Centrum für Europäische Politik
FREIBURG | BERLIN

cepAdhoc

No. 7 | 2025 30 April 2025

Omnibus I: Revision of the Supply Chain Directive

EU Commission tightens rules but shifts the burden

Anja Hoffmann and Matthias Kullas

The competitiveness of companies in the EU has come under severe pressure in recent years. One reason for this is that the bureaucratic burden on companies, including in the form of additional sustainability-related due diligence obligations, has increased considerably. On 26 February 2025, therefore, as part of its efforts to significantly reduce the administrative and reporting burden for companies, the EU Commission presented a legislative package which included proposals to revise the Supply Chain Directive. This cepAdhoc takes a look at the planned relief measures and evaluates them.

- The obligation for companies to identify and prevent the adverse impacts of their business activities on human rights and the environment remains largely unchanged.
- Even if the proposed amendments are implemented in full, the bureaucratic burden of the Directive will remain significant for the companies concerned, especially when it comes to first-time implementation. Companies with many or frequently changing business partners are permanently under considerable strain.
- Extending the audit interval from one year to five years is likely to result in the greatest relief for companies. It will, in particular, relieve the burden on companies with stable business relationships. The narrower definition of the term "stakeholders" and the overall reduction in consultation obligations towards stakeholders will also reduce the burden on companies.
- Numerous other changes, on the other hand, will only lead to slight – if any – relief for companies. Restricting due diligence obligations to direct business partners only relieves companies to a limited extent as certain obligations continue to apply to indirect business partners. The proposed relief for smaller companies does not eliminate bureaucracy but shifts it to larger companies.

Table of contents

1 Introduction

The EU's competitiveness is steadily declining. Mario Draghi came to this conclusion in a detailed report back in September 2024 and called on Europeans to act quickly. He also identified the "excessive regulatory and administrative burden" to which companies in the EU are exposed as a significant factor in this decline. This reduces the productivity of companies, creates anti-competitive barriers to market entry and hinders the long-term investment activities of companies in the EU.[1]

Now the EU Commission is reacting. At the end of January 2025, as part of the presentation of its "Competitiveness Compass for the EU", it announced numerous initiatives to simplify European legislation and reduce administrative burdens. It wants to reduce the administrative burden – including notification and reporting obligations – by at least 25% by the end of the legislative period – and even by at least 35% for small and medium-sized enterprises. The costs associated with the administrative burden are to be reduced by around € 37.5 billion.[2,3]

As part of the presentation of its work programme for 2025, the Commission announced its intention to present a total of three so-called omnibus packages in order to achieve these ambitious goals.[4] Each of these packages contains proposals for reducing bureaucracy that cover several pieces of legislation.

On 26 February 2026, the Commission presented the first omnibus package on sustainability ("Omnibus I"). In particular, it proposes adjustments to the existing EU legislation[5]

- on sustainability reporting (Corporate Sustainability Reporting Directive, CSRD),
- on due diligence obligations in the supply chain (Corporate Sustainability Due Diligence Directive, CSDDD, hereinafter "Supply Chain Directive"),
- the Carbon Border Adjustment Mechanism (CBAM), and
- on the Green Taxonomy.

In parallel to the presentation of the Omnibus I package on sustainability, the Commission has also presented a further omnibus package to facilitate investment ("Omnibus II").[6] A third package – expected on 16 May 2025 – is intended to reduce the administrative burden for agricultural companies ("Omnibus III"). The fourth omnibus package – announced for 21 May 2025 – will be a further package to provide relief for small mid-cap companies and will also include exemptions from certain reporting and compliance obligations for these companies ("Omnibus IV").[7] Fifthly, the Commission intends to present a special omnibus package on 17 June 2025 to simplify and harmonise defence legislation ("Omnibus V").[8]

---

1 Draghi, M. (2024). The Future of European Competitiveness Part B: In-depth analysis and recommendations.

2 EU Commission (2025a), COM(2025) 30, Communication, A Competitiveness Compass for the EU, 29 January 2025.

3 At the beginning of February 2025, it backed up this announcement with the presentation of its work programme [EU Commission (2025b), COM(2025) 45, Commission Work Programme 2025, Moving forward together: A Bolder, Simpler, Faster Union] and the presentation of a Communication on implementation and simplification [EU Commission (2025c), COM(2025) 47, A simpler and faster Europe: Communication on implementation and simplification].

4 EU Commission (2025b), COM(2025) 45, Commission Work Programme 2025, Moving forward together: A Bolder, Simpler, Faster Union.

5 See here.

6 See here.

7 EU-Commission (2025b).

8 EU Commission (2025c), JOIN(2025) 120, Joint White Paper for European Defence Readiness 2030, High Representative of the Union for Foreign Affairs and Security Policy, 19 March 2025.

This cep**Adhoc** focuses on the Commission's proposals to revise the EU Supply Chain Directive[9], which form part of the Omnibus I package and include two proposals for Directives.[10,11] The cep**Adhoc** will present the Commission's proposals to revise the Supply Chain Directive in more detail and assess them.

2 Background to the Supply Chain Directive

The Supply Chain Directive obliges companies to implement human rights and environmental due diligence obligations in their supply chain. In particular, companies are to identify, assess, prevent and end the negative impacts of their business activities on human rights and the environment. The Supply Chain Directive contains similar obligations to the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG)[12], but in some cases goes beyond this. As numerous companies and business organisations have complained about the bureaucratic burdens associated with the Directive, the EU Commission has now proposed changes to the Supply Chain Directive. The aim of the changes is to relieve companies of bureaucratic obligations. The amendments proposed by the Commission relate to key aspects of the Directive, including the scope of due diligence obligations, the liability rules, the involvement of stakeholders and the timing of implementation of the Directive. Specifically, the changes affect the following items:

- amendment of the provisions on the implementation of transition plans for climate change mitigation,
- limitation of the term "stakeholders",
- extension of full harmonisation,
- focusing on direct business partners and reducing the burden for companies with fewer than 500 employees,
- cancellation of the obligation to terminate the business relationship as a last resort,
- limitation of the stages in which stakeholders will be involved,
- extension of the intervals at which companies must regularly assess the adequacy and effectiveness of due diligence measures,
- earlier publication of the general implementation guidelines by the Commission,
- clarification of the principles relating to pecuniary penalties and abolition of the "minimum upper limit" for pecuniary penalties,
- cancellation of the EU-wide civil liability clause and the obligation to allow representative action,
- cancellation of the assessment clause in relation to financial services, and
- postponement of the Directive's transposition deadline and partial postponement of the Directive's application.

---

9 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.

10 EU-Commission (2025d), COM(2025) 80, Proposal for a Directive of the European Parliament and of the Council 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.

11 EU Commission (2025e), COM(2025) 81, 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.

12 Gesetz über die unternehmerischen Sorgfaltspflichten zur Vermeidung von Menschenrechtsverletzungen in Lieferketten (Lieferkettensorgfaltspflichtengesetz – LkSG) of 16 July 2021.

This ad hoc explains and assesses the Commission's proposed amendments. It indicates the areas in which the proposed amendments, on the one hand, reduce the bureaucratic burden for companies but also where they make it more difficult to enforce human rights and environmental standards, on the other.

3 Proposed amendments to the Supply Chain Directive

3.1 Amendment of the provisions on the implementation of transition plans for climate change mitigation

3.1.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, the companies concerned must adopt and put into effect a plan to mitigate the consequences of climate change ("transition plan for climate change mitigation").[13] The proposed amendments no longer expressly mention the obligation to actually put the plan into effect. The words "put into effect" have been deleted and instead it now states that companies must adopt a plan, "including implementing actions".[14]

3.1.2 How does the Commission justify the change?

The Commission wants to ensure "more legal clarity" by way of the amendment and better align the provision on climate transition plans in the Supply Chain Directive to "the language" of the Corporate Sustainability Reporting Directive (CSRD). The CSRD amended Art. 19a of the Accounting Directive2013/34/EU to the effect that reporting companies must report in a separate section of their management report on, among other things, how – and by means of which implementing actions – they intend to ensure that their business models and strategies are in line with the goal of the Paris Agreement to limit global warming to 1.5°C and with the goal of climate neutrality by 2050. According to the Commission, the proposed amendment makes clear that the plan should already include outlining the implementing actions planned and taken.

3.1.3 Assessment of the change

The Commission justifies the amendment by aligning the wording of the Supply Chain Directive with that of the Corporate Sustainability Reporting Directive (CSRD) in order to create "more legal clarity". This relates specifically to the obligation introduced by the CSRD to include implementing actions regarding compliance with climate change mitigation targets in their sustainability reporting. The Commission assumes that the obligation under the CSRD to report on the actions taken to achieve climate change mitigation targets will "continue" to be complemented by the clear obligation in Art. 22 of the Supply Chain Directive to adopt a transition plan for climate change mitigation. The Commission's statement that it wants to adapt the wording for reasons of legal clarity suggests at first glance that this is a mere harmonisation of the wording, without any substantive change, which will result in an increase in legal certainty.

Whether this is the case, however, is questionable from two different perspectives. On the one hand, the question arises as to how far the extension proposed by the Commission, that the transition plan

[13] See Art. 22 Supply Chain Directive.
[14] Cf. the Commission's proposed amendment to Art 22 (1), first subparagraph, and Art. 1 (1), point (c).

for climate change mitigation should include implementing actions planned and taken, really is a mere "clarification" and not an additional obligation through the back door requiring companies to list the possible implementing actions in the plan itself. Secondly, it is unclear whether and to what extent the deletion of the words "put into effect" will or can result in a substantive change to the obligations of companies in the area of climate transition measures because the amended wording could at least be (mis)understood to mean that companies still have to adopt a transition plan for climate change mitigation but would no longer be obliged to implement it in full.[15] This would mean that companies could define a whole range of actions on paper but not actively implement (all of) them. The pressure to achieve the targets of the climate change mitigation plan could also be reduced if companies no longer had to implement the plan but "only" had to decide on implementing actions. Firstly, if the amendment were to be interpreted in this way, the transition plans for climate change mitigation could be implemented less intensively.[16] Secondly, this would reduce the bureaucratic burden on companies. And thirdly, the liability risk for companies would be reduced, as it would be more difficult for them to be held liable for poor implementation of their plans.

In any case, the lack of clarity on exactly how the changes are to be interpreted could lead to legal uncertainty. The Commission should therefore explain the extent to which it believes the planned changes will affect companies' reporting and implementing obligations in connection with the transition plan for climate change mitigation.

3.1.4 Changes in the wording

Changes to Article 1(1), point (c):

(c) the obligation for companies to adopt ~~and put into effect~~ a transition plan for climate change mitigation, including implementing actions which aim~~s~~ to ensure, through best efforts, compatibility of the business model and of the strategy of the company with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement.

Changes to the first subparagraph of Article 22(1) which is amended as follows:

(1) Member States shall ensure that companies referred to in Article 2(1), points (a), (b) and (c), and Article 2(2), points (a), (b) and (c), adopt ~~and put into effect~~ a transition plan for climate change mitigation, including implementing actions, which aim~~s~~ to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119, including its intermediate and 2050 climate neutrality targets, and where relevant, the exposure of the company to coal-, oil- and gas-related activities.

