

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD) IN PRACTICE: ANALYSIS OF OBLIGATIONS AND IMPLEMENTATION CHALLENGES

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Abstract

Nowadays, the importance of recognizing negative impacts on the environment is experiencing significant increase. There is a growing tendency for companies to harmonise their business activities with the principles of corporate sustainability, thus encouraging the development of a circular economy. In this regard, the EU is adopting the Corporate Sustainability Due Diligence Directive (CSDDD), thereby establishing a harmonised legal framework at EU level.

The paper analyses the provisions of the CSDDD through the principle of due diligence that companies should implement in their business operations, and the possible impacts of its implementation in practice. Given the shortcomings of the Directive's provisions in terms of monitoring the performance of companies, the EU responds to the excessive administrative burden foreseen by the CSDDD by adopting the Omnibus I package, which significantly narrows the circle of liable companies and dilutes its original purpose.

The paper provides a doctrinal and critical legal analysis, examining the importance of due diligence in corporate governance. It also concerns Directive's simplification package, Omnibus I, as the EU's response to the increased administrative burden on companies that was foreseen by the CSDDD. Following the analysis, the limitations arising from the Omnibus I package are examined, with an emphasis on raising the thresholds for companies and the lack of strict regulation on civil liability. Based on these changes, the paper assesses the consequences for effective corporate governance and provides practical guidelines for their quality implementation in practice.

Key words: CSDDD, circular economy, due diligence, corporate sustainability

Introduction

Until recently, in matters of corporate sustainability, companies were mostly only required to report on their impacts on human rights and the environment, and such procedures were voluntary and varied from country to country (Sinnig, and Zetzsche 2025). Consequently, a Directive came into force that introduces an obligation to effectively prevent negative impacts in global supply chains, introducing a harmonised legal framework for all EU Member States. (Sinnig, and Zetzsche, 2025) Thus, the EU Directive on Corporate Sustainability Due Diligence (CSDDD) was adopted on 24 May 2024, and it refers to the obligations of

companies to enforce due diligence procedures in their business (Giovannone, 2024). These consist of identifying, mitigating and minimizing environmental and human rights losses in the operations of companies, all with the aim of aligning their business operations with the transition to a circular economy (Bueno et al, 2024).

Although the importance of sustainable practices has become more widely recognized, many companies still do not have effective management systems, as well as measures to prevent or mitigate the harmful social and environmental consequences of their business activities (Bueno et al, 2024). Therefore, the CSDDD imposes obligations on companies and their value chains regarding due diligence and the environment, in order to encourage responsible business, including the transition to a circular economy.

The paper, through doctrinal and critical legal analysis, elaborates on the provisions of the CSDDD Directive and the possibility of their implementation. The paper specifically addresses the simplification package of the Directive - Omnibus I, in response to requests in terms of reducing the administrative burden for companies. Accordingly, the differences compared to the original version of the CSDDD and the resulting shortcomings arising from them are analysed. Based on these changes, the paper assesses the consequences for corporate governance and provides guidelines for their quality implementation in practice.

The material scope

The primary function of the Directive is to introduce due diligence requirements for companies, all with the aim of ensuring sustainable business operations. According to the Directive, companies are required to identify and, ultimately, prevent all potential negative impacts on the environment and human rights that may arise from companies' daily operations, the operations of their subsidiaries, and also the operations within their value chains (Jäger et al, 2023). In this sense, it was necessary to establish a harmonised EU regulatory framework that contributes to a sustainable, and responsible strategy to global value chains (Art. 31, CSDDD).

The legal rules established in the Directive are strictly applicable to companies that meet certain conditions, such as the company's turnover, and a threshold for the number of employees. Accordingly, the Directive applies to the following companies: 1) EU companies with an average of more than 1000 employees and a worldwide net turnover exceeding EUR 450 000 000 in the last financial year (Art. 28, CSDDD); 2) companies from third countries (non-EU members) which have achieved a net turnover of at least EUR 450 000 000 (Art. 29, CSDDD); 3) companies that do not individually meet the specified thresholds but qualify as the “ultimate parent company” of a group that does (Art. 29, CSDDD). It is significant to mention that only companies that fulfil the defined thresholds for two consecutive financial years fall within the scope of the Directive (Art. 27, CSDDD).

