulative effect of these rules has been to create duplication and inefficiency, while generating compliance costs that are particularly heavy for small and medium-sized enterprises (SMEs).

One of the main ideas put forward is the need to streamline and digitalize reporting obligations. MedTech Europe stresses that different pieces of legislation are often developed in isolation from one another. As a result, requirements overlap or are even contradictory. This is visible, for example, in the interaction between EUDAMED[113], cybersecurity legislation, and sustainability reporting rules. In practice, manufacturers and notified bodies are frequently asked to submit the same information several times, across different documents such as safety updates or clinical evaluation reports. The outcome, in their view, is an unnecessary administrative burden that does little to improve patient safety or regulatory oversight.

The organization is also critical of the CSRD and the European Sustainability Reporting Standards (ESRS). The number of data points demanded, around 1,200, is described as excessive, especially since many relate to issues that are not material to a company's activities. Collecting and reporting such information absorbs resources that firms, and particularly SMEs, cannot easily spare. MedTech Europe therefore advocates a more targeted system of sustainability reporting, one that is clearly driven by materiality and better aligned with international standards so that companies do not have to comply with diverging frameworks.

A separate but related difficulty arises from the incomplete deployment of EUDAMED, the European Database on Medical Devices. This central information system, created under the MDR and IVDR, is intended to bring together data on manufacturers, devices, certificates, vigilance reports, and clinical investigations. In principle, it should reduce fragmentation and make information easier to access, both for regulators and for the public. Yet the slow pace of implementation has forced companies to continue reporting at national level, multiplying administrative steps rather than eliminating them. On top of that, the absence of automated solutions, such as machine-to-machine data transfer or bulk upload functions, means that companies are stuck with repetitive and error-prone manual procedures.

In its proposal, MedTech Europe warns that unless simplification is achieved soon, this wave of "regulatory inflation" will weaken the innovative capacity of the sector. The likely consequences are

[113] EUDAMED (European Database on Medical Devices) is the central database established under Regulation (EU) 2017/745 on medical devices (MDR) and Regulation (EU) 2017/746 on in vitro diagnostic medical devices (IVDR). Its purpose is to centralize information on manufacturers, devices, certificates, clinical investigations, and vigilance reports, thereby enhancing transparency, coordination among national authorities, and market surveillance at the EU level. Once fully operational, EUDAMED is expected to reduce national fragmentation and eliminate redundant reporting obligations for companies.

slower access to medical technologies for patients and higher operational costs for firms, without a corresponding gain in safety or sustainability. To avoid this outcome, the association suggests a coordinated revision, an "omnibus" approach, designed to cut redundant requirements, harmonize obligations across different pieces of legislation, and ensure that reporting truly serves its intended purposes.

Overall, the position taken by MedTech Europe is not a rejection of the EU's policy goals. On the contrary, the association affirms its support for improving transparency, safety, and sustainability. Its concern is that the current system lacks proportionality and coherence. For this reason, it calls on regulators to make better use of digital tools, to reduce duplication wherever possible, and to recognize the limited resources available to SMEs. Without such adjustments, the sector fears that compliance obligations will crowd out innovation and slow down the delivery of medical technologies to European patients.

Reform Barometer 2025 EU in a new political cycle: competitiveness as a true priority in a complex global context. (From BusinessEurope)

BusinessEurope plays a central role in the EU's policy landscape as the umbrella organization representing national industry federations. Its mandate is to defend the competitiveness of European businesses and to influence EU decision-making, notably in areas such as regulation, economic policy, and the functioning of markets.

In its latest Reform Barometer, BusinessEurope stresses the challenges that EU companies face in a rapidly evolving regulatory and economic environment, with particular attention given to the impact of the sustainability and financial reporting frameworks, including the CSRD. The analysis is grounded in both data and a wide survey of member federations, which reveal a recurring concern, the weight of regulation.

One of the most striking comparisons highlighted in the report is the sheer volume of legislation produced in the EU. Since 2019, roughly 13,000 laws have been adopted in Europe, compared with fewer than 3,000 in the United States. This legislative intensity, the organization argues, feeds into Europe's productivity gap and contributes to stagnation in intra-EU trade. According to the survey, more than 60% of European companies consider overregulation a barrier to investment, while 55% of SMEs identify regulatory complexity and administrative burden as their greatest challenge.

Against this background, BusinessEurope has welcomed the European Commission's commitment to reduce reporting obligations, by 25% overall and by 35% for SMEs. The members consulted through the Reform Barometer also appear to share this cautiously positive outlook. According to the survey, 61% of federations report higher expectations regarding the new Commission's orientation, although a significant proportion of respondents remain reserved, with 39% seeing no substantial change.

More specifically, companies place particular hope in the Commission's pledge to simplify the regulatory landscape. When asked about the expected delivery of regulatory relief, 64% of respondents reported "slightly better" expectations, while 25% expected no change and 11% feared deterioration. This signals that while optimism has increased compared to previous years, stakeholders are still aware of the gap between political commitments and practical outcomes.

The broader sentiment captured in the survey also reflects a cautious optimism. While European businesses generally agree that the new political cycle offers an opportunity for renewed competitiveness and growth, they continue to demand concrete results. The publication of the 2025

Commission Work Programme, presented after the survey was conducted, will be a key test of whether promises of simplification are translated into effective policy measures.

In sum, BusinessEurope's analysis illustrates the persistent concern of EU companies with the weight of regulation, especially when compared to other global competitors such as the U.S. It also underlines the importance of credible simplification efforts by the Commission if Europe is to restore business confidence, encourage investment, and close its competitiveness gap.