[15] Lippert, A./Schröder, C./Schweidtmann, C. (2025), Brüsseler Kurskorrektur: EU-Kommission plant mit dem „Omnibus“ reduzierte Nachhaltigkeitspflichten für Unternehmen – Teil II: CSDDD and CBAM and Lupin, M. (2025), EU Omnibus Unveiled : key implications for CSDDD, CSRD & EU Taxonomy, presentation slide 6.

[16] Similarly, Lupin, M. (2025), EU Omnibus Unveiled : key implications for CSDDD, CSRD & EU Taxonomy, Presentation slide 6, which points out that this would make it more difficult for regulators and stakeholders to tackle corporate inaction on climate risks.

3.2 Limitation of the term "stakeholders"

3.2.1 What concrete changes will the Commission proposal make?

In the existing version of the Supply Chain Directive[17] , the term "stakeholders" includes

- the company's employees,
- the employees of its subsidiaries,
- trade unions and workers' representatives,
- consumers and other individuals, groupings, communities or entities whose rights or interests could be affected by the company, its subsidiaries and its business partners,
- employees, trade unions and workers' representatives of the company's business partners,
- national human rights and environmental organisations,
- civil society organisations for the protection of the environment and
- legitimate representatives of the said individuals, groupings, communities or entities.

In the wording of the amended version the definition is narrower. In future, the term "stakeholders" will only include[18]

- employees of the company, of its subsidiaries and of its business partners, as well as their trade unions and workers' representatives, and
- individuals or communities whose rights or interests could be directly affected and the legitimate representatives of these individuals or communities.

Most notably, the following are left out:

- national human rights and environmental institutions,
- civil society organisations whose purposes include the protection of the environment,
- groupings and entities whose rights or interests are or could be affected by the products, services and operations of the company, its subsidiaries and its business partners.

3.2.2 How does the Commission justify the change?

Firstly, the Commission wants to restrict the term "stakeholders" to reduce burdens on companies and make the Directive "more proportionate". The definition is limited to employees and their representatives and to individuals and communities whose rights or interests are or may be "directly" affected by the products, services and activities of the company, its subsidiaries and its business partners. According to the Commission, this includes people or communities in the neighbourhood of plants operated by business partners if they are directly affected by pollution, or indigenous people whose right to land or resources are directly affected by how a business partner acquires, develops or otherwise uses land, forests or waters. Secondly, the Commission wants to streamline and simplify the definition of stakeholders by reformulating it.

3.2.3 Assessment of the change

The Supply Chain Directive requires companies to involve stakeholders in a variety of ways, such as through collecting information on the actual or potential negative effects of their activities or

[17] Art. 3 (1) (n) of the existing version of the Supply Chain Directive.
[18] Cf. the proposed amendment to Art. 3 (1) (n) of the version in the Supply Chain Directive.

developing prevention and corrective action plans. In addition, stakeholders have a right to access information on the measures taken by the company to implement the due diligence obligations. Stakeholders can also lodge a complaint against a company if they believe that it has breached its due diligence obligations. And if a company causes or contributes to negative effects, the affected stakeholder has a right to compensation.

The amendment would significantly reduce the number of officially recognised stakeholders, which will reduce the burden on companies of having to involve stakeholders. Firstly, wherever the Directive requires them to involve stakeholders, they would no longer be obliged to contact human rights, environmental or civil society organisations. Secondly, they would only have to contact employees and their trade unions and employee representatives or individuals and communities whose rights and interests are or could be *directly* affected. A merely indirect effect is therefore no longer sufficient.

On the other hand, the amendments could make the work of human rights, environmental and civil society organisations more difficult because their exclusion from the definition of stakeholders means they would no longer have to be included as such. However, it also means a lower risk for companies who are less likely to be confronted with complaints or lawsuits from these institutions and organisations. Finally, the changes would mean that individuals and communities would have to prove that they are directly affected, which would make it more difficult for them to make their voices heard.

All in all, however, the changes are appropriate. They will avoid placing an excessive burden on companies without disproportionately reducing protection against human rights violations and environmental pollution for those affected. The amendments also bring the definition of stakeholders closer to the definition in the Commission's original proposal for the Supply Chain Directive [COM(2022) 71].

3.2.4 Changes in the wording

Article 3(1)(n) is amended as follows:

n) "stakeholders" means

- the company's employees, the employees of its subsidiaries~~,~~ and of its business partners, and their trade unions and workers' representatives, and
- ~~consumers and other~~ individuals~~, groupings,~~ or communities ~~or entities~~whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners ~~including the employees of the company's business partners and their trade unions and workers' representatives, national human rights and environmental institutions, civil society organisations whose purposes include the protection of the environment ,~~ and the legitimate representatives of those individuals or ~~groupings,~~ communities ~~or entities;~~

3.3 Extension of full harmonisation

3.3.1 What concrete changes will the Commission proposal make?

The existing version of the Supply Chain Directive provides for full harmonisation in some cases, but predominantly for minimum harmonisation.[19] Insofar as it provides for minimum harmonisation, it prohibits the Member States from falling short of the regulatory standard of the Directive but leaves them free to "introduce" stricter national provisions (which would, for example, result in a higher level of protection at national level). However, where the Directive provides for full harmonisation, it also specifies the maximum level of transposition and prohibits the Member States from "introducing" stricter provisions within the scope of the Directive.

The following provisions are currently covered by full harmonisation in the existing version of the Supply Chain Directive:

- the requirements for the identification and assessment of actual and potential adverse impacts in accordance with Article 8(1) and (2),
- the requirements for the prevention of potential adverse impacts under Article 10(1), and
- the requirements for remedying actual adverse impacts under Article 11(1).

All other provisions of the Supply Chain Directive have so far been subject to minimum harmonisation, so that Member States have been allowed to deviate "upwards" in favour of a stricter level of protection.[20]

The Commission's proposed amendment extends the list of fully harmonised requirements. In addition to the three requirements mentioned above, the following requirements and measures will also be included[21]:

- the mandatory introduction of the possibility for parent companies to fulfil certain obligations for their subsidiaries, subject to specified conditions, if both fall within the scope of the Directive ("due diligence support at a group level")[22],
- the new obligations for the company to, firstly, carry out an in-depth assessment also of *indirect* business partners if the company has "plausible information" pointing to adverse impacts or indications of the circumvention of a direct business relationship; secondly, to check whether indirect business partners can also comply with its code of conduct and, thirdly, to contractually oblige its direct business partners to enforce this against their own business partners[23],

[19] Cf. Art. 4 (1) and (2) of the existing version of the Supply Chain Directive. For more details, see Mittwoch, A.-C. (2024), Möglichkeiten und Grenzen der Gestaltung des Anwendungsbereiches des Lieferkettensorgfaltspflichtengesetzes (LKSG) bei der Umsetzung der Corporate Sustainability Due Diligence Directive (CSDDD), Legal opinion, p. 6 f.

[20] Mittwoch, A.-C., op. cit.

[21] Cf. Commission's proposed amended version of Art 4 (1), Supply Chain Directive

[22] Art. 6 (1) - (3) of the existing version of the Supply Chain Directive.

[23] New Art. 8 (2a), subparas. 1-3 of the Commission's proposed amendment to the Supply Chain Directive. For more details on these changes, see Section 3.4 below.

- the requirements of the existing Directive on the availability of external sources for risk assessment by companies[24], the new obligation to prioritise information from the business partner(s) where the adverse impacts are most likely to occur[25] and the new ban on attempts to circumvent the rule against obtaining information from smaller direct business partners[26],
- Measures that companies must take to prevent or mitigate *potential* adverse impacts on human rights and the environment in their value chain[27],
- measures that companies must take to minimise *actual* adverse impacts on human rights and the environment in their value chain[28], and
- requirements regarding the notification mechanism and complaints procedure[29].

With regard to these provisions too, Member States may not introduce any stricter or additional requirements in future within the scope of the Directive. In the case of all provisions that have not been mentioned in the amended Art. 4 (1) of the Supply Chain Directive, however, minimum harmonisation will remain in place.

3.3.2 How does the Commission justify the change?

With the amendment, the Commission wants to extend the scope of full harmonisation to other provisions of the Directive which regulate key aspects of the due diligence process aimed at integrating due diligence obligations into corporate processes. According to the Commission, these include most notably the obligation to identify, the obligation to address adverse impacts that have been or should have been identified, the obligation to engage with stakeholders in certain cases and the obligation to provide for a complaints and reporting procedure. In this way, the Commission wants to ensure that the Member States do not go beyond the above-mentioned provisions and thus avoid creating a fragmented regulatory landscape that leads to legal uncertainty and unnecessary expense. At the same time, Member States should continue to be allowed to introduce stricter or more specific provisions on other aspects, including those to address emerging risks linked to new products or services. The Commission seems to want to clarify this with an additional supplementary insertion.

3.3.3 Assessment of the change

The proposed amendments would further restrict the scope for Member States to introduce rules within the scope of the Directive that are stricter than those provided for by the Directive[30] and could thus lead to a more harmonised implementation of the Directive. This would harmonise the level of protection in the Member States, and would also lead to a more level playing field in the EU. For companies with operations in several Member States, the bureaucratic burden would also be reduced because it is likely that a greater proportion of the rules of the Directive will be implemented more uniformly in the Member States.

---

[24] Art. 8 (3) of the existing version of the Supply Chain Directive, which remains unchanged.
[25] New Art. 8 (4) of the Commission's proposed amendment to the Supply Chain Directive.
[26] New Art. 8 (5) of the Commission's proposed amendment to the Supply Chain Directive.
[27] Article 10 (2) to (5), i.e. not the new (6), which regulates the "last resort" measures that companies must take.
[28] Article 11(2) to (6), i.e. including the new paragraph 6, but not the new paragraph 7, which regulates the "last resort" measures that companies must take.
[29] Art. 14 of the existing version of the Supply Chain Directive, which remains unchanged.
[30] Likewise Lippert, A./Schröder, C./Schweidtmann, C. (2025), Brüsseler Kurskorrektur: EU-Kommission plant mit dem „Omnibus“ reduzierte Nachhaltigkeitspflichten für Unternehmen – Teil II: CSDDD und CBAM.

However, full harmonisation is weakened by the fact that the Member States may (or even must) retain some of the existing stricter national regulations.[31] In this respect, Art. 4 (1) must be read in conjunction with Art. 1 (2) of the Supply Chain Directive (which has not been amended by the Commission). This states that the Directive cannot be used to justify reducing the existing level of protection in the areas of human rights, employment and social rights, or of protection of the environment or the climate provided for by laws or collective agreements in the Member States. This means that national provisions that existed before the Supply Chain Directive came into force are excluded from full harmonisation. Member States therefore do not have to adapt existing stricter national rules in these areas to the (possibly lower) level of the Supply Chain Directive but can maintain their existing stricter level.[32]

The extent to which the planned extension of full harmonisation will make it more difficult to achieve the human rights and environmental objectives of the Directive depends – hypothetically – on the extent to which individual Member States had planned to go beyond the now additionally fully harmonised requirements of the Directive when implementing the existing Directive.