Based on the Directive, companies covered by the Directive must incorporate due diligence into their operations and management to forestall and mitigate harmful effects on human rights and the environment in their operations, those of their subsidiaries and partners (Art. 38, CSDDD). They must also monitor performance, engage with stakeholders, have a grievance mechanism and report publicly on their activities (Art. 38, CSDDD). Besides, the purpose of the CSDDD is to promote respect for human rights, environmental protection, but also to prevent potential abuse of the system by companies (Jurić et al, 2022). What is more, the concept of due diligence aims to reduce negative impacts on the environment, such as land degradation, biodiversity loss, pollution and many others (Art. 32, CSDDD).

When it comes to due diligence and its importance, the Directive states that companies should incorporate it into their risk management policies and mechanisms, including a code of conduct and procedures covering the company, subsidiaries and their business partners (Art. 39, CSDDD). The policy is based on a risk assessment and applies to all employees, including temporary and non-standard employees, and in key functions such as procurement and recruitment (Art. 39, CSDDD). Therefore, the main issue regulated by the Directive is precisely the need to strengthen sustainability in corporate governance systems.

In response to this question, the unwillingness of Member and strong pressure from major economic actors resulted in the adoption of the "Stop-the-Clock" Directive was adopted in April 2025, as a tool to remove political pressure, which officially postponed the application of the due diligence rules (Alemanno, 2025). At the same time, at the initiative of the European Commission, and in line with the new guidelines for strengthening competitiveness, a systematic model of “simplification” of the law was introduced through the Omnibus package, which significantly reduces the scope of the due diligence analysis obligations prescribed by the CSDDD, which will be discussed in more detail in the second part of the paper (Alemanno, 2025).

Due diligence obligations

Starting from the fact that the CSDDD contains an obligation to implement due diligence and climate change mitigation, the question arises as to what role the application of due diligence plays in the implementation of such procedures (Velluti, 2024). These are manifested in human rights violations and abuses, for example, non-payment of the minimum wage, forced labor, use of children for labor, or discrimination against employees, which threatens the dignity of employees, employee rights, and reduces the social responsibility of companies (Ciacchi, 2024). When it comes to the environment and the circular economy, the negative (human) impact is clearly manifested in various processes of environmental destruction, such as harmful emissions, wastewater discharges into rivers, air pollution, improper waste disposal, deforestation and numerous ways of damaging ecosystems, which threaten biodiversity, human health and climate stability (Paccès, 2023).

Since due diligence procedures must cover the companies’ business activities and the activities of subsidiaries and all related entities in the value chain, this includes both entities with which there is a direct contractual relationship (direct partners), as well as those that operate without such a contract but perform activities or provide services related to the business (indirect partners) (Paccès, 2023). Moreover, it is important to define the concept of the chain of activities, which includes all the processes that precede the actual production or provision of services, such as the procurement and supply of raw materials, their storage, and the development or design of products and services (Art. (3)(1)(g)(i), CSDDD). Value chains describe the way companies and activities are linked in global production and trade (Gereffi et al, 2005). Given the requirements of the CSDDD for companies to monitor and manage risks throughout the entire supply chain, due diligence becomes an important mechanism that provides for risk assessment and control of compliance with human rights and environmental standards within the supply chain.

Member States, in accordance with the CSDDD, ensure that companies carry out due diligence in the domain of and environmental protection and human rights, based on risk assessment and undertake the activities, as follows:

“(a) integrating due diligence into their policies and risk management systems in accordance with Article 7;

(b) identifying and assessing actual or potential adverse impacts in accordance with Article 8 and, where necessary, prioritising actual and potential adverse impacts in accordance with Article 9;

(c) preventing and mitigating potential adverse impacts, and bringing actual adverse impacts to an end and minimizing their extent in accordance with Articles 10 and 11;

(d) providing remediation for actual adverse impacts in accordance with Article 12;

(e) carrying out meaningful engagement with stakeholders in accordance with Article 13;

(f) establishing and maintaining a notification mechanism and a complaints procedure in accordance with Article 14;

(g) monitoring the effectiveness of their due diligence policy and measures in accordance with Article 15;

(h) publicly communicating on due diligence in accordance with Article 16.” (Art. 5(a)-(h), CSDDD). The mechanisms described above will be analysed in detail in the remainder of this paper.

When it comes to incorporating due diligence into corporate practices and risk management mechanisms, such policies should be developed in collaboration with employees and designed to include a description of how a particular company approaches the implementation of due diligence. This includes a code of conduct that its subsidiaries and business partners should follow, in order to effectively implement due diligence; and a description of the procedures in place to implement, monitor and verify compliance with due diligence obligations and the established code of conduct (Art. 7(1)(2) (a)-(c)(3), CSDDD).