Reducing regulatory burden to restore the EU's competitive edge 68 proposals for the reduction of regulatory burden in 2025. (From BusinessEurope)

In this report, BusinessEurope again raises concerns about the complexity, cost, and limited usability of EU sustainability regulation. According to the association, the CSRD imposes obligations that are disproportionately heavy, especially for smaller firms and for companies operating with extensive global value chains. The scale of the burden is illustrated by the example of a large industrial company, whose 2024 budget foresaw a 40% increase in overall reporting costs compared with 2023. The most striking rise was in staffing expenses, which grew by 134% due to the recruitment and training of employees dedicated to reporting tasks. These costs are not only linked to the collection and processing of vast amounts of data but also to the development of IT systems and the frequent reliance on external consultants. Moreover, the requirement that an independent auditor must ultimately verify the accuracy of sustainability statements adds another layer of expense.

The critique extends to the European Sustainability Reporting Standards (ESRS). BusinessEurope warns that once sector-specific standards are adopted, there is a serious risk of duplication with the sector-agnostic ESRS, leading to overlapping and, in some cases, highly granular disclosure requirements. Draft standards, such as those in the oil and gas or mining sectors, would compel companies to disclose sensitive information at an unprecedented level of detail. SMEs are likely to be even more exposed to this challenge, as the sustainability reporting standards demand capacities and resources that are often beyond their reach. The CSRD also requires firms to ensure a "reasonable assurance" quality standard, which implies guaranteeing traceability of information back to its source. This raises further difficulties, particularly in relation to value chain reporting. The current guidance on "operational control" appears misaligned with IFRS 11[114], and in practice it could oblige companies to provide information on assets they do not control directly, relying instead on third parties who are neither legally nor contractually bound to supply such data.

Turning to CS3D, BusinessEurope identifies it as potentially the costliest legislative initiative so far in terms of its impact on companies both inside and outside its scope. The directive obliges firms to map environmental and human rights risks throughout their value chains, including downstream operations and suppliers. For companies with vast networks, some reporting more than 100,000 first-tier suppliers, this exercise requires enormous resources for information gathering, notifications, and complaints procedures. SMEs that act as suppliers face additional pressures, since they may be required to give contractual assurances on due diligence, adopt codes of conduct, and even undergo independent verification processes.

[114] IFRS 11 (Joint Arrangements) is an International Financial Reporting Standard that defines how entities should account for interests in arrangements under joint control. It differentiates between two types of joint arrangements: joint operations, where parties have direct rights to assets and obligations for liabilities, and joint ventures, where parties have rights only to the net assets. The classification depends on contractual rights and obligations, not merely legal form (ICAEW, (n.d.))

The association also points to the risk of fragmentation if Member States transpose the directive with differing levels of stringency, multiplying already heavy compliance costs. Unlike the CSRD, the CS3D obliges companies not only to report a climate transition plan but also to adopt and implement it in detail. Moreover, the directive foresees mandatory stakeholder involvement in corporate decision-making, which may slow down internal processes and affect the autonomy of management. Particularly controversial are the wide-ranging powers granted to supervisory authorities under Article 25, which, read in conjunction with the definition of "appropriate measures," could allow them to intervene directly in strategies, business plans, product design, or operational processes. For BusinessEurope, this represents a disproportionate intrusion into the management of private companies, without the safeguard of limiting such interventions to situations of imminent risk or severe harm.

Further concerns are raised about the obligation to terminate business relationships as a last-resort measure. BusinessEurope warns that this could lead to "over-compliance," with companies ending contracts even when no viable alternatives exist. In strategic sectors, such as the sourcing of raw materials like tungsten, lithium, cobalt, or uranium, this might undermine Europe's twin transition, strategic autonomy, and security of supply. Finally, the organization highlights the significant litigation risks created by the directive. By granting standing to NGOs and trade unions, the CS3D opens the door to lawsuits across a wide range of human rights and environmental impacts linked to global value chains. Combined with broad extraterritorial EU competences and the absence of coordination mechanisms with third-country jurisdictions, the risk of parallel and potentially frivolous claims is considerable. Since the directive is based on minimum harmonization, Member States will retain the discretion to impose stricter rules in certain areas, which may further exacerbate legal uncertainty and administrative burdens.

In sum, BusinessEurope portrays the CSRD and the CS3D as emblematic of a regulatory approach that imposes disproportionate costs, especially on SMEs and globally integrated companies, while creating risks of duplication, fragmentation, and legal uncertainty.

Position paper on EU CSRD and ESRS. (From World Employment Confederation)

The Position Paper on EU CSRD and ESRS published by the World Employment Confederation-Europe (WEC-Europe) addresses the specific difficulties of applying European sustainability standards (ESRS) in the staffing industry, particularly in relation to temporary agency work, or so-called "associate workers." The paper responds to the Corporate Sustainability Reporting Directive (CSRD) and highlights a central tension: while the directive includes individuals supplied by employment agencies within a company's "own workforce," the practical guidance on how these workers should be reported remains ambiguous.

WEC-Europe argues that associate workers should be regarded as part of the agency's workforce, given the existence of a formal employment relationship with the agency. On this basis, it calls for a clear separation between directly employed staff and agency workers in sustainability reporting. This distinction would allow data to be disaggregated into categories that better reflect the diverse realities of the sector. Without such differentiation, reporting risks obscuring important differences between types of workers, thereby reducing the usefulness of disclosures and misleading stakeholders about the true impacts and risks.

The confederation underscores that agency workers often face different conditions, risks, and responsibilities compared with corporate employees. Aggregating both groups into a single category may therefore conceal material information and distort assessments of labor practices. Disaggregating data is presented as essential to producing reports that accurately reflect sectoral realities, while also ensuring comparability and transparency across the industry.

In its conclusions, the paper acknowledges the importance of the CSRD's overarching objectives of transparency and accountability. Nevertheless, it insists that a rigid application of ESRS requirements risks generating administrative burdens that fail to capture the specific dynamics of agency work. WEC-Europe therefore advocates for sectoral flexibility, recognition of materiality thresholds, and exemptions from indicators that do not meaningfully apply to associate workers.