Irrespective of any mandatory full harmonisation, it is not entirely clear how to interpret the Commission's clarification that the Member States can generally adopt more specific provisions and also regulate "specific products, services or situations" in order to achieve a different level of protection.[33] In principle, however, it seems sensible for the Member States to remain flexible when it comes to using regulation to counter new risks caused by specific new products and services.

3.3.4 Changes in the wording

Article 4 is amended as follows:

> Level of harmonisation
>
> 1. Without prejudice to Article 1(2) and (3), Member States shall not introduce, in their national law, provisions within the field covered by this Directive laying down human rights and environmental due diligence obligations diverging from those laid down in Articles 6 and 8(~~1) and (2)~~, Article 10(1) to (5) and Article 11(1) to (6) and Article 14.
>
> 2. Notwithstanding paragraph 1, this Directive shall not preclude Member States from introducing, in their national law, more stringent provisions diverging from those laid down in provisions other than Articles 6 and 8, ~~Article 8 (1) and (2)~~Article 10(1) to (5), Article 11(1) to (6) and Article 14, or provisions that are more specific in terms of the objective or the field covered, including by regulating specific products, services or situations , in order to achieve a different level of protection of human, employment and social rights, the environment or the climate.

[31] For more details, see Simanovski, S. (2024), Ein Schritt vorwärts, keiner zurück - Zur Rolle des Lieferkettengesetzes nach Inkrafttreten der Corporate Sustainability Due Diligence Directive.

[32] Some are even considering whether the Supply Chain Directive even prohibits Member States from lowering their existing higher level of protection, see Simanovski, S. (2024), Ein Schritt vorwärts, keiner zurück - Zur Rolle des Lieferkettengesetzes nach Inkrafttreten der Corporate Sustainability Due Diligence Directive.

[33] Cf. Commission's proposed amended version of Art 4 (2), Supply Chain Directive

3.4 Focusing on direct business partners and reducing the burden for companies with fewer than 500 employees

3.4.1 What concrete changes will the Commission proposal make?

Under the existing version of the Supply Chain Directive, the due diligence obligation for companies, to map their business operations for possible adverse impacts and, based on this mapping, to carry out an "in-depth assessment", extends to the company's own business activities, those of its subsidiaries and the business activities of "business partners" in its chain of activities.[34]

The proposed amendments[35] limit the obligation to carry out an "in-depth assessment" of operations to the company's own operations and/or those of its subsidiaries and to operations of its *direct* business partners, unless

- the company has "plausible information" that "suggests" that adverse impacts have arisen or may arise at the level of the operations of an indirect business partner, or
- an indirect relationship has only been set up in order to avoid a direct business relationship and the associated due diligence obligations. Under the new version of the Directive, this is the case if the indirect business relationship is the result of an "artificial arrangement" that "does not reflect economic reality" but "points to a circumvention" of a direct business relationship.

The Commission fails to provide an explicit indication, in the text of the Directive itself, of what is meant by "plausible information" that "suggests" adverse impacts, or as to when the existence of an "artificial" arrangement that "points to" a circumvention is to be assumed. According to recital (21), "plausible information" is objective information that "allows the company to conclude" that there is a "reasonable likelihood" that the information is true. According to the Commission, this may be the case if the company concerned has received a complaint or is in possession of information about likely or actual harmful activities at the level of an indirect business partner, e.g. due to "credible" reports from the media or NGOs or due to "recurring problems" at certain locations.

Further amendments proposed by the Commission mean that companies will generally

- when selecting a direct business partner, have to check on the basis of "available information" whether the indirect business partners (i.e. the business partners of business partners) can comply with the rules and principles laid down in the company's Code of Conduct[36],
- have to obtain contractual assurances from their direct business partners that they will ensure compliance with the company's Code of Conduct by contractually obliging their business partners to do the same (contractual cascading)[37], and
- not be allowed to obtain information from business partners with fewer than 500 employees that goes beyond the voluntary sustainability reporting standard for SMEs, so-called

[34] Art. 8 (2) (a) and (b) in conjunction with Art. 8 (1) of the existing Supply Chain Directive.
[35] Cf. Commission's proposed amended version of Art. 8 (2) (b) and the proposed new Art. 8 (2a) subpara. 1 Supply Chain Directive.
[36] Cf. Commission's proposed new Art. 8 (2a) subpara. 2 Supply Chain Directive.
[37] Cf. Commission's proposed new Art. 8 (2a) subpara. 3 Supply Chain Directive.

"voluntary SME standard" (VSME), unless such information is "necessary" for the mapping of their operations, because there are indications of likely adverse impacts or because the standards do not cover relevant impacts, and where such information cannot reasonably be obtained from other sources.[38]

3.4.2 How does the Commission justify the changes?

The Directive obliges companies to carry out risk-based human rights and environmental due diligence. To reduce the burden on companies that have to fulfil this obligation, the required due diligence measures should, "as a general rule", be limited to the company's own operations and those of its subsidiaries and direct business partners ("Level 1" / "Tier 1").

However, the Commission is of the opinion that companies must look beyond their direct business partners when examining their due diligence obligations and, under certain conditions, must also carry out an "in-depth" assessment of indirect business partners. Firstly, companies should be obliged to do so if they have plausible information that indicates adverse impacts at the level of an indirect business partner. Secondly, companies should also conduct in-depth assessments of adverse impacts that extend beyond their direct business partner whenever the structure of that relationship lacks economic rationale and suggests that it was chosen to remove an otherwise direct supplier with harmful activities from the company's purview. In all of these cases, companies are also obliged to conduct further "in-depth" assessments of the situation regarding indirect business partners. If the assessment confirms the likelihood or existence of the adverse impact, it is deemed to have been "identified".

Thirdly, according to the Commission, a company should ensure that its code of conduct – which is part of its due diligence and sets out expectations regarding the protection of human rights, including employment rights, and the environment in its business activities – is followed throughout the chain of activities (contractual cascading).

The introduction of the above-mentioned additional requirements for the assessment of indirect business partners would, in the Commission's view, also maintain consistency with the Corporate Sustainability Reporting Directive, which does not limit reporting on adverse impacts to direct business partners. In addition, according to the Commission, the amendments bring the Directive more into line with the German Supply Chain Due Diligence Act (LkSG)[39] , which also focuses on direct suppliers whilst also providing for additional due diligence obligations for the rest of the supply chain if information is available.

To provide more targeted relief for smaller companies, the Commission also wants to generally limit the "trickle-down" effect – i.e. whereby the obligations also in fact place a burden on smaller downstream companies in the activity chain. Thus, the amount of information that large companies can request from companies with fewer than 500 employees as part of the mapping of the value chain will be limited to the information specified in the VSME sustainability reporting standard.[40] By way of exception, however, large companies should be allowed to obtain information that goes beyond the SME standards from companies with fewer than 500 employees if the large companies need this

[38] Cf. Commission's proposed new Art. 8 (5) Supply Chain Directive.
[39] See for example Art. 9 and Art. 6 (4) in conjunction with Art. 2 (5)-(8) LkSG.
[40] See new sub-clause 29ca of the Accounting Directive 2013/34/EU proposed by the Commission.

information to determine the adverse impacts of their business activities, e.g. because there are indications of probable adverse impacts or because the standards do not cover a relevant impact. However, the prerequisite for this is that they "cannot reasonably" obtain such additional information "by other means".

3.4.3 Assessment of the change

It is questionable whether the proposed changes will actually ease the burden on companies. Although the assessment obligations are primarily focussed on direct business partners, this only affects the obligation to do an "in-depth *assessment*" of business partners at the second stage of the risk analysis. The first stage of the process – albeit less burdensome for companies – in which companies must first *identify* general areas where adverse impacts are most likely to occur and to be most severe, including in the area of their business partners' operations, remains unchanged – both with regard to direct and indirect business partners. Thus, companies still have to keep an eye on indirect business partners during the identification stage.

However, there will also be several exceptions to the now limited obligation, during the second stage, to carry out an in-depth *assessment* only of "direct" business partners. Firstly, if companies have "plausible information" that "suggests" adverse impacts at the level of an indirect business partner's operations, they must also carry out an "in-depth assessment" of the situation with that indirect business partner. Secondly, they must – rightly – always carry out such an assessment if the indirect relationship was established artificially in order to circumvent a direct business relationship and the associated due diligence obligations. The German Supply Chain Due Diligence Act also provides similar protection against circumvention in risk analyses.[41] Thirdly, irrespective of the existence of plausible information, companies must generally check on the basis of all available information whether their indirect business partners can comply with the rules and principles laid down in the company's code of conduct and must contractually oblige their direct business partners to obtain contractual assurances from their own business partners in order to ensure that their indirect business partners also comply with the code of conduct.

The Commission's intention to limit the investigation and assessment obligations of companies to their direct business partners is to be welcomed, as it is often de facto impossible for companies to scrutinise their entire and often long and non-transparent chain of operations. Presumably, therefore, even without the inclusion of an explicit focus on direct business partners, companies will essentially only have implemented or only be able to implement the existing Supply Chain Directive in terms of due diligence obligations in relation to direct business partners. That is also why the German Supply Chain Due Diligence Act, with which the Directive is now to be aligned, rightly focuses on the company's own area of business and its "direct suppliers".

To fulfil the objectives of the Directive, it seems reasonable on the one hand to ensure by way of legal provisions that companies are not allowed to ignore (obvious) adverse impacts deeper in their supply chains. This also means that the task of identifying adverse impacts deeper in the supply chain must now increasingly be undertaken by human rights and environmental organisations and other non-governmental organisations.[42] However, it seems problematic, firstly, that the Commission uses numerous terms that are unclear or open to interpretation in its newly formulated reverse exceptions,

[41] Section 5 (1) sentence 2 of the German Supply Chain Due Diligence Act(LkSG).
[42] Cf. also Lupin, M. (2025), EU Omnibus Unveiled: key implications for CSDDD, CSRD & EU Taxonomy, Presentation slide 4.

which include a partial reintroduction of obligations to carry out an in-depth assessment of indirect business partners. Despite clarifications in the recitals, it is unclear when information is "plausible", when it "suggests" an adverse impact and/or when it can be assumed that such information "allows the company to conclude" that there is a "reasonable likelihood" that the information is true. The Commission's proposal therefore raises similar questions of interpretation on this point as the German Supply Chain Due Diligence Act, which requires "substantiated knowledge" of indications that a violation of a human rights or environmental obligation by indirect suppliers is possible.[43] The Commission's amendment proposal also remains vague as to when media and NGO reports are "credible" and when information is considered to be "available".

Leaving all these legal terms open to interpretation not only risks causing legal uncertainty for companies but also legal fragmentation as a result of differing implementation in the Member States. The question of the respective burden of proof also appears to have been left largely open. So far, the aim has only been to regulate when an adverse impact is deemed to have been "identified"; however, it remains unclear whether, in the event of legal action, the company must prove that information was not plausible. Since NGOs, for example, will often provide certain information, there is a risk in view of the lack of clarity that companies will over-fulfil their obligations for fear of liability and, in case of doubt, will also assess their indirect business partners. This means that the attempt to relieve the burden on companies, by limiting the due diligence obligation to direct business partners, in fact has a lesser impact. In addition, there is also a risk of divergent implementation in the Member States where interpretations differ.

