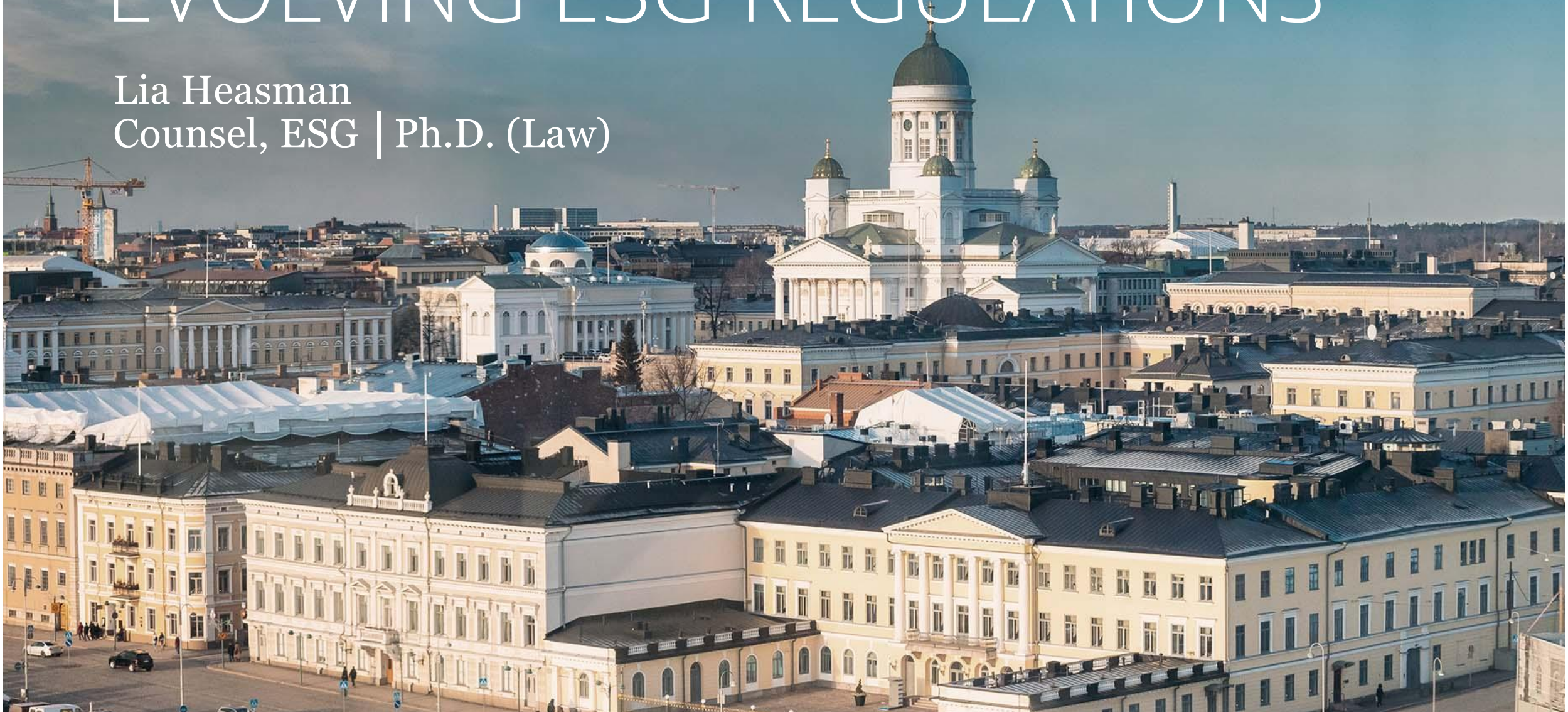


EVOLVING ESG REGULATIONS



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THE ESG REGULATORY TSUNAMI



European Green Deal

Corporate Sustainability Due Diligence Directive (CS3D)

Corporate Sustainability Reporting Directive (CSRD)

Taxonomy Regulation

Sustainable Finance Disclosure Regulation (SFDR)

European Green Bond Standard (EuGB)

Deforestation Regulation (EUDR)

Carbon Border Adjustment Mechanism (CBAM)

Regulation on Packaging and Packaging Waste

Empowering consumers for the green transition

Forced Labour Regulation

Green Claims Directive (proposal)

CS3D: DUE DILIGENCE



Due Diligence

A process by which a company identifies, prevents and mitigates actual and potential adverse impacts in its own operations, value chains and other business relationships.