This position reflects a broader pattern across the grey literature: while stakeholders generally support the normative goals of sustainability reporting, they frequently call for clarifications or adjustments when standardized frameworks appear poorly suited to their particular business models. In the case of WEC-Europe, the core concern is to ensure that reporting requirements not only align with legal employment relationships but also provide information that is genuinely useful, proportionate, and reflective of the staffing industry's distinctive characteristics.

Assuralia Feedback on the European Commission Omnibus Simplification Package. (From Assuralia)

The position paper submitted by Assuralia, the Belgian insurance industry association, expresses strong support for the European Commission's Omnibus Simplification Package but draws attention to a series of issues that remain unresolved for the insurance sector in the field of sustainability reporting. The organization welcomes the Commission's ambition to reduce regulatory burden, yet it insists that simplification must go beyond general statements and address concrete inconsistencies and overlaps in the current frameworks.

One of Assuralia's main concerns is the misalignment between the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy Regulation. The thresholds that define which companies fall under each framework differ significantly, which, in their view, undermines the completeness and comparability of sustainability data. For investment-heavy sectors such as insurance, this divergence can mean that key portfolio companies report under CSRD but not under the EU Taxonomy, thereby depriving insurers of essential information. To restore consistency, Assuralia calls for lowering the EU Taxonomy threshold so that it matches the CSRD scope.

The association also criticizes the excessive complexity of the European Sustainability Reporting Standards (ESRS). The sheer number of data points, combined with a lack of clarity on how phased-in requirements will be handled, is seen as an unnecessary source of cost and confusion. Until revisions are finalized, Assuralia recommends halting the progressive addition of new indicators in order to avoid wasted resources on requirements that may soon be modified or removed.

On the Corporate Sustainability Due Diligence Directive (CS3D), Assuralia considers the inclusion of financial services, and particularly insurance, both disproportionate and impractical. Insurance, they argue, functions as a mandatory risk protector for businesses and society rather than as a voluntary facilitator of investment decisions. Subjecting insurers to CS3D obligations would therefore misrepresent the role of the sector. Assuralia specifically advocates for deleting the review clause that could bring insurers within the scope of the directive.

Finally, Assuralia supports a "stop-the-clock" approach to CSRD implementation, which would provide companies with additional time to adapt to revised standards. It also calls for postponing upcoming regulatory deadlines in order to ensure that simplification measures are properly integrated before new obligations take effect.

In conclusion, while strongly supportive of the European Commission's efforts to streamline reporting, Assuralia stresses that genuine simplification requires more than incremental adjustments. For the insurance sector, real relief will come only through better alignment between legal frameworks, proportional obligations that reflect the nature of financial services, and the elimination of duplicate requirements across instruments such as CSRD and EU Taxonomy.

Position on Administrative Burden and Rationalization of Reporting Requirements. (From Spectaris)

The position paper published by SPECTARIS e.V., the German industry association for optics, photonics, and medical technologies, highlights the mounting administrative pressures faced by companies, particularly small and medium-sized enterprises (SMEs), as a result of successive European Union regulatory initiatives. Representing more than 400 manufacturers, the association stresses that compliance costs and resource demands have reached disproportionate levels, with direct implications for innovation and competitiveness.

In the field of sustainability, the paper scrutinizes the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Regulation, and the forthcoming Corporate Sustainability Due Diligence Directive (CS3D). While SPECTARIS reiterates its support for the EU's sustainability objectives, it argues that the complexity of the frameworks, the extensive data requirements, and the interpretative difficulties involved impose excessive and, in many cases, unrealistic demands on companies. This problem is particularly acute for SMEs and for firms operating as first-tier or indirect suppliers. The association warns that the costs of compliance risk outweighing the intended sustainability benefits, and it calls for stronger alignment with international standards to reduce duplication and fragmentation.

A recurring theme throughout the document is the need for greater coordination between horizontal legislation (e.g., sustainability and cybersecurity rules) and sector-specific frameworks. SPECTARIS warns that without such harmonization, the EU risks creating inefficiencies that could ultimately undermine both healthcare innovation and patient care in Europe.

Finally, the association criticizes the EU's inability to deliver on its "one-in-one-out" regulatory principle. Citing official figures, SPECTARIS notes that for each EU legal act repealed, approximately 3.5 new acts are created. This regulatory inflation exacerbates administrative burdens and is particularly damaging for SMEs, which often lack the capacity to absorb constant changes in compliance obligations.

In conclusion, while SPECTARIS supports the EU's stated ambition to reduce administrative burdens, it insists that more fundamental reform is required. The association calls for a genuine commitment to proportionality, the avoidance of duplicative obligations, and the creation of coherent frameworks that balance regulatory objectives with the practical realities of industrial sectors.

Key messages on the first Omnibus package. (From Insurance Europe)

The submission prepared by Insurance Europe draws attention to the mounting administrative pressure associated with the EU's sustainability framework and argues for a recalibration that preserves ambition while restoring proportionality. Representing national insurance associations across Europe, the federation welcomes the Commission's Omnibus initiative as a timely attempt to simplify rules and refocus effort on "the most useful and important data," rather than on sheer volume of reporting. In its view, the EU can maintain its global leadership on sustainability while easing compliance costs that currently absorb scarce expertise and distract from transition action.

One of the main ideas put forward is the need to streamline and align requirements that have accumulated in parallel. Insurance Europe points to overlaps and inconsistencies across CSRD/ESRS, the EU Taxonomy. It urges the removal of new sector-specific ESRS and a focused review of the sector-agnostic standards to ensure interoperability and eliminate duplication, for example, where prudential planning and enterprise sustainability reporting risk covering the same ground. The aim, it argues, is not to dilute transparency but to channel reporting toward decision-useful information that supports investors, supervisors, and companies alike.