Furthermore, obliging companies to comply with human rights and environmental standards throughout the entire supply chain by means of a cascade of contractual obligations, or ensuring compliance with codes of conduct by their business partners that cannot actually be complied with lower down or at the end of the supply chain, seems problematic and exposes companies to a disproportionate liability risk. Thus, in the event of breaches of duty by "indirect suppliers", the German Supply Chain Due Diligence Act requires "appropriate engagement" and/or "appropriate preventive measures".[44]

Taking these considerations into account, the proportionality of the Commission's proposals to (re-)include indirect business partners in the due diligence obligations should be reviewed as part of the ongoing legislative process.

Although focussing due diligence obligations on direct business partners is appropriate, the amendments create legal uncertainty rather than legal certainty. So far, there does not appear to be any significant relief for companies. Also, for the reasons stated, the amendments would not in fact lead to a reduction in the level of protection.

Restricting requests for information from companies with fewer than 500 employees to the information specified in the standards for voluntary sustainability reporting by companies, which are yet to be defined by the Commission, may reduce the bureaucratic burden for such companies if, as direct business partners, they only have to provide limited information. However, the actual extent of

---

[43] Section 9 of the German Supply Chain Act (LkSG). Likewise Lippert, A./Schröder, C./Schweidtmann, C. (2025), Brüsseler Kurskorrektur: EU-Kommission plant mit dem „Omnibus“ reduzierte Nachhaltigkeitspflichten für Unternehmen – Teil II: CSDDD und CBAM.

[44] Section 6 (4) and Section 9 (3) German Supply Chain Due Diligence Act(LkSG).

the burden reduction is still unclear as the Commission has yet to define the standards for voluntary sustainability reporting by companies. For companies that are obliged to fulfil due diligence obligations under the Directive, on the other hand, this change will increase the burden. Firstly, they need to find out how many employees their business partners have in order to decide which catalogue of questions to use. Secondly, due to the changes, they have to familiarise themselves with the VSME standard for sustainability reporting in order to find out what data they are allowed to request from companies with fewer than 500 employees. Thirdly, they may need to carry out a case-by-case assessment if this data is not sufficient to identify potential or actual risks. It also remains unclear when companies may exceptionally request additional information from companies with fewer than 500 employees. For example, what "indications" of likely adverse impacts are required, and when can companies claim that they cannot "reasonably" obtain the necessary information by other means?

All in all, the foregoing observations show that the changes to the requests for information may reduce bureaucracy for some companies but create additional bureaucratic burdens and legal uncertainties for others. Thus, bureaucracy is being redistributed from companies with fewer than 500 employees to companies falling within the scope of the Directive.

3.4.4 Changes in the wording

Article 8 is amended as follows:

Identifying and assessing actual and potential adverse impacts

(1) Member States shall ensure that companies take appropriate measures to identify and assess actual and potential adverse impacts arising from their own operations or those of their subsidiaries and, where related to their chains of activities, those of their business partners, in accordance with this Article.

(2) As part of the obligation set out in paragraph 1, taking into account relevant risk factors, companies shall take appropriate measures to:

a) map their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners, in order to identify general areas where adverse impacts are most likely to occur and to be most severe;

b) based on the results of the mapping as referred to in point (a), carry out an in-depth assessment of their own operations, those of their subsidiaries and, where related to their chains of activities, those of their direct business partners, in the areas where adverse impacts were identified to be most likely to occur and most severe.

(2a) Where a company has plausible information that suggests that adverse impacts at the level of the operations of an indirect business partner have arisen or may arise, it shall carry out an in-depth assessment. The company shall always carry out such an assessment where the indirect, rather than direct, nature of the relationship with the business partner is the result of an artificial arrangement that does not reflect economic reality but points to a circumvention of paragraph 2, point (b). Where the assessment confirms the likelihood or existence of the adverse impact, it is deemed to have been identified.

The first subparagraph is without prejudice to the company considering available information about indirect business partners and whether those business partners can follow the rules and principles set out in the company's code of conduct when selecting a direct business partner.

Notwithstanding the first subparagraph, irrespective of whether plausible information is available about indirect business partners, a company shall seek contractual assurances from a direct business partner that that business partner will ensure compliance with the company's code of conduct by establishing corresponding contractual assurances from its business partners. Article 10(2), points (b) and (e) shall apply accordingly.

(3) Member States shall ensure that, for the purposes of identifying and assessing the adverse impacts referred to in paragraph 1 based on, where appropriate, quantitative and qualitative information, companies are entitled to make use of appropriate resources, including independent reports and information gathered through the notification mechanism and the complaints procedure provided for in Article 14.

(4) Where information necessary for the in-depth assessment provided for in paragraph 2, point (b), and in paragraph 2a can be obtained from different business partners~~at different levels of the chain of activities~~, the company shall prioritise requesting such information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur.

(5) Member States shall ensure that, for the mapping provided for in paragraph 2, point (a), companies do not seek to obtain information from direct business partners with fewer than 500 employees that exceeds the information specified in the standards for voluntary use referred to in Article 29a of Directive 2013/34/EU.
By way of derogation to the first sub-paragraph, where additional information is necessary for the mapping provided for in paragraph 2, point (a), in light of indications of likely adverse impacts or because the standards do not cover relevant impacts, and where such additional information cannot reasonably be obtained by other means, the company may seek such information from that business partner.

3.5 Cancellation of the obligation to terminate the business relationship as a last resort

3.5.1 What concrete changes will the Commission proposal make?

The existing Supply Chain Directive obliges companies to terminate problematic business relationships as a last resort.[45] The proposed amendments remove this obligation. In future, with regard to actions that companies must take as a "last resort", only two of the obligations already provided for in the existing Directive, firstly to refrain from entering into new business relationships with a problematic business partner or extending existing relationships and secondly to adopt and implement an enhanced prevention or corrective action plan, remain unchanged. The third measure that companies must take as a "last resort" will be limited to a (temporary) suspension of the business relationship as a means of applying pressure, i.e. to "use or increase its leverage".

Under the existing version of the Supply Chain Directive, a company could possibly be held liable if it continues to work with a business partner despite existing problems, even though it is reasonable to assume that the action plan that the company has developed and is implementing to eliminate or minimise the negative effects will be successful. The proposed amendments clarify that the mere fact that a company continues to work with a "problematic" business partner will not trigger liability on the part of the company as long as there is a reasonable expectation that the enhanced prevention action

[45] Art. 10 (6) (b), Art. 11 (7) (b) Supply Chain Directive.

plan will be successful.[46] This plan must be implemented by the company and should lead to the problematic behaviour being stopped. The obligation to implement a prevention action plan is included in the existing version of the Supply Chain Directive and is not affected by the amending Directive.

3.5.2 How does the Commission justify the change?

The amendments remove the obligation to terminate business relationships in the event of both potential and actual adverse impacts. According to the Commission, companies may find themselves in situations where their production is highly dependent on inputs from one or more specific suppliers. If the business operations of such a supplier are linked to severe adverse impacts, e.g. child labour or significant environmental harm, and the company has unsuccessfully exhausted all due diligence measures to remedy or mitigate these impacts, the company should be required to suspend the business relationship as a last resort while continuing to work with the supplier to find a solution. Where possible, it should use the increased leverage it has gained over the supplier due to the suspension as a means of exerting pressure.

3.5.3 Assessment of the change

It is unclear whether removing the obligation to terminate problematic business relationships will actually relieve dependent companies. In future, instead of terminating the business relationship, the most severe form of last resort will be suspension of the business relationship. At first glance, it would seem to relieve companies as they will be able to maintain problematic business relationships, that are nevertheless important to them, for longer. On the other hand, it could make it more difficult to enforce the Directive's objectives of reducing adverse impacts on human rights and the environment. Although, it is unclear whether replacing the obligation to terminate problematic business relationships with the obligation to suspend them will actually lead to any noticeable change because the Commission's proposed amendment – unlike the current text of the Directive – no longer refers to an obligation for "temporary" suspension but simply to an obligation for "suspension". The Directive does not provide for any time limit on the suspension so there is a risk that companies could be obliged to suspend business relationships on a long-term or even permanent basis – which would in fact come close to a termination of the business relationship. The meaning and duration of the term "suspension" should therefore be clarified as a matter of urgency in the course of the ongoing legislative procedure, also in order to avoid varying implementation in the Member States.

It is also questionable whether the Commission's proposed amendment restricts a company's room for manoeuvre with regard to suspending the business relationship in the event of *actual* adverse impacts. While the existing legal text, at least in the German version, seems to allow companies a certain degree of flexibility ("und setzt [den Plan] um, *etwa* indem die Geschäftsbeziehungen ... vorübergehend ausgesetzt werden" / "implement an ... action plan ... *including by* using or increasing the company's leverage through the temporary suspension of business relationships..."), the draft text of the amendment seems to leave no room for manoeuvre and thus make the suspension mandatory.

On the other hand, the clarification that a company does not assume any liability risk if it continues to work with a problematic business partner, as long as it there is reasonable expectation that the action

[46] Cf. the new Art. 10 (6) subparagraph 2 and Art. 10 (7) subparagraph 2 in the amended version of the Directive proposed by the Commission.

plan will be successful, could also lead to companies actually maintaining problematic business relationships for longer. Although, they would then have to be able to prove that there is a reasonable expectation that the action plan will be successful, which in turn means that companies are actually exposed to a liability risk.

However, new Art. 10 (6) of the Supply Chain Directive proposed by the Commission, which regulates the actions of "last resort" to be taken by companies, will not be covered by full harmonisation but is, in fact, the only paragraph of Article 10 to be excluded from it.[47] This means that the Directive will only prescribe minimum harmonisation in this respect, so Member States could provide for stricter rules on the actions of "last resort" - and thus probably also an obligation to terminate the business relationship.

3.5.4 Changes in the wording

Article 10(6) (applicable in case of potential adverse impacts) is amended as follows:

(6) As regards potential adverse impacts as referred to in paragraph 1 that could not be prevented or adequately mitigated by the measures set out in paragraphs 2, 4 and 5, the company shall, as a last resort~~:, be required to refrain from entering into new or extending existing relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen and shall, where the law governing their relations so entitles them, take the following actions, as a last resort:~~

a) ~~adopt and implement an enhanced prevention action plan for the specific adverse impact without undue delay, by using or increasing the company's leverage through the temporary suspension of business relationships with respect to the activities concerned, provided that there is a reasonable expectation that those efforts will succeed; the action plan shall include a specific and appropriate timeline for the adoption and implementation of all actions therein, during which the company may also seek alternative business partners,~~
refrain from entering into new, or extending existing, relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen,

b) ~~if there is no reasonable expectation that those efforts would succeed, or if the implementation of the enhanced prevention action plan has failed to prevent or mitigate the adverse impact, terminate the business relationship with respect to the activities concerned if the potential adverse impact is severe.~~
where the law governing its relation with the business partner concerned so entitles it, adopt and implement an enhanced prevention action plan for the specific adverse impact without undue delay, provided that there is a reasonable expectation that those efforts will succeed, and

c) use or increase its leverage through the temporary suspension of the business relationship with respect to the activities concerned.

As long as there is a reasonable expectation that the enhanced prevention action plan will succeed, the mere fact of continuing to engage with the business partner shall not trigger the company's liability.

