Corporate Sustainability Due Diligence as a Transformative Element of EU Corporate Law

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The regulation of corporate conduct with respect to environmental and human rights impacts has assumed increasing prominence in EU company law, reflecting developments in corporate sustainability law. This article examines the development of corporate sustainability law in the EU, focusing on corporate sustainability due diligence as a component of EU corporate law and an emerging framework shaping corporate responsibilities. It analyses the Omnibus I reform of the Corporate Sustainability Due Diligence Directive (CSDDD) and evaluates its implications for company law and corporate governance. The article explores the simplifications introduced by the reform, particularly regarding the scope and structure of due diligence as a risk-based, continuous system for identifying, preventing, mitigating and accounting for adverse impacts. It argues that, notwithstanding these adjustments, due diligence remains a legal standard of corporate governance. At the same time, the reform narrows the circle of obligated companies and underscores the need for coherent implementation.

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1 Introduction

The development of EU corporate law increasingly reveals a fundamental shift in the understanding of companies' roles and responsibilities in the modern economy. Alongside traditional objectives, such as the efficiency of the internal market, the protection of shareholders and the freedom of economic initiative, growing emphasis is being placed on the requirement of corporate sustainability responsibility. This encompasses the obligation of companies to systematically consider environmental impacts and respect for human rights in the course of their operations, not only within the framework of their own activities, but also in the broader context of their business relationships and value chains. Such a normative expansion of corporate responsibility represents a qualitative transformation at the core of EU corporate law.

The concept of due diligence in corporate sustainability is a central legal mechanism in this development. In its evolution, due diligence has gradually moved away from soft-law foundations, characterised by recommendations and international standards. It has increasingly emerged as a legally binding standard that substantively guides the conduct of companies and their corporate bodies. The Corporate Sustainability Due Diligence Directive (CSDDD) consolidates this normative shift by embedding sustainability responsibility within the very structure of EU corporate law. It requires companies to establish a comprehensive, continuous and risk-based system aimed at identifying, preventing, mitigating and bringing to an end actual and potential adverse environmental and human rights impacts. In this way, the framework of legally relevant corporate conduct is significantly broadened, extending beyond the traditional understanding of the duty of diligent business management.

The amendments introduced through the so-called Omnibus I Directive, which intervene in the original structure of the CSDDD, further raise questions regarding the scope and intensity of corporate sustainability responsibility. Although these legislative adjustments introduce certain simplifications while simultaneously narrowing the circle of obligated entities, they do not abandon the fundamental normative premise that due diligence constitutes an integral element of responsible corporate governance. On the contrary, the amendments reaffirm due diligence as a general legal standard whose content adapts to evolving regulatory and economic

circumstances, while preserving its legally binding and systemically relevant role. In such circumstances, the question arises whether the amendments under consideration constitute a genuine normative retreat or primarily an adjustment of the modalities for pursuing sustainability objectives within EU corporate law.

Against this regulatory and doctrinal background, the central research question of this chapter emerges, namely: to what extent due diligence in the field of corporate sustainability, as regulated under the reformed Corporate Sustainability Due Diligence Directive, constitutes a transformative legal standard in EU corporate law, and how this standard reshapes the understanding of corporate sustainability responsibility and corporate governance. To answer this question, a legal-analytical examination was undertaken of the EU normative framework, its position within the broader system of corporate and commercial law, and the implications of the reform for the implementation and effectiveness of corporate sustainability responsibility within the national legal orders of the Member States.

2 Methodology

This chapter is based on qualitative legal research that combines both classical and contemporary methodological approaches in legal scholarship. The central research method consists of a doctrinal analysis of EU law, directed towards the interpretation, systematisation and normative positioning of CSDDD, the amendments introduced through the Omnibus I package, and the related institutes of corporate and commercial law. The analysis does not remain confined to a descriptive presentation of legal norms but also includes their critical assessment from the perspective of coherence, legal certainty and functional effectiveness. Substantively, the analysis focuses on the legal nature of due diligence obligations, whether they constitute obligations of conduct or obligations of result, and on their position within the existing framework of the duties of administrative, management, and supervisory bodies. Particular attention is also devoted to the relationship between the new due diligence obligations and the traditional fiduciary duties of directors, as well as to the legal consequences of non-compliance, particularly from the perspectives of civil and administrative liability, and the potential misdemeanour liability of companies. The analysis, therefore, extends beyond the purely normative level to encompass questions of practical implementation and enforcement.