The organization is also critical of specific design choices in the CSRD regime. It supports keeping assurance at the limited level to avoid unnecessary cost escalation, tightening the scope so that only companies with more than 1,000 employees report (with the threshold assessed over two consecutive financial years to prevent volatility), and clarifying timelines through a "stop-the-clock" approach to restore legal certainty. In addition, it questions the near-term value of mandatory electronic tagging, arguing that implementation would be expensive and technically complex and that advances in AI may warrant a pause or redesign of the tagging architecture.

On the Corporate Sustainability Due Diligence Directive (CS3D), the submission supports limiting financial-sector exposure by clarifying that the downstream chain of financial undertakings is out of scope in the operative provisions (not only in recitals), by removing the EU-level civil liability regime, and by postponing transposition and first application by one year. These adjustments are presented as necessary to reduce legal ambiguity and to keep due diligence practicable for insurers' investment and underwriting activities, without undermining the directive's policy goals.

The overall message is not a rejection of sustainability objectives, but a call to use the Omnibus process to harmonize obligations, reduce duplication, and ensure scarce capabilities are deployed where they deliver the greatest public value.

SMEunited Position Paper on Omnibus Simplification package (CSRD, CS3D, CBAM, Taxonomy). (From SMEunited)

The position paper published by SMEunited (the European associations representing crafts and SMEs, formerly UEAPME) offers a sharp critique of the disproportionate administrative burdens placed on small and medium-sized enterprises (SMEs) by EU sustainability legislation, particularly the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D), the EU Taxonomy Regulation, and the Carbon Border Adjustment Mechanism (CBAM). While the organization supports the EU's Green Deal objectives, it warns that these frameworks produce unintended "trickle-down" effects through supply chain requirements, which result in excessive and often unmanageable compliance obligations for SMEs.

A central recommendation advanced by SMEunited is the integration of the Voluntary Standard for SMEs (VSME) into the CSRD as a binding ceiling for reporting. In their view, SMEs should not be obliged to respond to additional questionnaires or duplicative data requests from larger companies, banks, or supply chain partners beyond what the VSME prescribes. They further argue that no assurance or audit should be required for VSME-based reporting, since the added financial burden would be incompatible with the limited resources of smaller businesses.

The paper also denounces the complexity, duplication, and inconsistencies across EU sustainability reporting requirements. SMEunited stresses that the Omnibus Simplification Package must bring substantive relief, rather than cosmetic adjustments, by eliminating overlaps, clarifying legal obligations, and ensuring predictability. To this end, the association calls for the creation of a single digital reporting tool for SMEs, designed according to the "once-only" principle, in order to cut administrative costs and reduce data fragmentation.

With respect to CS3D, SMEunited warns against indirect spillover effects on SMEs that are formally out of scope but increasingly face contractual demands from larger clients. In practice, such demands include the signing of sustainability agreements or the submission to third-party audits, requirements that, if left unchecked, could push smaller suppliers out of global value chains. SMEunited insists that clearer legal boundaries are needed to prevent SMEs from being forced into compliance regimes intended for large companies.

In conclusion, SMEunited urges EU policymakers to consistently apply the "Think Small First" principle across sustainability legislation. Without such an approach, the association warns, the cumulative burden of compliance risks undermining SME competitiveness and reducing their ability to participate effectively in European and global markets.

SMEunited Position Paper on Omnibus 1 for Sustainability Reporting. (From SMEunited)

The position paper published by SMEunited in April 2025 provides a detailed response to the European Commission's Omnibus 1 proposal on sustainability reporting, focusing on the cumulative burden that EU legislation imposes on small and medium-sized enterprises (SMEs). The paper addresses the combined effects of the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D), the EU Taxonomy Regulation, and the Carbon Border Adjustment Mechanism (CBAM).

While SMEunited acknowledges that the Omnibus proposal introduces useful clarifications and certain simplification measures, it maintains that these efforts fall short of alleviating the disproportionate administrative and legal challenges that SMEs continue to face. A central recommendation is the formal recognition of the Voluntary Standard for SMEs (VSME) as the maximum reporting obligation applicable to SMEs within value chains. This, according to SMEunited, would prevent larger companies, banks, or clients from imposing duplicative or excessive data requests beyond the scope of the VSME.

The paper further stresses the ongoing risk of "trickle-down" compliance. Even though SMEs are often formally exempt from the scope of sustainability legislation, they are indirectly required to comply through supply chain demands such as contractual clauses, questionnaires, or audit requests. To mitigate these effects, SMEunited calls for a dedicated digital reporting tool designed specifically for SMEs and based on the "once-only" principle, ensuring that the same information does not have to be repeatedly supplied in different formats. It also recommends the adoption of clear and practical guidelines, published at least two years prior to legislative entry into force and translated into all EU languages, so that SMEs have sufficient time and support to adapt.

On due diligence, SMEunited advocates for a presumption of compliance for EU-based SMEs, noting that they already operate under stringent EU environmental and social standards. Regarding CBAM, it proposes minimis thresholds and the use of default values to simplify compliance for smaller importers. With respect to the CSRD, the organization welcomes the removal of sector-specific reporting standards, arguing that these only create further fragmentation and complexity. SMEunited also warns that leaving the design of sanction regimes entirely to Member States risks undermining the Single Market by producing divergent penalties. It therefore calls for harmonized sanction frameworks at EU level.

In its conclusion, SMEunited reaffirms its support for the EU's sustainability objectives but stresses that without greater proportionality, harmonisation, and SME-focused support mechanisms, the implementation of these frameworks will jeopardize SME competitiveness and limit their market participation. For the organization, true simplification requires not only cosmetic adjustments but a structural commitment to clarity, proportionality, and the consistent application of the "Think Small First" principle.