Human rights
impacts

Environmental
impacts

Integrate due diligence and
formulate due diligence policy

Identification, description and
assessment of adverse impacts

Remedial measures, cooperation

Prevent, mitigate, bring to an end
adverse effects; provide a grievance
mechanism

Monitor and communicate

MODEL CONTRACTUAL CLAUSES



- The European Commission, in consultation with Member States and stakeholders, shall adopt guidance about voluntary model contractual clauses, by **26 January 2027**



CONTRACTUAL ASSURANCE FROM DIRECT BUSINESS PARTNERS



Article 10

Preventing potential adverse impacts

Companies shall be required to take the following appropriate measures, where relevant:

seek **contractual assurances from a direct business partner** that it will ensure **compliance** with the company's code of conduct and, as necessary, a **prevention action plan**, including by establishing corresponding contractual assurances from its partners, to the extent that their activities are part of the company's chain of activities;

Provide targeted and proportionate support to an SME which is a business partner of the company, where necessary in light of the resources, knowledge and constraints of the SME, including by providing or enabling access to capacity-building, training or upgrading management systems, and, where compliance with the code of conduct or the prevention action plan would jeopardise the viability of the SME, by providing targeted and proportionate financial support, such as direct financing, low-interest loans, guarantees of continued sourcing, or assistance in securing financing



CONTRACTUAL ASSURANCE FROM DIRECT BUSINESS PARTNERS



Article 11

Bringing actual adverse impacts to an end

Where the adverse impact cannot immediately be brought to an end, Member States **shall ensure that companies minimise the extent of that impact.**

Companies shall be required to take the following appropriate measures, where relevant:

seek contractual assurances from a direct business partner that it will ensure compliance with the company's code of conduct and, as necessary, a **corrective action plan**, including by establishing corresponding contractual assurances from its partners, to the extent that their activities are part of the company's chain of activities;

(...)