Prior to ~~temporarily~~ suspending ~~or terminating~~ a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. Should that be the case, the company shall not be required to suspend ~~or to terminate~~ the business relationship~~,~~ and shall be in a position to report to the competent supervisory authority about the duly justified reasons for such decision.

[47] Cf. Commission's proposed amended version of Art 4 (1), Supply Chain Directive (see above Section 3.3).

Member States shall provide for an option to ~~temporarily~~ suspend ~~or terminate~~ the business relationship in contracts governed by their laws in accordance with the first subparagraph, except for contracts where the parties are obliged by law to enter into them.
Where the company decides to ~~temporarily~~ suspend ~~or to terminate~~ the business relationship, it shall take steps to prevent, mitigate or bring to an end the impacts of the suspension ~~or termination~~, shall provide reasonable notice to the business partner concerned and shall keep that decision under review.
Where the company decides not to ~~temporarily~~ suspend ~~or terminate~~ the business relationship pursuant to this Article, it shall monitor the potential adverse impact and periodically assess its decision and whether further appropriate measures are available.

Article 11(7) (applicable in case of actual adverse effects) is amended as follows:

(7) As regards potential adverse impacts as referred to in paragraph 1 that could not be prevented or adequately mitigated by the measures set out in paragraphs 3, 5 and 6, the company shall, as a last resort~~, be required to refrain from entering into new or extending existing relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen and shall, where the law governing their relations so entitles them, take the following actions, as a last resort~~:

a) ~~adopt and implement an enhanced corrective action plan for the specific adverse impact without undue delay, by using or increasing the company's leverage through the temporary suspension of business relationships with respect to the activities concerned, provided that there is a reasonable expectation that those efforts will succeed; the action plan shall include a specific and appropriate timeline for the adoption and implementation of all actions therein, during which the company may also seek alternative business partners;~~

   refrain from entering into new, or extending existing, relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen,

b) ~~if there is no reasonable expectation that those efforts would succeed, or if the implementation of the enhanced prevention action plan has failed to prevent or mitigate the adverse impact, terminate the business relationship with respect to the activities concerned if the potential adverse impact is severe.~~
   where the law governing its relation with the business partner concerned so entitles it, adopt and implement an enhanced prevention action plan for the specific adverse impact without undue delay, provided that there is a reasonable expectation that those efforts will succeed, and

c) use or increase its leverage through the temporary suspension of the business relationship with respect to the activities concerned.

As long as there is a reasonable expectation that the enhanced prevention action plan will succeed, the mere fact of continuing to engage with the business partner shall not trigger the company's liability.

Prior to ~~temporarily~~ suspending ~~or terminating~~ a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. Should that be the case, the company shall not be required to suspend ~~or to terminate~~ the business relationship, and shall be in a position to report to the competent supervisory authority about the duly justified reasons for such decision.
Member States shall provide for an option to ~~temporarily~~ suspend ~~or terminate~~ the business relationship in contracts governed by their laws in accordance with the first subparagraph, except for contracts where the parties are obliged by law to enter into them.

Where the company decides to ~~temporarily~~ suspend ~~or to terminate~~ the business relationship, it shall take steps to prevent, mitigate or bring to an end the impacts of the suspension ~~or termination~~, shall provide reasonable notice to the business partner concerned and shall keep that decision under review. Where the company decides not to ~~temporarily~~ suspend ~~or terminate~~ the business relationship pursuant to this Article, it shall monitor the potential adverse impacts and periodically assess its decision and whether further appropriate measures are available.

3.6 Limitation of the stages in which stakeholders will be involved

3.6.1 What concrete changes will the Commission proposal make?

There will be three changes with regard to the involvement of stakeholders:

Firstly, under the existing version of the Supply Chain Directive, companies must engage with stakeholders when fulfilling their due diligence obligations.[48] Under the amended Directive, companies will in future only be obliged to consult "relevant" stakeholders in the fulfilment of due diligence obligations.[49]

Secondly, under the existing version of the Supply Chain Directive, companies must also consult stakeholders before suspending a business relationship.[50] This obligation will no longer apply under the amended Directive.[51]

The existing version of the Supply Chain Directive also requires companies to involve stakeholders in the development of monitoring indicators.[52] This obligation will no longer apply under the amended Directive.[53]

3.6.2 How does the Commission justify the changes?

With the first amendment, the Commission wants to clarify that companies do not have to consult all possible stakeholders but can limit themselves to the "relevant" stakeholders who have a link to the specific stage of the due diligence process being carried out (e.g. individuals affected by the planning of remediation measures). To reduce the burden on companies, the Commission wants to further limit the number of stages of the due diligence process at which companies must consult stakeholders. The involvement of stakeholders will only be required for certain parts of the due diligence process, namely in the identification stage (i.e. when the necessary information on adverse impacts is collected), in the development of (enhanced) action plans and when designing remediation measures.[54]

3.6.3 Assessment of the change

The amendment that companies only have to involve "relevant" stakeholders is primarily a clarification. It therefore has little practical impact on companies. Eliminating the obligation to consult

[48] Cf. Art. 13 existing Supply Chain Directive.
[49] Cf. new Art. 13 (3), sentence 2 of the Commission's proposed amendment to the Supply Chain Directive.
[50] Cf. Art. 13 (3)(c) of the existing version of the Supply Chain Directive.
[51] This results from the fact that the Commission wants to remove Art. 13 (3) (c) of the Supply Chain Directive.
[52] Cf. Art. 13 (3)(e) in conjunction with the existing version of the Supply Chain Directive.
[53] This results from the fact that the Commission wants to remove Art. 13 (3) (e) of the Supply Chain Directive.
[54] Cf. COM(2025) 81, Recital 24.

stakeholders when suspending a business relationship and when developing monitoring indicators relieves the burden on companies.

3.6.4 Changes in the wording

Article 13(3) is amended as follows:

(3) Consultation of relevant stakeholders shall take place at the following stages of the due diligence process:

(a) when gathering the necessary information on actual or potential adverse impacts, in order to identify, assess and prioritise adverse impacts pursuant to Articles 8 and 9;

(b) when developing prevention and corrective action plans pursuant to Article 10(2) and Article 11(3) and developing enhanced preventive and corrective action plans pursuant to Article 10(6) and Article 11(7);

~~(c) when deciding to terminate or suspend a business relationship pursuant to Article 10(6) and Article 11(7);~~

(d) when adopting appropriate measures to remediate adverse impacts pursuant to Article 12;~~.~~

~~(e) as appropriate, when developing qualitative and quantitative indicators for the monitoring required under Article 15.~~

3.7 Extension of the interval at which companies must regularly assess the adequacy and effectiveness of due diligence measures

3.7.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, companies must assess whether their due diligence measures are still effective and adequate at least every 12 months.[55] These assessments must be carried out sooner if a significant change occurs and whenever there are reasonable grounds to believe that new risks of the occurrence of adverse impacts may arise.[56]

Under the proposed amendment[57], companies will only have to carry out the mandatory assessment every five years. However, in future, a company will also have to carry out an earlier assessment whenever there are reasonable grounds to believe that the measures it has taken are no longer adequate or effective.

How does the Commission justify the change?

The Commission would like to extend the interval at which companies must regularly monitor the adequacy and effectiveness of due diligence measures from one year to five years. In its view, this will significantly reduce the burden not only for companies that fall within the scope of the Directive but also for their business partners, often SMEs. At the same time, the Commission recognises that business relationships and the risks and impacts arising from the activities covered by these business relationships may evolve over time, sometimes even within short periods of time. It also emphasises that measures taken to address potential or actual impacts might turn out to be inadequate or

[55] Cf. Art. 15 existing Supply Chain Directive.
[56] See Art. 15 Supply Chain Directive.
[57] Cf. Commission's proposed amended version of Art 15, second sentence, of the, Supply Chain Directive.

ineffective based on the experience gained during their implementation. The Commission would therefore like to ensure that in such situations companies do not wait until after the five-year interval has expired but instead carry out "ad hoc assessments".

3.7.2 Assessment of the change

Extending the assessment interval from one year to five years could, on the one hand, mean that companies cease to monitor the risks caused by their business activities in real time.[58] This means there will still be a risk that dynamic developments and new risks will not be recognised early enough. On the other hand, extending the regular interval may result in noticeable relief for companies. Not only will the amendment benefit companies that are directly affected but also their business partners because companies will have to provide their business partners with data for valuations less frequently.

However, the actual extent of the relief depends on how often companies have to carry out so-called ad hoc assessments, i.e. earlier assessments outside the regular intervals, which the Directive will also prescribe in future if there are "reasonable grounds to believe" that a company's measures are no longer adequate or effective. On the one hand, this depends heavily on the dynamics of their business processes and on external developments. Companies with stable business relationships will benefit more from the extension of the assessment interval than those with frequent changes in their supply chains. On the other hand, the actual extent of the relief also depends on how often, in practice, human rights and environmental organisations and other non-governmental organisations notify companies of grievances and at what point the law will presume the existence of "reasonable grounds to believe" that the measures taken by the company are no longer adequate or effective or that new risks of the occurrence of such adverse effects may arise. Overall, therefore, particularly those companies with frequent changes in their supply chains could be forced to carry out more frequent ad hoc assessments despite the extension of the inspection intervals.

3.7.3 Changes in the wording

Article 15 is amended as follows:

Monitoring
Member States shall ensure that companies carry out periodic assessments of their own operations and measures, those of their subsidiaries and, where related to the chain of activities of the company, those of their business partners, to assess the implementation and to monitor the adequacy and effectiveness of the identification, prevention, mitigation, bringing to an end and minimisation of the extent of adverse impacts. Such assessments shall be based, where appropriate, on qualitative and quantitative indicators and be carried out without undue delay after a significant change occurs, but at least every ~~12 months~~ five years and whenever there are reasonable grounds to believe that the measures are no longer adequate or effective or that new risks of the occurrence of those adverse impacts may arise. Where appropriate, the due diligence policy, the adverse impacts identified and the appropriate measures that derived shall be updated in accordance with the outcome of such assessments and with due consideration of relevant information from stakeholders.

[58] Lupin, M. (2025), EU Omnibus Unveiled : key implications for CSDDD, CSRD & EU Taxonomy, Presentation slide 4, for a contrasting view see Lippert, A./Schröder, C./Schweidtmann, C. (2025), Brüsseler Kurskorrektur: EU-Kommission plant mit dem „Omnibus“ reduzierte Nachhaltigkeitspflichten für Unternehmen – Teil II: CSDDD und CBAM

3.8 Earlier publication of the general implementing guidelines by the Commission

3.8.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, guidelines that include best practices regarding due diligence must be published by 26 January 2027 at the latest.[59] The proposed amendments stipulate that the Commission must issue the guidelines by 26 July 2026.[60] The publication dates for the remaining guidelines remain unchanged or have still not been scheduled.

3.8.2 How does the Commission justify the change?

To reduce the administrative burden for companies, the Commission's deadline for the adoption of general due diligence guidelines will be brought forward to 26 July 2026.

3.8.3 Assessment of the change

Earlier availability of the general guidelines increases legal certainty for companies and simplifies the implementation of due diligence obligations since companies can follow the guidelines when reorganising their processes.