Joint statement in support of a fast-track adoption of the longer transition periods of the CSRD and the CS3D. (From multi-association organization)

In January 2025, a coalition of leading European and international industry associations, including AmCham EU, CEFIC, EuroCommerce, DIGITALEUROPE, and the European Round Table for Industry, issued a joint statement endorsing the European Commission's Omnibus proposal to extend the transition periods for both the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). While reaffirming their support for the broader objectives of these frameworks, the signatories stressed that the current regulatory timelines create legal uncertainty, duplicative compliance efforts, and, ultimately, disincentives for companies to invest in long-term reporting systems.

The statement highlights that several Member States have already begun transposing the CSRD, and that without harmonized delays, firms that have started preparations in good faith risk being penalized. The short implementation windows, they argue, place excessive pressure on companies to develop or upgrade internal systems prematurely, often leading to inefficiencies, wasted resources, and a climate of regulatory instability.

By supporting the "stop-the-clock" mechanism introduced in the Omnibus package, the coalition calls for a more realistic and sequenced rollout of sustainability obligations. Such an extension would provide the time needed for the development of guidance, for meaningful stakeholder consultation, and for internal alignment processes, thereby ensuring that compliance is both effective and sustainable over the long term. The signatories further caution that without clear, harmonized timelines, particularly for cross-border firms, the current patchwork of national approaches risks undermining competitiveness and eroding confidence in the EU's legislative process.

In conclusion, while firmly supportive of the EU's sustainability agenda, the coalition underlines that extending the transition periods is a necessary step to secure predictability, efficiency, and coherence in the rollout of corporate sustainability regulation across Europe.

Joint Investor Statement on the Proposed Omnibus Legislation. (From institutional investors)

In February 2025, the Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), and Eurosif, together with 163 investors representing approximately €6.6 trillion in assets under management and 49 service providers or supporting organizations, 212 signatories in total, issued a joint statement in response to the Commission's Omnibus proposal. While welcoming the aim of reducing complexity in the EU sustainable finance framework, the coalition warned against reopening the legislation in its entirety. In their view, revisiting the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D), and the EU Taxonomy would risk regulatory instability, delay implementation, and weaken investor confidence.

The statement underscores that these three instruments form the backbone of the EU's sustainable finance agenda. Together, they provide the environmental, social, and governance (ESG) data needed to inform investment decisions, manage climate-related risks, and channel capital toward sustainable activities. Rolling back their core provisions, the investors argue, would compromise progress made so far, especially by limiting companies' ability to disclose high-quality and comparable sustainability information, an essential condition for aligning portfolios with net-zero pathways.

Although the signatories acknowledge the challenges of implementation, particularly the parallel rollout of technical standards and disclosure obligations, they recommend addressing these issues through targeted adjustments rather than legislative reopening. Priority should be given to clearer guidance, interoperability between European Sustainability Reporting Standards (ESRS) and international frameworks such as ISSB, GRI, and SASB, and the development of digital tools that reduce reporting burdens while improving usability.

The coalition also stresses that regulatory predictability is vital for mobilizing private capital at the scale required to finance Europe's transition. Initiatives such as the forthcoming Clean Industrial Deal depend on stable and credible frameworks to attract investment and strengthen competitiveness. For this reason, the statement urges policymakers to maintain the ambition and integrity of the CSRD, the CS3D, and the EU Taxonomy, while at the same time enabling technical improvements that ensure coherence, practicality, and materiality without undermining impact or investor trust.

Reduction of reporting obligation. (From The Federal Ministry of Labor and Economy of Austria)

In its position paper, the Federal Ministry of Labor and Economy of Austria draws attention to the rising administrative burden created by recent EU regulatory initiatives, which it sees as particularly damaging for small and medium-sized enterprises (SMEs). While welcoming the European Commission's commitment to reduce reporting obligations by 25%, Austria insists that competitiveness gains can only be achieved through the outright elimination of redundant obligations, rather than by redefining or postponing them.

The paper criticizes the cumulative and overlapping effects of major legislative files such as the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D). According to Austria, these frameworks impose disproportionate costs, especially on SMEs, as a result of complex and duplicative requirements combined with insufficient impact assessments. The ministry also stresses that the EU has failed to apply its own "one-in, one-out" principle of regulatory management.

A central concern is the insufficient differentiation between large firms and SMEs. Extending mandatory sustainability disclosures and due diligence obligations across entire supply chains may force smaller companies to bear compliance costs that threaten their competitiveness and, in some cases, their very ability to remain in the market. Austria therefore argues for a more tailored regulatory approach that recognizes structural differences between business sizes.

To improve the quality of law-making, the ministry proposes the introduction of an independent and systematic "competitiveness check" for all new legislative proposals, to complement standard impact assessments. This check should directly involve member states and economic experts, assessing the expected effects of legislation on cost structures, innovation, and SME survival. Austria also calls for reform of the Regulatory Scrutiny Board, with stronger representation from industry and enhanced oversight of amendments introduced during the trilogue process in the European Parliament. In its view, high-quality, independent impact assessments covering all compliance costs are indispensable, as is a reduction of redundant reporting duties, particularly in state aid and environmental law.

In conclusion, the Austrian paper argues for a fundamental rethinking of the EU's legislative process. For Austria, real progress will come not from temporary relief or cosmetic simplification, but from genuine deregulation, stronger protection of SMEs, and a systematic focus on competitiveness and cost efficiency as cornerstones of Europe's economic strategy.

Avis politique sur la révision des directives CSRD et CS3D - Sénat français. (From French Senate)

In July 2025, the European Affairs Committee of the French Senate issued a formal political opinion on the European Commission's Omnibus proposal to amend the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). While broadly supportive of the aim of simplifying reporting obligations, the Committee expresses a series of legal, operational, and institutional reservations that position its contribution as an intermediary stance between civil society organizations' skepticism and the business community's demand for relief.