Moving on to the matter of identifying and assessing actual or potential adverse impacts, Member States shall ensure that appropriate resources, such as independent reports, are used (Art. 8(3), CSDDD).

Related to preventing and mitigating potential adverse impacts, in order to fulfil this obligation, companies must take several key steps. They must develop and implement a preventive action plan with clearly defined deadlines for their implementation, seek contractual guarantees from direct business partners to ensure compliance with the company’s code of conduct, make the necessary financial or non-financial investments in various processes, make the necessary changes to their own business plan and similarly provide support to small and medium-sized enterprises (SMEs) in their chain of activities, as well as cooperate with other entities (Art. 10(2)(a)-(f), CSDDD). However, if potential negative effects cannot be prevented by applying appropriate measures, the company is obliged to apply a measure of last resort, which is manifested in refraining from establishing new or extending existing relationships with the business partner in whose chain of activities it originated (Art. 10(6), CSDDD). In this regard, Morris’s critical approach to contractual assurances questions whether contractual assurances are an appropriate measure of due diligence, given that the CSDDD states that contractual assurances alone will not be sufficient to meet the duty of due diligence (Morris, 2025). This is because the implementation of prescribed obligations requires real monitoring and verification of the effectiveness of their implementation, and the approach provided by the Directive enables formal compliance with the law without preventing negative impacts on the environment (Morris, 2025).

Furthermore, ensuring the remediation of actual adverse impacts provides for the obligation to remove the damage by the enterprise itself in cases where the enterprise caused the actual adverse impact (Art. 12(1), CSDDD). In other words, the company cannot shift this obligation to others.

Next, carrying out meaningful engagement with stakeholders means that companies should, when consulting with their stakeholders, provide relevant information so that

consultations can be conducted in an effective and transparent manner (Art. 13(1)(2), CSDDD). That implies that the focus is on joint collaboration throughout the due diligence process.

Moreover, when establishing and maintaining a notification mechanism and a complaints procedure, it is important to provide for a publicly accessible and fair, transparent procedure for resolving them, especially in cases where the complaint is considered unfounded. In this context, the importance of confidentiality of the identity of the person or organisation submitting the complaint, in accordance with national law, is stressed in order to prevent any form of retaliation, i.e. in order to avoid endangering the safety of the complainant (Art. 14(3), CSDDD).

Moving on to the matter of monitoring the effectiveness of their due diligence policy and measures, it is important to highlight that Member States ensure that regular assessments are carried out of their own operations, as well as those of their subsidiaries and business partners linked to the company's supply chains (Art. 15, CSDDD). The aim is to monitor the implementation of the measures and assess their effectiveness in identifying, reducing and eliminating negative impacts in order to minimise their level.

Finally, a public due diligence statement brings up that Member States shall ensure that undertakings inform themselves about the issues covered by the Directive by publishing an annual report on their websites (Art. 16, CSDDD). All the above-mentioned and analysed obligations further strengthen the responsibility of companies and enable better control of the implementation of the Directive itself. The aim of these policies is to enable companies to effectively manage their operations within value chains. In this way, the reduction of negative impacts on human rights and the environment is achieved. Conversely, Sinnig, and Zetzsche warn that the different implementation mechanisms of the CSDDD may lead to inconsistent application in practice and examine the Directive's actual ability to effectively prevent violations of environmental standards in global value chains (Sinnig, and Zetzsche, 2025).

It is evident that the Directive sets demanding obligations for the purpose of identifying the impact of business on human rights and the environment. With this in mind, it provides mechanisms for assessing and eliminating risks throughout the value chain and points to the necessity of transparent reporting on the measures taken. However, the broad scope of the Directive makes it difficult to apply the rules in complex global value chains, creating heavy administrative and financial burdens. Therefore, in the next part of the paper, the original text of the Directive and its application in practice will be critically examined. Through the package of simplification of obligations established by the Directive, Omnibus I, which increases the feasibility of applying the Directive, the question of the real impact of such measures on the corporate governance of companies is raised.