provide remediation



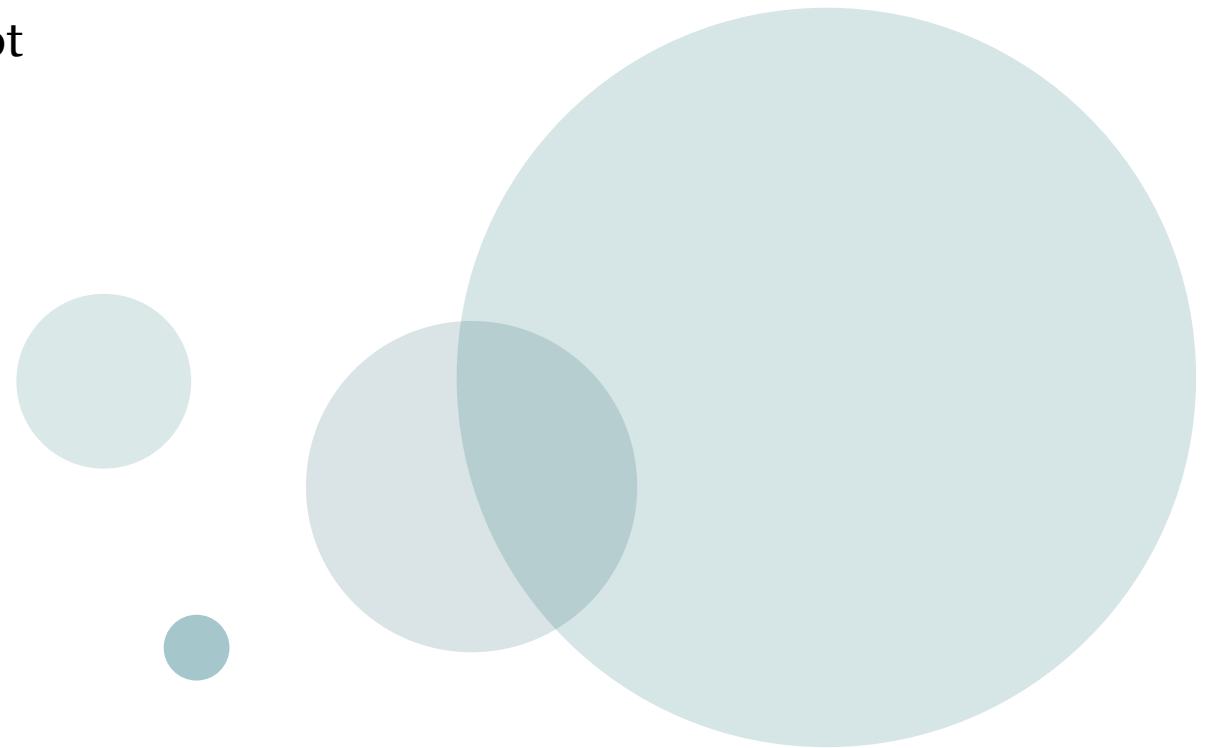
CONTRACTUAL ASSURANCE FROM INDIRECT BUSINESS PARTNERS



Article 10

Preventing potential adverse impacts

As regards potential adverse impacts that could not be prevented or adequately mitigated by the appropriate measures listed in paragraph 2, the company **may seek contractual assurances from an indirect business partner, with a view to achieving compliance with the company's code of conduct or a prevention action plan.**



CONTRACTUAL ASSURANCE FROM INDIRECT BUSINESS PARTNERS



Article 11

Bringing actual adverse impacts to an end

As regards actual adverse impacts that could not be brought to an end or the extent of which could not be adequately minimised by the appropriate, the company **may seek contractual assurances from an indirect business partner**, with a view to achieving compliance with the company's code of conduct or a corrective action plan.



ROLE OF SMES



Article 10 and Article 11

Preventing potential adverse impacts

When contractual assurances are obtained from, or a contract is entered into with, an SME, the terms used shall **be fair, reasonable and non-discriminatory**.

(...)

Where measures to **verify compliance are carried out in relation to SMEs, the company shall bear the cost of the independent third-party verification**. Where the SME requests to pay at least a part of the cost of the independent third-party verification, or in agreement with the company, that SME may share the results of such verification with other companies

PROPORTIONALITY OF SME REQUIREMENTS



Article 10 and 11

Provide targeted and proportionate support to an SME which is a business partner of the company, where necessary in light of the resources, knowledge and constraints of the SME, including by providing or enabling access to capacity-building, training or upgrading management systems, and, where compliance with the code of conduct or the **prevention or corrective action plan** would jeopardise the viability of the SME, by providing targeted and proportionate financial support, such as direct financing, low-interest loans, guarantees of continued sourcing, or assistance in securing financing



ANTICIPATED RISE OF ESG LITIGATION



The number of sustainability- and ESG-related disputes is **expected to increase**

- **Disputes between contracting parties**
 - Contractual disputes over non-compliance with climate change and sustainability obligations/commitments
 - Contractual disputes concerning the misrepresentation of ESG-related data
 - Contractual disputes arising from climate change related events such as extreme weather events
 - Contractual disputes concerning supply challenges related to customs seizures
 - Claims for damages between contracting parties
 - Issues relating to the reasonableness of contractual terms (in particular those imposed on the SME sector under the CS3D)
- **Non-contractual claims for damages**
 - **Class actions under the CS3D**
 - **Impact litigation, typical elsewhere in Europe**