The Senate welcomes the attempt to reduce the administrative burden associated with overlapping reporting obligations and recognizes the difficulty for companies, especially SMEs, in gathering reliable data across global value chains. At the same time, however, it warns that excessive reductions in the CSRD's scope risk excluding a significant share of corporate emissions and thereby undermining the credibility, comparability, and usefulness of sustainability information (points 71–73). The Committee stresses the importance of preserving the principle of double materiality, maintaining sector-specific indicators where relevant, and ensuring robust climate disclosure.

From a legal standpoint, the opinion highlights ambiguities in the CS3D, particularly the indeterminate concept of "plausible information." The Senate argues that without clarification, this notion could generate inconsistent application across Member States and increase litigation risks. It also regrets the withdrawal of a harmonized EU regime for civil liability, considering this a missed opportunity to strengthen coherence and legal certainty (points 104–114).

The Committee is particularly critical of the reformulation of climate transition obligations under Article 22 of the CS3D. Whereas the original directive imposed a result-based obligation requiring companies to "put into effect" transition plans, the revised version shifts toward a means-based formulation requiring only "implementing actions." For the Senate, this amounts to a legal weakening of the climate duty (points 118–122). It also draws attention to the risk of fragmentation due to unclear oversight mechanisms and insufficient coordination between national authorities.

In conclusion, while endorsing the overall objectives of sustainable corporate governance and regulatory simplification, the French Senate insists that simplification should not come at the expense of effectiveness. Its opinion therefore advocates for a balanced approach that maintains the integrity of sustainability reporting, ensures the enforceability of due diligence obligations, and strengthens harmonization across the EU legal framework.

Joint statement on Omnibus: Omnibus proposal will create costly confusion and lower protection for people and the planet. (From European coalition for corporate justice)

In January 2025, more than 170 civil society organizations and trade unions issued a joint statement expressing strong opposition to the European Commission's Omnibus proposal, which seeks to revise three central pillars of the EU sustainability framework: the Corporate Sustainability Due Diligence Directive (CS3D), the Corporate Sustainability Reporting Directive (CSRD), and the EU Taxonomy Regulation. The signatories argue that the proposal would generate legal uncertainty, delay implementation, and weaken existing protections for human rights, the environment, and climate action.

According to the statement, reopening these legislative files under the banner of simplification rewards companies that have failed to prepare for compliance, while penalizing those already engaged in the transposition process. Such a move, they contend, undermines the regulatory stability necessary for long-term business planning and sends the wrong political signal at a moment when stronger corporate accountability is urgently needed. By interrupting national transpositions already underway, the Omnibus law risks creating fragmentation, incoherence, and confusion, thereby weakening the credibility of the European Green Deal.

The coalition is particularly concerned about a potential "race to the bottom" in value chain regulation. In their view, weakening due diligence standards would restrict access to remedies for affected communities, exacerbate exploitation in lower tiers of global supply chains, and ultimately erode Europe's global leadership on sustainability, just transition, and rule-of-law-based governance.

Rather than reopening or diluting legislation, the signatories call on the Commission to uphold the original transposition timelines, issue clear implementation guidance, and guarantee full transparency about the rationale, scope, and consultation process related to the Omnibus initiative. For them, the EU must not only preserve but also reinforce its corporate accountability framework, ensuring that sustainability rules remain ambitious, legally certain, and consistent with Europe's broader commitments to human rights and environmental protection.

THE BIG EU DEREGULATIOND: Disastrous Omnibus proposal erodes EU's corporate accountability commitments and slashes human rights and environmental protections. (From multi-organization coalition (over 350 civil society organizations and trade unions)

In March 2025, a coalition of more than 350 civil society organizations and trade unions released a joint statement expressing strong opposition to the European Commission's Omnibus proposal to amend core elements of the EU's sustainability framework, including the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D), and the EU Taxonomy Regulation. The signatories argue that the proposed reforms would seriously undermine the Union's commitments to environmental protection, human rights, and social responsibility.

The statement warns that the Omnibus package would weaken enforcement mechanisms by curtailing civil liability provisions, narrowing stakeholder participation, and reducing the scope of due diligence obligations across global value chains. These changes, they contend, would introduce new layers of legal uncertainty, delay implementation, and fragment the regulatory landscape across Member States. The removal or dilution of sanctions and monitoring obligations is seen as particularly damaging, as it would strip sustainability rules of their deterrent effect, leaving affected communities and workers without meaningful remedies.

The coalition is especially critical of proposals that would limit corporate responsibility to direct suppliers and exclude key actors, such as workers, trade unions, and affected communities, from governance and due diligence processes. In their view, such revisions would foster a "compliance-light" regime that places administrative simplification ahead of substantive accountability and the prevention of harm.

More broadly, the statement frames the Omnibus initiative as a political concession to corporate lobbying. By narrowing obligations and weakening enforcement, the Commission risks undermining the EU's credibility as a global leader on sustainable business, climate action, and rule-of-law-based governance. The coalition also warns that trust among investors, consumers, and social partners depends on robust and enforceable sustainability standards, not on frameworks designed to ease compliance at the expense of accountability.

In conclusion, the signatories call on the European Parliament and the Council to reject the Omnibus proposal in its entirety. They urge the preservation of the original intent of the CSRD, CS3D, and the EU Taxonomy, namely, comprehensive value chain coverage, strong enforcement mechanisms, and full recognition of stakeholder rights, as the foundation for an effective and credible European sustainability regime.