Implementation

In some EU countries, there are already legal frameworks that require large companies to monitor and assess (negative) impacts on human rights and the environment (Starc-Meclejan, 2025). For instance, France adopted the Law on the Duty of Vigilance (Loi de vigilance) in 2017, and Germany adopted the Supply Chain Due Diligence Act (Lieferkettengesetz) in 2021 (Starc-Meclejan, 2025). Such different approach of the countries had an impact on shaping corporate responsibility in Europe, by creating a harmonised legal framework - the CSDDD. When it comes to sustainable economy, the process of implementing CSDDD involves taking certain steps that aim to help companies successfully master its implementation in business practice. Such a process, as mentioned earlier, includes

stakeholder engagement, promoting transparency and responsible business practices (Omerovic, 2024). Therefore, companies are obliged to provide their stakeholders with accurate and complete information in a clear and transparent manner, following all the procedures described so far in this paper, which ensures the monitoring and supervision of stakeholders and policies related to various business entities (Witte, 2025).

Besides, the CSDDD sets mandatory standards for companies operating in the EU or those connected to the EU market. It is important to understand how companies react to the Directive as these reactions also affect other market and non-market actors. Repeatedly, some EU companies already implement due diligence procedures, and Germany and France already have laws defining standards for human rights and environmental protection (Jäger et al, 2023). Those companies, that already implement due diligence, can benefit in the following ways: better control over the value chain, reduced risk, strengthened governance and increased competitiveness, according to Jäger et al, 2023. Since companies in some countries have already faced legal consequences due to similar regulations, the economic impact of the CSDDD on them will be smaller than on companies in parts of the EU where such laws have not yet existed (Jäger et al, 2023).

In addition, the Directive provides for changes in supply chains so that companies can stop working with suppliers that violate human rights and replace them with those that operate in accordance with the rules set out in the Directive (Jäger et al, 2023). This approach encourages responsible behaviour along the entire value chain and reduces the negative externalities associated with unethical practices (Jäger et al, 2023). Also, the result that companies may face when implementing the Directive is the closure of those business activities that cannot comply with the required standards (Jäger et al, 2023). This outcome usually affects only the least competitive companies, i.e. those companies that would otherwise have difficulty maintaining their operations under conditions of fair market competition (Jäger et al, 2023).

Furthermore, the implementation of the Directive also brings with it some obstacles for companies when it comes to its application in practice. Therefore, the next part of the paper analyses the key challenges arising. The business community generally supports sustainability objectives but also points out that excessive and costly reporting requirements at EU level may to some extent undermine the competitiveness of EU companies in the global market (BusinessEurope, 2021).

Firstly, the implementation of the Directive is a financial burden on SMEs and seriously threatens their liquidity (Dempere et al, 2024). Unlike large corporations, smaller companies have fewer resources and lower margins, so any new cost affects them much more strongly. Also, the entire process of companies complying with the obligations prescribed by the Directive, from documentation to ongoing monitoring, requires large initial investments in the development of new systems that would enable what the Directive requires (Dempere et al, 2024). Therefore, from a financial perspective, the adoption of the Directive may affect the financial situation of individual companies in a way that increases their financial costs. In addition, the directive also provides for fines for non-compliance with its provisions, in order to ensure that the directive is applied in practice. Fines are based on the company's worldwide net turnover, and the maximum fine may be up to 5% of the company's worldwide net turnover in the financial year preceding the imposition of the fine (Art. 27(4), CSDDD). Since maximum fines reach at least 5% of net global turnover, it is clear that these are not symbolic amounts, but a serious financial blow that can threaten the stability of even the strongest companies. Given the challenges mentioned, the financial risk of the Directive is visible from two perspectives. On the one hand, the costs of compliance itself represent a huge burden on

the liquidity of SMEs that do not have capital reserves. On the other hand, large corporations face the threat of fines, which makes any oversight failure extremely costly. So, whether it is the cost of compliance or the risk of sanctions, the Directive brings a financial pressure that no entrepreneur can ignore (Dempere et al, 2024).

Secondly, according to the report by Stichting Onderzoek Multinationale Ondernemingen (SOMO), the Directive also contains rules that, when applied, may undermine its effectiveness (de Leth, 2024). For example, it obliges companies to conduct due diligence only on their direct suppliers (Tier1), while most suppliers from high-risk countries remain outside the scope of supervision (de Leth, 2024). This means that the biggest problems with human rights and environmental violations cannot be effectively prevented in practice. Tier1 suppliers of large EU supermarkets mainly come from safe countries, while products such as bananas come from risky regions, such as Southeast Asia, with high risk of serious human rights violations (de Leth, 2024). Therefore, according to SOMO, taken from the VSME Standard (Voluntary Sustainability Reporting Standard), developed by the European Financial Reporting Advisory Group (EFRAG), the term "VSME shield" is explained, which means that SMEs are not covered by full reporting obligations and that their administration is facilitated. For this reason, the introduction of measures protecting SMEs suppliers from the obligation to provide data for due diligence further blocks the flow of information, as SMEs companies may refuse to share data, which prevents supermarkets from carrying out real due diligence (de Leth, 2024).