3.8.4 Changes in the wording

Article 19(3) is amended as follows:

3. The guidelines referred to in paragraph 2, point (a) ~~, (d) and (e)~~shall be made available by 26 ~~January~~ July ~~2027~~2026, those referred to in points (d) and (e) by 26 January 2027, and those referred to ~~The guidelines~~ in paragraph 2, points (b), (f) and (g), ~~shall be made available~~ by 26 July 2027.

3.9 Clarification of the principles relating to pecuniary penalties and abolition of the "minimum cap" for pecuniary penalties

3.9.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, Member States can adopt maximum limits for pecuniary penalties. If they do so, this maximum limit may not be less than 5% of the net worldwide turnover of the company concerned. In addition, under the existing version of the Directive, pecuniary penalties must be based on the company's net worldwide turnover.

Firstly, the proposed amendments provide for removal of the requirement that a Member State's maximum limit for pecuniary penalties must not be less than 5% of net worldwide turnover, replacing it with a "soft" upper limit. Thus, under the proposed amendments, Member States are not allowed to set a maximum limit for pecuniary penalties which would prevent effective sanctions. Secondly, the express requirement that pecuniary penalties must be commensurate to the company's worldwide net turnover is to be removed. Instead, the Commission wants to draw up guidelines in cooperation with the Member States to help the national supervisory authorities determine the level of penalties.

[59] Art. 19 (3) in conjunction with Art. 19 (2) (a) of the existing Supply Chain Directive.
[60] Cf. Commission's proposed amended version of Art 19 (3), Supply Chain Directive.

3.9.2 How does the Commission justify the change?

According to the Commission, although the current wording of Article 27 does not require Member States to set a maximum amount for pecuniary penalties (i.e. a "cap" or "ceiling"), in the event that Member States decide to do so, the existing Supply Chain Directive provides that such a cap must be "not less than 5% of the net worldwide turnover of the company". This provision aims to ensure a level playing field in the Union by preventing Member States from setting a cap at a level (author's note: too low) that would undermine the effectiveness and dissuasiveness of the pecuniary penalties imposed. However, this provision has led to confusion. Such a cap does not indicate the penalties actually imposed in any specific case. Nevertheless, it has sometimes been misunderstood as a minimum fines amount.

The amendment aims to eliminate this misunderstanding and at the same time ensure a level playing field. The Commission now wants to prohibit Member States from setting a cap or maximum amount for penalties under their national law that would prevent supervisory authorities from imposing penalties in accordance with the factors set out in Article 27(2). Article 27(2) of the Supply Chain Directive requires Member States, when deciding on the imposition of penalties and, where appropriate, determining their nature and appropriate level, to take into account a number of factors relating to the gravity of the infringement and any mitigating or aggravating circumstances.

Article 27(4) of the existing Directive requires Member States to ensure that the penalties imposed are based on the company's net worldwide turnover. However, in the Commission's view, the fact that Member States already have to take into account the factors referred to in Article 27(2) means that the requirement to base pecuniary penalties on the company's net worldwide turnover is superfluous.

To harmonise enforcement practices across the Union, the Commission also intends to develop guidelines in cooperation with the Member States to assist supervisory authorities in determining the level of penalties.

3.9.3 Assessment of the change

The amendments avoid misinterpretations, particularly to the effect that a penalty payment of at least 5% of the company's net worldwide turnover must be imposed. In view of the fact that Member States are obliged under Article 27(1) and also under general EU law to impose effective, proportionate and dissuasive penalties and must take into account all the circumstances of the individual case, including the gravity of the offence, in accordance with Article 27(2), a mandatory focus on the company's net worldwide turnover does indeed appear legally superfluous. On the other hand, with this new practice, the Commission is deviating from sanctions rules used in other EU legislation, such as the General Data Protection Regulation, which are strongly based on the net worldwide turnover of the infringing company.[61] However, removing the harmonised minimum cap for pecuniary penalties may increase the Member States' scope for setting caps, which could result in varying implementation in the Member States. The extent to which the proposed changes will have an impact on the actual level of penalties in practice remains unclear. With respect to penalties, the Commission and the Member States should prevent legal fragmentation and thus the risk of a "race to the bottom" by establishing clear, harmonised and uniform guidelines.

[61] Cf. also Lupin, M. (2025), EU Omnibus Unveiled: key implications for CSDDD, CSRD & EU Taxonomy, Presentation slide 9.

3.9.4 Changes in the wording

Article 27(4) is amended as follows:

(4) ~~When pecuniary penalties are imposed, they shall be based on the company's net worldwide turnover. The maximum limit of pecuniary penalties shall be not less than 5 % of the net worldwide turnover of the company in the financial year preceding that of the decision to impose the fine. Member States shall ensure that, with regard to companies referred to in Article 2(1), point (b), and Article 2(2), point (b), pecuniary penalties are calculated taking into account the consolidated turnover reported by the ultimate parent company.~~
The Commission, in collaboration with Member States, shall issue guidance to assist supervisory authorities in determining the level of penalties in accordance with this Article. Member States shall not set a maximum limit of pecuniary penalties in their national law transposing this Directive that would prevent supervisory authorities from imposing penalties in accordance with the principles and factors set out in paragraphs 1 and 2.

3.10 Removal of the EU-wide civil liability clause and the obligation to allow representative actions

3.10.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, companies can be held civilly liable for damage under EU law if they have intentionally or negligently breached their due diligence obligations to prevent and remedy adverse impacts and this results in damage.[62] The Commission's proposed amendment provides for the deletion of this specific EU-wide liability regime, so that companies are only liable under national law, i.e. under each Member State's own civil liability rules, which are applicable under the rules of private international law. However, Member States must (continue to) ensure that individuals (now under national law) are entitled to full compensation if a company breaches the due diligence obligations of the Directive.[63]

The existing version of the Supply Chain Directive limits EU-wide liability for companies in several respects. Firstly, the duty of care that is breached must aim to protect the individual person.[64] Secondly, damage must have been caused to the person's legal interests that are protected under national law.[65] Thirdly, the Directive expressly states that a company cannot be held liable if the damage was caused only by its business partners.[66] With the deletion of the harmonised EU-wide liability regime, the latter harmonised limitation of liability will also be deleted. The extent to which companies are held liable for damage caused exclusively by their business partners, which protected interests must be violated for liability to exist and whether liability could only be justified by the violation of a duty to protect an individual, would then have to be assessed in accordance with the applicable law of the Member States.

Under the existing version of the Directive, Member States must also ensure that trade unions, human rights and environmental organisations or other non-governmental organisations (NGOs) may represent any alleged injured parties in legal actions or bring actions on their behalf to enforce their

62 Art. 29 (1) in conjunction with Art. 10 and 11 of the existing Supply Chain Directive.
63 Cf. Commission's proposed amended version of Art 29 (2), Supply Chain Directive.
64 Art. 29 (1)(a) of the existing version of the Supply Chain Directive.
65 Art. 29 (1)(b) of the existing version of the Supply Chain Directive.
66 Art. 29 (1) sentence 2 of the existing version of the Supply Chain Directive.

rights.[67] This requirement to allow representative actions is also to be deleted, thereby eventually restricting the possibility for those affected to authorise their trade union or one of the aforementioned non-governmental organisations to bring an action instead of having to bring an action themselves in their own name.

Under the existing version of the Supply Chain Directive, the national liability rules must apply even if the law of a third country would normally be applicable under the general rules on the conflict of laws.[68] The proposed amendment provides for the deletion of this requirement.

3.10.2 How does the Commission justify the change?

The Commission wants to abolish the specific, Union-wide liability regime currently provided for in Article 29(1) in order to limit "potential litigation risks" linked to the harmonised civil liability regime of the Supply Chain Directive.

At the same time, the Commission considers that Member States should be obliged under both international and Union law to ensure that victims of adverse impacts have effective access to justice and a right to an effective remedy, as provided for in Article 2(3) of the International Covenant on Civil and Political Rights, Article 8 of the Universal Declaration of Human Rights, Article 9(3) of the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention) and Article 47 of the EU Charter of Fundamental Rights. Member States should therefore ensure that, where a company is held liable for failing to comply with the due diligence obligations laid down in the Directive and where such failure has caused damage, victims can obtain full compensation, which should be granted in accordance with the principles of effectiveness and equivalence. At the same time, the Member States should take safeguarding measures to prevent overcompensation.

Due to the "different rules and traditions" that exist at Member State level when it comes to authorising representative actions, the Commission would like to delete the obligation of Member States in this respect in the Directive; however, it clarifies that Member States *may* continue to provide for the possibility of representative actions. For the same reason, the Commission wants to delete the obligation for Member States to ensure that the liability rules are mandatory in cases where the law applicable to such claims is not the national law of the Member State.

3.10.3 Assessment of the change

Deleting the harmonising Union-wide liability rule does not mean that the civil liability of companies that violate their due diligence obligations under the Supply Chain Directive is generally excluded. Despite the deletion of the independent EU liability regime, companies in all Member States remain liable under national law if they violate the due diligence obligations of the Directive and thereby cause damage. However, the Supply Chain Directive as proposed by the Commission does not (any longer) require Member States to provide for *specific* liability provisions for breaches of due diligence obligations to prevent and remedy adverse impacts within the meaning of the Directive. Member States would thus have more freedom and could decide for themselves whether they want to fulfil their obligations under international and EU law to grant data subjects effective legal remedies and

[67] Art. 29 (3)(d) of the existing version of the Supply Chain Directive.
[68] Art. 29 (7) of the existing version of the Supply Chain Directive.

access to justice by way of *specific* liability provisions for due diligence obligations or within the framework of their *general* liability provisions. In this respect, depending on the scope of the relevant national law, the changes could reduce the liability risk for companies. In the absence of a harmonized legal basis for liability claims under the Supply Chain Directive, affected parties will have to look for a legal basis under the relevant national civil law to claim damages. However, unlike the existing version of the Supply Chain Directive, the German Supply Chain Due Diligence Act, for example, does not provide for liability regulations in the event of a breach of due diligence obligations.[69] Although, liability is possible, for example, under Section 823 (2) German Civil Code (BGB) in conjunction with the provisions of the Supply Chain Directive, as a protective law[70], or in case of a proven infringement of a legal right within the meaning of Section 823 (1), in conjunction where appropriate with Section 831 German Civil Code (BGB), and also under the aspect of plant liability pursuant to Section 6 of the German Environmental Liability Act (Umwelthaftungsgesetz). However, the legal uncertainty about the extent to which, from the perspective of courts in the Member States, the existing national liability standards apply to a breach of obligations under the Supply Chain Directive, is likely to increase – both for claimants and for defendant companies – under the amended version of the Directive, at least initially.

The obligation for the Member States to ensure the right to full compensation is to be retained if and insofar as they hold companies liable for non-compliance with the obligations of the Directive. Furthermore, full compensation must not lead to overcompensation, as would be the case with punitive damages or multiple damages. Both points are a given under German law on liability for damages [71] so these rules are in any case already enshrined in German law.