Civil Society Stakeholder input to the European Commission Roundtable Consultation on Simplification. (From multi-organization coalition (over 150 civil society organizations and trade unions)

In February 2025, over 150 civil society organizations and trade unions submitted a joint statement to the European Commission in the context of its Roundtable on Simplification, voicing strong opposition to the Omnibus proposal aimed at revising core elements of EU sustainability law. The signatories firmly reject any attempt to reopen or dilute the Corporate Sustainability Reporting Directive (CSRD) or the Corporate Sustainability Due Diligence Directive (CS3D), warning that such measures would create regulatory uncertainty, delay implementation, and erode public trust in the EU's legislative process.

The statement argues that revisiting already agreed texts without adequate impact assessments or inclusive consultation undermines the principles of Better Regulation that the Commission itself has committed to respect. The organizations also criticize the Omnibus consultation procedure as overly closed and business-oriented, lacking transparency, analytical rigor, and the necessary democratic legitimacy.

The coalition further stresses the reputational and political risks of such a rollback. Companies that have already invested considerable resources in preparing for compliance could be penalized, while those that delayed adaptation would be rewarded. In their view, this approach not only threatens legal certainty but also weakens the EU's international credibility on corporate accountability, human rights, and environmental standards, at a moment when institutional legitimacy and inclusive governance are most urgently required.

Rather than diluting existing obligations, the signatories call on the Commission to focus on effective implementation. They recommend clear interpretative guidance, close cooperation with national authorities, and the development of transparent and inclusive mechanisms for stakeholder dialogue. Such an approach, they argue, would better safeguard both regulatory certainty and the EU's long-term policy objectives.

In conclusion, the coalition urges the Commission to withdraw or fundamentally reconsider the Omnibus proposal, and instead reaffirm its commitment to transparent, evidence-based, and inclusive governance as the foundation for credible and effective sustainability legislation in the EU.

BETTER FINANCE recommendations for Omnibus I (CSRD) revisions. (From BETTER FINANCE)

In March 2025, BETTER FINANCE, the European Federation of Investors and Financial Services Users, published a position paper providing a nuanced assessment of the European Commission's Omnibus I proposal to amend the Corporate Sustainability Reporting Directive (CSRD). While broadly endorsing the objective of simplification, the organization cautions that poorly designed reforms risk undermining transparency, data quality, and investor protection.

BETTER FINANCE argues that blanket exemptions for SMEs could create critical blind spots in the availability of ESG information, particularly for firms that play key roles in the value chains of larger companies. Such gaps, it warns, would impair sustainable investment analysis and restrict SME access to credit and capital markets. Instead of size-based exemptions, the paper advocates for a risk-based and tiered approach, using sectoral materiality criteria, for example, high-impact sectors identified through NACE codes[115], to determine reporting obligations.

The organization also voices concern about the possible removal of sector-specific sustainability standards. Eliminating these, it contends, would reduce the relevance and comparability of ESG disclosures across industries. As an alternative, BETTER FINANCE proposes the introduction of non-binding "Sectoral Compacts" that provide concise key performance indicators (KPIs) for high-risk sectors, thereby enhancing usability without imposing excessive burdens.

On the usability of reports, the paper notes that current ESG disclosures are excessively lengthy, repetitive, and difficult for retail investors to interpret. BETTER FINANCE recommends the adoption of concise, accessible formats, such as "ESG at a Glance"[116] summaries, supported by digital tools that improve data interpretation and comparability.

Another area of concern is the Commission's proposal to remove the long-term ambition of reasonable assurance. While recognizing that limited assurance may be a realistic short-term baseline, BETTER FINANCE views reasonable assurance as essential for building investor trust and aligning sustainability data with the reliability expected of financial information. It recommends retaining reasonable assurance as a medium- to long-term goal, to be phased in gradually and proportionately, particularly in high-impact sectors.

In conclusion, BETTER FINANCE supports a strategy of "smart simplification" for the CSRD, one that balances administrative relief with the preservation of data integrity, interoperability, and

[115] NACE (Nomenclature of Economic Activities) is the official statistical classification of economic activities used within the European Union. Each economic activity is assigned a numerical code, which enables consistent comparison and aggregation of data across Member States and sectors. In the field of sustainability, NACE codes are often used to identify "high-impact" sectors where enhanced reporting or due diligence obligations may be prioritized.

[116] An "*ESG at a Glance*" summary is a condensed format of sustainability reporting designed to make environmental, social, and governance (ESG) information more accessible, particularly for retail investors. It typically presents key indicators and data in a short and visual manner (tables, graphs, or dashboards), complementing the detailed reports required under the CSRD. The aim is to improve usability, comparability, and investor engagement while reducing information overload.

proportionality. For the organization, such an approach is indispensable to ensure that sustainability reporting continues to provide investors with the reliable and comparable information needed to channel capital effectively toward the EU's sustainable economy.

BETTER FINANCE Raises Concerns Over Proposed 'Simplifications' to EU Sustainability Legislation. (From BETTER FINANCE)

In February 2025, BETTER FINANCE issued a press release voicing strong concerns about the European Commission's Omnibus proposal to revise the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). While acknowledging the importance of regulatory clarity and competitiveness, the organization warned that the proposed changes risked a major regression in transparency, accountability, and investor protection.

A central critique focused on the significant narrowing of the CSRD's reporting scope, which would reduce by as much as 80% the number of companies obliged to disclose sustainability information. For BETTER FINANCE, this cutback would deprive investors, especially individuals, of essential data needed to assess climate risks, detect greenwashing, and evaluate companies' long-term strategies. Such a shift, it argued, undermines the very purpose of sustainability reporting within the EU Green Deal and represents a step backwards compared with the progress achieved in recent years.

On the CS3D, the press release raised concerns about the removal of key obligations relating to transition planning and supply chain due diligence. BETTER FINANCE argued that weakening these provisions risks turning transition plans into little more than marketing tools, devoid of real impact on decarbonization. It also criticized the exclusion of financial institutions such as banks and investment funds from the scope of due diligence requirements, despite their central role in directing capital flows and shaping market incentives. By limiting corporate responsibility to direct suppliers alone, the proposal would, in its view, leave global value chains largely unchecked and reduce systemic accountability.