FORCED LABOUR REGULATION



- Bans the use of forced labour in goods imported into the EU at all stages of the supply chain
- Applies to all companies, regardless of the number of employees and turnover (also to natural persons placing products on the market)
- Not based on due diligence: the prohibition is unequivocal and any breach of it may lead to the sanctions provided for in the Regulation
- In practice, however, due diligence is required in order to ensure that forced labour is not used in the production chain
- Sanction: If the supervisory authority finds that forced labour has been used in the manufacture of products, it may order the products to be withdrawn from the market and destroyed



MAIN CHANGES OF THE OMNIBUS PROPOSAL

- Amendments proposed to
 - the CSRD
 - the CS3D
 - the EU Taxonomy
 - the CBAM
 - the InvestEU Regulation.
- Proposed *reduction of the scope* of the CSRD (see image →)
 - The number of companies in scope would be reduced by 80%
 - Voluntary reporting standard for companies not in scope (VSME)
 - Proposed revision of the ESRS in order to, e.g. reduce the number of data points to be reported
- Proposed *postponements*
 - CSRD: postponement of two years for wave 2 and 3 companies which were due to report in 2026 and 2027
 - CSDDD: transposition deadline and first wave of application postponed from July 2027 to July 2028
- Proposed *reductions* to the CSDDD requirements
- Proposed *reduction of the scope* of the EU Taxonomy, amendments to the Taxonomy reporting requirements and the DNSH criteria
- In the CBAM, proposed *exemption* of 90% of concerned companies from reporting requirements and *simplification* of processes and reporting requirements

Current scope of the CSRD

Any two out of the following three:

number of
employees
> 250

turnover
> MEUR 50

balance
sheet total
> MEUR 25

Omnibus proposal for the CSRD

number of
employees
> 1,000

AND
either of
the two:

turnover
> MEUR 50

OR

balance
sheet total
> MEUR 25

OMNIBUS PROPOSAL – MAIN CHANGES

CSRD & CS3D



Corporate Sustainability Reporting Directive (CSRD)

- Change of criteria of a ‘large company’: 1,000 (~~250~~) employees and either a MEUR 50 turnover or a MEUR 25 balance sheet total
→ number of companies in scope would be reduced by 80 %
 - Voluntary reporting (VSME) available for other companies
- First wave companies would proceed as planned, for others a 2-year postponement
- Revision of the ESRS (reduction of the number of datapoints; amount of information requested by companies in scope from small partners would be limited; sector-specific standards would not be adopted)

Corporate Sustainability Due Diligence Directive (CS3D)

- A 12-month delay: Member State transposition deadline in 2027 (~~2026~~), application to begin in 2028 (~~2027~~)
- Due diligence obligations: focus on Tier 1 only (direct business partners), not the entire value chain
 - However, if plausible information of negative impacts further up the chain, an in-depth assessment would be required
- Assessments every five (~~one~~) years
- Obligation to terminate a business relationship would be deleted
- The harmonised civil liability would be deleted, representative actions by trade unions and NGOs revoked
- The minimum penalty (not less than 5 % of the net worldwide turnover of the company) would be revoked
- Definition of ‘stakeholder’ and the obligation to engage stakeholders would be reduced

CURRENT SITUATION IN FINLAND



The Corporate Sustainability Reporting Directive (CSRD)

- Transposed into national law through amendments to a number of laws, such as the Accounting Act, the Auditing Act, the Companies Act and the Securities Market Act
- The amendments entered into force on 31 December 2023

The Corporate Sustainability Due Diligence Directive (CS3D)

- A working group has been appointed to prepare the transposition into national legislation
- A proposal was expected in H1/2025, but has been delayed due to the Omnibus proposal

EU Regulations (such as the Forced Labour Regulation, the EU Taxonomy Regulation, the Sustainable Finance Disclosures Regulation and the Carbon Border Adjustment Mechanism) are directly applicable without national transposition measures

Thank you

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