The consequences of removing the limitation of liability depend on the national implementing laws. Some Member States could limit the content of liability – as in the existing Supply Chain Directive – to certain obligations protecting individuals or certain interests protected under national law, or limit liability for damage caused by business partners or groups of companies[72]. Other Member States could interpret their obligation to regulate liability broadly. In this case, companies could be held liable in more cases for violations in their deeper supply chain. While, according to the above, Member States must in principle provide for victims of adverse impacts to be able to assert claims, they could also impose different requirements, when regulating a claim for damages, for example with regard to the causal link or the presentation of evidence. All of this could, in practice, lead to variations in the scope of liability. Such fragmentation of liability regimes in the Member States may in turn lead to distortions of competition and "forum shopping" – i.e. the assertion of claims in Member States with "favourable" liability regimes. It could also increase legal uncertainty with regard to liability. However, it must be taken into account that various questions of liability law, such as causality and the existence of damage, are not regulated under the existing version of the Directive but are left to national law.[73]

Since, as a result of the deletion, the Supply Chain Directive no longer obliges Member States to grant locus standi (representative action) to trade unions and non-governmental organisations, this means that the possibility of representative actions will also depend on the applicable national law in future. The provision on representative action was only added to the Supply Chain Directive in the trilogue

69 Section 3 (3) German Supply Chain Due Diligence Act.
70 See also Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 30 ff.
71 Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 32.
72 Lupin, M. (2025), EU Omnibus Unveiled: key implications for CSDDD, CSRD & EU Taxonomy, Presentation slide 8.
73 Cf. Recital 79 Supply Chain Directive.

procedure; although modelled on the representative action provision contained in Section 11 of the German Supply Chain Due Diligence Act, it went further.[74] The German provision, for example, is narrower, firstly because only domestic trade unions and NGOs can be authorised. Secondly, the special representative action is only possible for claims in which it is asserted that the affected person's legal position has been violated in terms of "human rights" (i.e. not simply in terms of the environment)[75] and is also "of overriding importance"[76] – what this means was and remains unclear. By contrast, under the current harmonised regime in the Supply Chain Directive, any legal position arising from the Directive – including the violation of environmental obligations – can also be asserted by trade unions and organisations that do not act commercially and meet certain requirements regarding their permanence.[77] If this harmonised provision on representative action is deleted again, the possibility for affected parties to authorise trade unions and NGOs to bring proceedings under Section 11 LkSG will once again depend largely on the interpretation of the unclear German concept of the violation of a protected legal position of "overriding importance", contained in Section 11 LKSG.[78]

In Member States where there is a specific locus standi or a general one that can be applied to the enforcement of damages claims under the Directive (e.g. for consumer or environmental claims), there will be less of a change than in Member States where there is no such rule. In Member States without corresponding provisions on locus standi, the deletion will make it much more difficult for injured parties to enforce their rights, particularly in civil proceedings, both in the case of individual actions and possible class actions by those affected, who often have only limited means of enforcing their rights. In Member States that provide for a representative action, it will depend on the differences compared to the current harmonised regime. The argument in favour of deleting the provisions is that they interfere significantly with national laws on damages and procedure. On the other hand, deleting the harmonised rules on locus standi also risks legal fragmentation and distortions of competition because it may make it easier to bring actions for damages in some Member States than in others. This may result in companies in different countries being subject to different legal risks. However, recognised environmental organisations may have the right to bring proceedings to enforce environmental due diligence obligations in administrative proceedings, based on the case law of the European Court of Justice relating to Art. 47 of the EU Charter of Fundamental Rights in conjunction with Art. 9 (3) of the Aarhus Convention.[79]

Deleting the requirement that the national liability rules must be mandatory even if the law of a third country would actually apply under private international law, could result in the law of a third country being applied rather than the law of a Member State. Under the basic conflict of laws rule in Art. 4 (1) of the Rome II Regulation 864/2007[80]), it is the law of the country in which the damage occurred that is applicable. However, this so-called place of (occurrence of the) damage will regularly not be in the EU but in a third country. In this case, even if the law on damages in a Member State is favourable to them, injured parties will not be able to obtain compensation under the law of that Member State

[74] Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 38.
[75] Art. 2 (1) LkSG.
[76] Art. 11 (1) LkSG.
[77] Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 39.
[78] Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 38 f.
[79] For more detail see Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 39 with further references.
[80] Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations ("Rome II").

because, since the law of the third country applies, the liability law of the Member State becomes irrelevant – except in the case of environmental damage[81].[82] Nevertheless, Member States can – and may – continue voluntarily to provide for a conflict-of-law rule stipulating that their national rules on civil liability are mandatory and therefore also have overriding application in cases where the law of a third country would otherwise apply; but they will no longer be obliged to do so. However, in order for the court in the Member State that is dealing with the case to apply such national conflict-of-law rules in the first place, its jurisdiction over the relevant civil actions must also be established in that Member State. While EU companies must in principle be sued in the Member State in which they have their registered office, central administration or principal place of business[83], a national court often lacks jurisdiction over actions against third-country companies.[84] This is because the Directive itself, in spite of criticism in this regard, does not provide for a harmonised jurisdiction regime for courts in the Member States, which could then have applied the existing harmonised conflict-of-law rules[85]. Consequently, actions against third-country companies to determine which conflict-of-law rule and which substantive law on liability for damages applies, can only be brought before courts in the Member States if the national law applicable to the court seised of the case (lex fori) provides for corresponding international jurisdiction. Only then would a voluntary conflict-of-law rule in this Member State have the effect described above.

3.10.4 Changes in the wording

Article 29 is amended as follows:

Civil liability of companies and the right to full compensation

~~(1) Member States shall ensure that a company can be held liable for damage caused to a natural or legal person, provided that:~~

~~a) the company intentionally or negligently failed to comply with the obligations laid down in Articles 10 and 11, when the right, prohibition or obligation listed in the Annex to this Directive is aimed at protecting the natural or legal person; and~~

~~b) as a result of the failure referred to in point (a), damage to the natural or legal person's legal interests that are protected under national law was caused.~~

~~A company cannot be held liable if the damage was caused only by its business partners in its chain of activities.~~

(2) Where a company ~~is held liable in accordance with paragraph 1, a natural or legal person shall have the right to full compensation for the damage, in accordance with national law~~ is held liable pursuant to national law for damage caused to a natural or legal person by a failure to comply with the due diligence requirements under this Directive, Member States shall ensure that those persons have a right to full compensation. Full compensation ~~under this Directive~~ shall not lead to overcompensation, whether by means of punitive, multiple or other types of damages.

---

81 There is a special conflict rule for these in Art. 7 of the Rome II Regulation.
82 Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 34.
83 Art. 4 (1) in conjunction with Art. 63 (1) of Regulation(EU) No. 2015/2012("Brussels I Regulation")
84 Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 37.
85 Krebs, D./Welker, K. (2024), Deliktische Haftung nach der EU-Lieferkettenrichtlinie (CSDDD), p. 34 f.

(3) Member States shall ensure that:

a) national rules on the beginning, duration, suspension or interruption of limitation periods do not unduly hamper the bringing of actions for damages and, in any case, are not more restrictive than the rules on national general civil liability regimes;

the limitation period for bringing actions for damages under this Directive shall be at least five years and, in any case, not shorter than the limitation period laid down under national general civil liability regimes;

limitation periods shall not begin to run before the infringement has ceased and the claimant knows, or can reasonably be expected to know:

i) of the behaviour and the fact that it constitutes an infringement;

ii) of the fact that the infringement caused harm to them; and

iii) the identity of the infringer;

b) the cost of proceedings is not prohibitively expensive for claimants to seek justice;

c) claimants are able to seek injunctive measures, including through summary proceedings; such injunctive measures shall be in the form of a definitive or provisional measure to cease infringements of the provisions of national law adopted pursuant to this Directive by performing an action or ceasing conduct;

~~d) reasonable conditions are provided for under which any alleged injured party may authorise a trade union, non-governmental human rights or environmental organisation or other non-governmental organisation, and, in accordance with national law, national human rights' institutions, based in a Member State to bring actions to enforce the rights of the alleged injured party, without prejudice to national rules of civil procedure;~~

~~a trade union or non-governmental organisation may be authorised under the first subparagraph of this point if it complies with the requirements laid down in national law; those requirements may include maintaining a permanent presence of its own and, in accordance with its statutes, not engaging commercially and not only temporarily in the realisation of rights protected under this Directive or the corresponding rights in national law;~~

e) when a claim is brought, and a claimant presents a reasoned justification containing reasonably available facts and evidence sufficient to support the plausibility of their claim for damages and has indicated that additional evidence lies in the control of the company, courts are able to order that such evidence be disclosed by the company in accordance with national procedural law;

national courts shall limit the disclosure of the evidence sought to that which is necessary and proportionate to support a potential claim or a claim for damages and the preservation of evidence to that which is necessary and proportionate to support such a claim for damages; in determining whether an order for the disclosure or preservation of evidence is proportionate, national courts shall consider the extent to which the claim or defence is supported by available facts and evidence justifying the request to disclose evidence; the scope and cost of disclosure as well as the legitimate interests of all parties, including any third parties concerned, including preventing non-specific searches for information which is

unlikely to be of relevance for the parties in the procedure; whether the evidence the disclosure of which is sought contains confidential information, especially concerning any third parties, and what arrangements are in place for protecting such confidential information;

Member States shall ensure that national courts have the power to order the disclosure of evidence containing confidential information where they consider it relevant to the action for damages; Member States shall ensure that, when ordering the disclosure of such information, national courts have at their disposal effective measures to protect such information.

(4) Companies that have participated in industry or multi-stakeholder initiatives, or used independent third-party verification or contractual clauses to support the implementation of due diligence obligations may nevertheless be held liable in accordance with ~~this Article~~national law.

(5) The civil liability of a company for damages ~~arising under this provision~~as referred to in this Article shall be without prejudice to the civil liability of its subsidiaries or of any direct and indirect business partners in the chain of activities of the company.

When the damage was caused jointly by the company and its subsidiary, direct or indirect business partner, they shall be liable jointly and severally, without prejudice to the provisions of national law concerning the conditions of joint and several liability and the rights of recourse.

(6) The civil liability rules under this Directive shall not limit companies' liability under Union or national legal systems and shall be without prejudice to Union or national rules on civil liability related to adverse human rights impacts or to adverse environmental impacts that provide for liability in situations not covered by or providing for stricter liability than this Directive.

~~(7) Member States shall ensure that the provisions of national law transposing this Article are of overriding mandatory application in cases where the law applicable to claims to that effect is not the national law of a Member State.~~

3.11 Removal of the review clause in relation to financial services

3.11.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, the EU Commission must submit a report to the European Parliament and the Council by 26 July 2026 at the latest, in which it examines whether special due diligence obligations are necessary for financial companies in the area of sustainability and what impact such regulations would have.[86] This provision will be deleted.

3.11.2 How does the Commission justify the change?

The Commission justifies deleting the review clause by stating that it does not leave any time to take account of the experience with the newly established general due diligence framework.

[86] Art. 36 (1) of the existing version of the Supply Chain Directive.

3.11.3 Assessment of the change

It is unclear whether the Commission intends to present the report at a later date but its reasoning does at least suggest this.