The organization also took issue with the speed and opacity of the legislative process. The rushed adoption of the Omnibus package, it argued, undermines legal certainty and risks creating confusion among stakeholders. Rather than simplifying regulation, the proposed revisions could erode the reliability of sustainability data, penalize companies that have already invested in compliance, and ultimately harm investors' ability to make informed decisions.

In its conclusion, BETTER FINANCE reaffirmed its support for simplification efforts that genuinely enhance usability and competitiveness. However, it strongly opposed reforms that would weaken investor safeguards. The federation called for maintaining robust sustainability reporting requirements, ensuring that transition plans remain binding and substantive, and extending due diligence obligations to financial actors in order to preserve the coherence and credibility of the EU's sustainable finance framework.

Legal Scholars Concerned about the Weakening of Article 22 CS3D on Climate Transition Plans. (From multi-university academic coalition representing 27 universities and institutions from 8 European countries)

In May 2025, a group of leading European legal scholars published an open letter to EU institutions expressing serious concern over proposed changes to Article 22 of the Corporate Sustainability Due Diligence Directive (CS3D) contained in the Omnibus simplification package. The amendment would replace the original obligation for companies to "adopt and put into effect" climate transition plans with the weaker requirement to "adopt a plan… including implementing actions." For the signatories, this shift amounts to downgrading a substantive duty into a largely procedural one.

The scholars argue that such a change reduces Article 22 from a genuine behavioral obligation to a paper-based requirement, thereby weakening enforceability. In their view, the revised wording risks allowing companies to present transition plans without taking meaningful steps to reduce emissions or align with science-based targets, creating opportunities for greenwashing. Beyond interpretive concerns, the letter highlights the legal uncertainty this amendment would generate for both firms and enforcement authorities, as fragmented transpositions across Member States could increase litigation and erode the directive's harmonizing function within the internal market.

The letter situates these risks within broader legal obligations. Weakening Article 22, it notes, would place the EU at odds with its human rights duties under the European Convention on Human Rights, particularly in light of the European Court of Human Rights' KlimaSeniorinnen v. Switzerland judgment, and with its commitments under the Paris Agreement. The signatories further recall recent litigation, including the Milieudefensie v. Shell ruling, to stress that absent a clear and binding regulatory framework, national courts are increasingly likely to impose emission reduction obligations, creating inconsistency and heightened legal exposure for companies.

From a practical standpoint, the scholars caution that removing the obligation to "put into effect" transition plans will not only undermine accountability but may also increase companies' liability risks, as mere disclosure without follow-through invites accusations of greenwashing. They emphasize that Article 22 was originally conceived as an obligation of means rather than of strict results. Companies are expected to take good faith steps toward climate goals, even if outcomes cannot be guaranteed. Diluting this provision would therefore undercut its intended balance of flexibility and enforceability.

In conclusion, the signatories urge EU policymakers to retain the original formulation of Article 22. For them, binding and enforceable climate transition plans are indispensable to provide legal clarity, ensure consistency across Member States, and safeguard the EU's broader commitments to climate neutrality, human rights, and the integrity of the Green Deal.

Reaction to Omnibus-proposal made by the European Commission. (From Danish Institute For Human Rights)

In February 2025, the Danish Institute for Human Rights (DIHR) issued a detailed response to the European Commission's Omnibus I proposal, warning that the planned revisions to the Corporate Sustainability Due Diligence Directive (CS3D) and the Corporate Sustainability Reporting Directive (CSRD) risk undermining fundamental human rights and environmental protections that form part of the EU's Green Deal.

With regard to the CS3D, DIHR expresses concern that the proposal shifts away from the internationally recognized risk-based model of due diligence, as embedded in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises, toward a more formalistic, contract-driven approach. By limiting obligations largely to direct suppliers, unless "plausible information" suggests otherwise, the revised directive would, in their view, lower standards and weaken companies' responsibility to identify and address risks deeper in their value chains, precisely where abuses are most likely to occur. The Institute also criticizes the extension of monitoring cycles from annual reviews to once every five years, which it considers inconsistent with the notion of due diligence as a continuous process.

Further concerns are raised about the removal of EU-level civil liability provisions, which DIHR argues would fragment enforcement across Member States and undermine access to remedy for victims. Similarly, the narrowing of stakeholder engagement obligations, excluding, for example, national human rights institutions and reducing consultation points, risks rendering due diligence a mere box-ticking exercise rather than a meaningful process informed by affected stakeholders.

On the CSRD, DIHR warns that reducing the scope of companies subject to sustainability reporting by up to 80% would drastically diminish the availability of comparable ESG data, including from firms operating in high-risk sectors. Such a step would also disadvantage financial institutions that rely on robust data to integrate human rights risks into their investment and lending decisions. The Institute further criticizes the proposal to fast-track the revision of European Sustainability Reporting Standards (ESRS) with a preference for quantitative datapoints at the expense of qualitative disclosures. In its view, this risks sidelining crucial information on companies' human rights policies, due diligence processes, and impacts on workers and communities. The abandonment of sector-specific reporting standards is also seen as a lost opportunity to guide companies in identifying and prioritizing material impacts.

Finally, DIHR questions the legislative process itself, describing it as rushed, insufficiently transparent, and unsupported by adequate impact assessments. It emphasizes that the CSRD and CS3D were the outcome of lengthy political negotiations and had already begun to be implemented in Member States. For the Institute, reopening these compromises without clear justification undermines both legal certainty and the EU's international credibility.

In conclusion, DIHR urges the European Parliament and Member States to preserve the original ambition of the CSRD and CS3D, ensuring alignment with international standards on responsible business conduct, safeguarding access to justice, and maintaining the EU's leadership on human rights and environmental protection.