Thirdly, shifting costs to smaller suppliers, especially in poorer countries, poses another financial problem for smaller companies (Mieszkowska, 2024). Smaller companies may not be able to pay for the checks, reports and adjustments that large buyers require, which can push them out of supply chains and prevent them from doing business with EU companies (Mieszkowska, 2024). Accordingly, they are potentially limited in their ability to successfully implement the CSDDD.

Next, according to Mieszkowska (2024), Eu companies may withdraw from countries where there is a higher risk of human rights violations or poor working conditions in supply chains for fear of penalties, which could consequently result in job losses and worsening working conditions in those countries (as cited in Commission Staff Working Document, 2022). Such a sudden departure can lead to job losses, contract terminations and the "relocation" of production to even less regulated countries, as noted by Mieszkowska (2024).

Although the normative part of the CSDDD provides solutions regarding the obligations of due diligence of sustainable business, the highlighted negative effects do have a significant impact on the future application of the Directive and the harmonisation of laws in the Member States. What the CSDDD lacks are mechanisms for effectively ensuring the monitoring of their implementation and they often remain only on paper, without actual implementation in practice. In order for real implementation to occur, it is necessary to fully provide the tools to verify all the aforementioned obligations foreseen in the CSDDD. According to Mieszkowska, although the CSDDD has significantly contributed to the environmental regulatory framework by introducing due diligence obligations, its implementation may have unpredictable negative consequences, including the termination of business relationships with suppliers in high-risk regions and the shifting of compliance costs to smaller suppliers, which may undermine human rights and environmental protection objectives.

Although the process of harmonizing the Directive into national legislation began in accordance with the plan envisaged by the Directive, it was abruptly interrupted in February 2025 with the introduction of the Omnibus I package. This legislative move by the European Commission, taken during the adjustment period, marked a shift towards deregulation under

the pretext of preserving competitiveness (Jäger et al, 2025). The key instrument of this shift, the "Stop the Clock" Directive, did not only bring about a technical postponement of the deadlines, but also opened the way for due diligence changes to the content of the CSDDD itself, which is analysed in the remainder of the paper.

Impact of the Omnibus I Package on the Scope of Obligations

Although 2025 was supposed to be marked by the harmonisation of the CSDDD Directive, a regulatory turnaround occurred at the EU level, resulting in the final adoption of the Omnibus I package in December 2025 (Jäger et al, 2025). This process, initiated by the European Commission's announcement in February 2025, represented a systematic response to the issue of declining EU competitiveness and geopolitical instability (Alemanno, 2025). It was adopted with the aim of reducing the administrative burden by at least 25% for all companies and simplifying reporting obligations (Baumüller, 2025). Furthermore, it included a number of proposals aimed at amending and postponing key sustainability rules, primarily within the CSRD and CSDDD directives (European Commission, 2025). Accordingly, Alemanno (2025) warns arguing that it is a deliberate circumvention of democratic rules. According to his analysis, Omnibus I directly violates fundamental principles of EU law for two reasons: lack of evidence and exclusion of the public (Alemanno, 2025). In fact, the public was not included in the discussion when it came to the adoption of the Omnibus I package, and changes at the EU level are introduced without evidence and expert analysis that would confirm their justification (Alemanno, 2025).

Namely, the simplification of the Directive included, first of all, the adoption of the "Stop the Clock" directive from April 2025, which officially postponed the application of the reporting rules (CSRD) by two years and the deadline for the application of the CSDDD by one year (Jäger et al, 2025). This delay was not only of a technical nature. It was used as a way to reduce the pressure on decision-makers, by giving the opportunity to interest groups and opponents of stricter rules to weaken the main parts of the Directive (Alemanno, 2025). That move resulted in a reduction in the number of areas covered by harmonization and the deletion of key provisions on responsibility. Moreover, contrary to the objective of the CSDDD, whose intention was for companies to conduct due diligence within the entire value chain, the adoption of the Omnibus I package significantly narrows the due diligence obligations, narrowing the scope of application to only Tier1 suppliers (Jäger et al, 2025). Therefore, the introduction of such a mechanism also resulted in slowing down the application of sustainable standards that the Directive originally envisaged (Jäger et al, 2025).