3.11.4 Changes in the wording

Article 36(1) is amended as follows:

~~The Commission shall submit a report to the European Parliament and to the Council on the necessity of laying down additional sustainability due diligence requirements tailored to regulated financial undertakings with respect to the provision of financial services and investment activities, and the options for such due diligence requirements as well as their impacts, in line with the objectives of this Directive.~~

~~The report shall take into account other Union legislative acts that apply to regulated financial undertakings. It shall be published at the earliest possible opportunity after 25 July 2024, but no later than 26 July 2026. It shall be accompanied, if appropriate, by a legislative proposal.~~

3.12 Postponement of the Directive's transposition deadline and partial postponement of the Directive's application.

3.12.1 What concrete changes will result from the Commission proposal?

Under the existing version of the Supply Chain Directive, Member States must adopt and publish the necessary national implementing legislation by 26 July 2026.[87] Under the proposed amendments[88], this deadline will be extended by one year. The new deadline will be 26 July 2027.

Under the existing version of the Supply Chain Directive, the largest companies (more than 5,000 employees and €1.5 billion in worldwide net turnover) established under the legislation of a *Member State* must meet the requirements of the Directive from 26 July 2027 ("first wave").[89] Under the proposed amendments, this period is to be extended by one year. The new deadline for larger companies will be 26 July 2028. As regards the group of companies with more than 3,000 employees and a worldwide net turnover of € 900 million established in accordance with the legislation of a Member State, the deadline remains unchanged (also 26 July 2028, "second wave").[90] As regards all other companies with more than 1,000 employees and a worldwide net turnover of € 450 million, the deadline provided for in the existing version of the Supply Chain Directive will also remain in place; these companies must comply with the requirements of the Directive from 26 July 2029 ("third wave").[91]

Under the existing version of the Supply Chain Directive, the larger companies (more than € 1.5 billion in worldwide net turnover) established under the legislation of a *third country* must meet the requirements of the Directive from 26 July 2027.[92] This deadline will be extended by one year. The new deadline will be 26 July 2028. As regards the group of companies with a worldwide net turnover of

87 Art. 37 (1) of the existing version of the Supply Chain Directive.
88 The proposed amendments regarding the deadline postponements mentioned in this sub-section are contained in document COM(2025) 80.
89 Art. 37 (1)(a) of the existing version of the Supply Chain Directive.
90 Art. 37 (1) (b) of the existing Supply Chain Directive, Art. 37 (1) (a) of the proposed amendment.
91 Art. 37 (1) (e) of the existing Supply Chain Directive, Art. 37 (1) (c) of the proposed amendment.
92 Art. 37 (1) (c) of the existing Supply Chain Directive, Art. 37 (1) (b) of the proposed amendment.

more than € 900 million established in accordance with the legislation of a third country, the deadline remains unchanged (also 26 July 2028).[93]

3.12.2 How does the Commission justify the change?

The Commission would like to give the Member States more time to implement the Directive in order to take account of any delays caused by the current revision of the Directive.

The Commission also wants "first wave" companies to have more time to prepare for the requirements of the Directive and to have the opportunity to consider the guidance issued by the Commission on how they should fulfil their due diligence obligations in practice.

3.12.3 Assessment of the changes

By postponing the deadline, the largest companies have until 26 July 2028 and thus one extra year to meet the requirements of the Directive. On the one hand, this is appropriate as the Directive is currently being revised and its final version has not yet been finalised, which makes it difficult for companies and authorities to plan how they are going to implement the Directive's requirements. In addition, the implementation deadline for the Member States is not due to expire until 26 July 2027. Also, the guidelines, which are intended to support companies in fulfilling their due diligence obligations and authorities in issuing their assessments, are not required to be made available by the Commission until 26 January 2027 or even 26 July 2027. Although the Commission intends to bring forward the publication of the guidelines and best practices for due diligence to 26 July 2026,[94] postponing the Directive's date of application for companies in the "first wave" seems appropriate in view of the complexity of supply chains, the obligations to be fulfilled by companies and the transposition period for Member States, which does not end until 26 July 2027. The bureaucratic burden itself will not, however, change as a result of postponing the Directive's date of application. For all other companies that fall within the scope of the Directive, the deadlines provided for in the existing Directive will remain the same – these companies will not receive any additional deferral, but will have longer to comply.

3.12.4 Changes in the wording

In Article 37(1) of Directive (EU) 2024/1760, the first and second subparagraphs are amended as follows:

Member States shall adopt and publish, by 26 July ~~2026~~2027, the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate the text of those measures to the Commission.

They shall apply those measures:

a) ~~from 26 July 2027 as regards companies referred to in Article 2(1), points (a) and (b), which are formed in accordance with the legislation of the Member State and that had more than 5 000 employees on average and generated a net worldwide turnover of more than EUR 1 500 000 000 in the last financial year preceding 26 July 2027 for which annual financial statements have been or should have been adopted, with the exception of the measures necessary to comply~~

[93] Art. 37 (1) (d) of the existing Supply Chain Directive, Art. 37 (1) (b) of the proposed amendment.
[94] See above Section 3.8.

~~with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2028;~~

~~b)~~

from 26 July 2028 as regards companies referred to in Article 2(1), points (a) and (b), which are formed in accordance with the legislation of the Member State and that had more than 3 000 employees on average and generated a net worldwide turnover of more than EUR 900 000 000 in the last financial year preceding 26 July 2028 for which annual financial statements have been or should have been adopted, with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2029;

b)

~~c)~~

~~from 26 July 2027 as regards companies referred to in Article 2(2), points (a) and (b), which are formed in accordance with the legislation of a third country and that generated a net turnover of more than EUR 1 500 000 000 in the Union, in the financial year preceding the last financial year preceding 26 July 2027, with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2028;~~

~~d)~~

from 26 July 2028 as regards companies referred to in Article 2(2), points (a) and (b), which are formed in accordance with the legislation of a third country and that generated a net turnover of more than EUR 900 000 000 in the Union, in the financial year preceding the last financial year preceding 26 July 2028, with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January 2029;

c)

~~e)~~

from 26 July 2029 as regards all other companies referred to in Article 2(1), points (a) and (b), and Article 2(2), points (a) and (b), and companies referred to in Article 2(1), point (c), and Article 2(2), point (c), with the exception of the measures necessary to comply with Article 16, which Member States shall apply to those companies for financial years starting on or after 1 January ~~2029~~ 2030.

4 Conclusion

The key principles of the Supply Chain Directive remain intact despite the proposed amendments. Most notably, the obligation for companies to identify and prevent the negative impacts of their business activities on human rights and the environment remains unchanged. At the same time, this means that the Directive continues to represent a substantial bureaucratic burden, particularly for companies with many and/or frequently changing business partners, despite the amendments proposed by the Commission. This applies in particular in the case of first-time implementation of due diligence obligations.

The changes proposed by the Commission raise numerous questions, so that it is often unclear to what extent companies will actually be relieved by the proposed changes. The Commission justifies its changes by its desire to clarify things, but this in turn creates uncertainty. For example, the question arises as to how far the extension proposed by the Commission, that the transition plan for climate change mitigation should include implementing actions planned and taken, really is a mere

"clarification" – and not an additional obligation through the back door requiring companies to list the possible implementing actions in the plan itself. In addition, it is unclear whether and to what extent the deletion of the words "put into effect" in connection with the transition plan for climate change mitigation will or can result in a substantive change to the obligations of companies in the area of climate transition measures.

Probably the most significant relief is provided extending the regular assessment interval from one year to five years. Most notably, this is likely to benefit companies with stable business relationships as they will not have to evaluate their processes and business partners so frequently. This means, on the one hand, that there will still be a risk of dynamic developments and new risks not being recognised early enough. On the other hand, the actual extent of the relief depends on how often companies have to carry out so-called “ad hoc assessments” outside the regular intervals, which the Directive will also prescribe in future if there are "reasonable grounds to believe" that a company's measures are no longer adequate or effective. Overall, therefore, particularly those companies with frequent changes in their supply chains could be forced to carry out more frequent ad hoc assessments despite the extension of the inspection intervals.

Companies will also benefit from the fact that the Commission wants to reduce the number of officially recognised stakeholders which will reduce the burden on companies of having to involve stakeholders. Firstly, wherever the Directive requires them to consult stakeholders, they would no longer be obliged to contact human rights, environmental or civil society organisations. Secondly, they would only have to contact employees and their trade unions and employee representatives or individuals and communities whose rights and interests are or could be directly affected. Those who are only indirectly affected therefore no longer need to be involved. However, the amendments could make the work of human rights, environmental and civil society organisations more difficult because their exclusion from the definition of stakeholders means they would no longer have to be consulted as such.

Focussing assessment obligations on direct business partners only relieves companies to a limited extent. Although the assessment obligations are primarily focussed on direct business partners, this only affects the obligation to do an "in-depth *assessment*" of business partners at the second stage of the risk analysis. The first stage of the process – albeit less burdensome for companies – in which companies must first *identify* general areas in which adverse impacts are most likely or most serious, including in the area of their business partners' operations, remains unchanged – both with regard to direct and indirect business partners. Thus, companies still have to keep an eye on indirect business partners during the identification phase. The introduction of additional reverse exemptions, for example in the case of "plausible information" about problematic indirect business partners, creates new ambiguities and could lead to an increased burden. It also means that the task of identifying adverse impacts deeper in the supply chain must now increasingly be undertaken by human rights and environmental organisations and other non-governmental organisations. Instead of bureaucracy being reduced, it is being redistributed.

This also applies to changes regarding requests for information. Although the amendments would potentially reduce bureaucracy for companies with fewer than 500 employees, they would create additional bureaucracy and legal uncertainty for companies that fall within the scope of the Directive. So here, too, bureaucracy is being redistributed.

The clarification that a company does not assume any liability risk if it continues to work with a problematic business partner, as long as there is a reasonable expectation that the action plan will be successful, could lead to companies maintaining problematic business relationships for longer. Although, they would then have to be able to prove that it is reasonable to expect that their action plan will be successful, which in turn means that companies are actually exposed to a liability risk.

Overall, the proposed changes are a step towards easing the burden on companies. However, the changes will not be enough to provide companies with a level of relief that will significantly strengthen their competitiveness. The risk of competitive disadvantages for companies covered by the Directive therefore still exists. As a result, the actual relief depends heavily on the practical implementation and interpretation of terms that are vague. The extent to which the intended reduction in the bureaucratic burden will actually be achieved remains to be seen.

Centrum für Europäische Politik
FREIBURG | BERLIN

Authors:

Dr. Anja Hoffmann, LL.M. Eur.

Policy Analyst Internal Market and Competition | Digital Economy

hoffmann@cep.eu

Dr. Matthias Kullas

Head of Internal Market and Competition | Digital Economy | Economic & Fiscal Policy

kullas@cep.eu

Centrum für Europäische Politik FREIBURG | BERLIN
Kaiser-Joseph-Straße 266 | D-79098 Freiburg
Schiffbauerdamm 40 Raum 4205 | D-10117 Berlin
Tel. + 49 761 38693-0

The **Centrum für Europäische Politik** FREIBURG | BERLIN, the **Centre de Politique Européenne** PARIS and the **Centro Politiche Europee** ROMA form the **Centres for European Policy Network** FREIBURG | BERLIN | PARIS | ROMA.

The Centres for European Policy Network analyses and assesses the policy of the European Union independently of individual or political interests, in alignment with the policy of integration and according to the principles of a free, market-based system.