Furthermore, this package also includes narrowing the scope of civil liability for damage caused in supply chains (Jäger et al, 2025). Namely, the original text of the Directive provided for the possibility of sanctioning damage caused as a result of human rights violations. However, the new rules adopted by the Omnibus I package shift the focus from the legal protection of victims to administrative supervision, which represents the impossibility of achieving real change.

Moreover, the thresholds for the application of the rules were further raised to 5,000 employees and 1.500.000.000 EUR in turnover, which ultimately results in a reduction of the companies covered by as much as 70% compared to the original text (Jäger et al, 2025). By raising the threshold to extremely large companies, it once again confirms that the Omnibus I package is based on the mere fulfilment of formal obligations, without room for achieving real efficiency and the objectives of the CSDDD.

The key role in justifying these changes was played by Mario Draghi’s report on the future of EU competitiveness (Draghi, 2024). In his work, Draghi directly identified the CSDDD as a significant administrative obstacle that stifles EU industry (Draghi, 2024). It was his approach, which indicates the priority of competitiveness over environmental and social objectives, that opened the way for the EU Council to raise the thresholds for the application of the Directive, with the aim of transforming the strict rules into a much more lenient regulatory framework.

The paper points out that this approach circumvents EU constitutional principles (Article 11 TEU and Article 296 TFEU) because such important changes for human rights and sustainability are implemented too quickly, without public participation and without clear evidence of a real impact on competitiveness (Alemanno, 2025). Aránguez Díaz (2026) emphasizes how this process of deregulation of corporate sustainability was carried out in a short time without public consultation or impact assessment. Although the introduction of Omnibus I is officially presented as a necessary step towards reducing administrative burden on companies, the established rules indicate that it aims to systematically weaken the rules adopted by the CSDDD (Alemanno, 2025).

From the analysis of the Omnibus I package, it is evident that the purpose of the objectives of the CSDDD is being reduced to a simplified obligation to report, with the adopted changes that occurred with the aim of simpler implementation of due diligence obligations. By enacting the analysed restrictions, corporate governance remains focused on short-term profits, and concern for human rights is reduced to formal reporting without any real change in practice.

The implications of this approach also need to be seen in the context of consumer rights. Many consumers across Europe want to buy products with a concern for the social and environmental conditions of the products, but they do not have reliable information about how the products are made (Jäger et al, 2025). In doing so, they are left to rely on voluntary labels and certificates, which they often cannot trust (Jäger et al, 2025). In addition, relying on unverifiable certificates also affects fairness in the market; companies that invest in sustainability may be unfairly penalized because they have higher costs compared to their competitors. Ultimately, due diligence obligations represent an important step towards more responsible business and greater transparency, but they do not in themselves solve all the problems of market inequality and do not give consumers new direct rights. Their real value depends on how they are implemented in practice.

Conclusions

The aim of this analysis was to examine the content of the CSDDD, as well as the potential unintended consequences for global supply chains and environmental protection. It is also important to point out that in addition to guidelines for achieving sustainable business, the Directive also introduces restrictions, such as financial sanctions and other limitations, which may affect the effectiveness of the implementation of due diligence measures.

It is evident that the CSDDD represents a significant step forward when it comes to regulating corporate responsibility and sustainability within global value chains. By creating a harmonised legal framework for all companies on the EU market, the CSDDD seeks to contribute to greater legal certainty. The regulation introduced by the CSDDD also requires companies to systematically manage sustainability risks, which in the long term can increase the reputation of companies with investors and consumers. The adoption of the CSDDD has significantly contributed to environmental protection, primarily because its provisions oblige

companies to recognize and assess the negative impacts of their business operations on the environment. Accordingly, more responsible resource management and the promotion of a circular economy are encouraged.

However, despite the effort to establish a harmonised regulatory framework for sustainable business operations, the adoption of the Omnibus I package significantly changed the direction of the Directive itself. Instead of strict control throughout the supply chain, the focus has shifted to reducing administrative costs and protecting the competitiveness of EU companies. The introduction of measures such as raising the thresholds for companies, denying the right to compensation and other restrictions of the Omnibus I package means that in practice only a small number of companies will be monitored, while violations in the supply chain will be harder to detect. This has shifted the risk back to consumers who still lack reliable information about products, raising the question of whether implementing these rules of thumb will be able to change corporate behaviour or will it just remain a form-filling exercise.

Although Omnibus I simplifies the process for companies to the detriment of consumers and human rights, such a relaxation of standards is unsustainable in the long term. Smart corporate governance must go beyond the minimum requirements set by current law but should build systems that are ready for the inevitable tightening of rules that will eventually have to correct current shortcomings.

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