Using systematic and teleological methods of interpretation, the rules on due diligence are examined in the broader context of the development of sustainability law in the EU. In this regard, particular consideration is given to the interconnections with other relevant legislative instruments, such as the Corporate Sustainability Reporting Directive (CSRD), the Taxonomy Regulation and the Action Plan on Financing Sustainable Growth, as well as to the fundamental objectives of the Union in the fields of sustainable development, the protection of human rights and the functioning of the internal market. Such an approach enables a more in-depth assessment of whether the amendments introduced through the Omnibus I package constitute a genuine normative departure from the originally conceived framework or merely its adaptation to changing economic and political circumstances, and to what extent those amendments affect the effectiveness of achieving sustainability objectives.

In order to understand the development of due diligence as a legal standard, a historical-developmental method is also employed, analysing the transition from international soft-law standards, such as the UN Guiding Principles (UNGPs) and the OECD Guidelines, towards their gradual internalisation into binding EU law and their subsequent normative evolution through legislative reforms. This method enables a more comprehensive understanding of the genesis of the due diligence concept. It reveals the dynamics of its transformation from non-binding guidance into a legally binding framework. At the same time, it sheds light on both continuity and discontinuity in the development of the concept of corporate sustainability responsibility. It enables a more profound assessment of its current significance and future development within the EU legal order.

3 Analysis

3.1 The Development of Sustainable Corporate Governance in the European Union

Over the past decade, the EU has systematically developed a legal framework in the fields of sustainable corporate governance and sustainable finance. In academic literature, the term sustainable corporate governance is used as a research and conceptual framework linking corporate governance, particularly the relationships between management, shareholders and stakeholders, with sustainability objectives,

including environmental protection, human rights and the creation of long-term value. Sustainable corporate governance is understood as an expanded fiduciary duty of directors, according to which directors should not be confined solely to the pursuit of short-term shareholder interests, but should also take into consideration the long-term interests of the company and its broader stakeholders (Bohinc, 2024, 2023; Sjåfjell, 2022; Primec, 2024b; Lidman, 2022).

Following the adoption of the UN 2030 Agenda for Sustainable Development (United Nations, 2015a) and the signing of the Paris Climate Agreement in 2015 (United Nations, 2015b), the EU focused on activities to achieve the Sustainable Development Goals and transition to a carbon-neutral society by 2050. In 2019, these efforts were further strengthened by the adoption of the European Green Deal, the principal strategy for developing a green and digital Europe over the subsequent five-year period. This political strategy was followed by legislative measures aimed at a sustainable future. Alongside legislation on sustainable corporate governance, legislation on sustainable finance also plays a significant role, particularly as it is founded upon the Commission's 2018 Action Plan on Financing Sustainable Growth (European Commission, 2018). Effective sustainable finance requires redirecting capital flows towards investments supporting sustainable growth, including the management of financial risks arising from climate change, resource depletion, environmental degradation, and social issues, as well as the promotion of transparency and the long-term orientation of financial and economic activities. A prerequisite for achieving these objectives is the availability of adequate, comparable, and reliable information on companies' sustainability performance disclosed in their annual reports, specifically in sustainability statements (Primec, 2024a). For this purpose, the EU adopted legislation that made voluntary sustainability reporting mandatory. The legislative framework governing sustainability reporting consists of three key instruments. In addition to the Non-Financial Reporting Directive (NFRD) and its successor, the CSRD, this framework also includes Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR) and the Taxonomy Regulation (European Parliament, 2020; Primec, 2025).

The initial legislative acts adopted at the EU level (NFRD, CSRD, SFDR) include only mandatory sustainability reporting obligations, while failing to address crucial issues related to companies' civil liability and directors' due diligence duties (Bohinc, 2023; Ferrarini, 2022). From this perspective, the CSDDD represents a turning point, as it is the first legislative instrument to intervene directly in company law. It imposes on companies operating within the EU internal market a due diligence obligation regarding adverse human rights and environmental impacts caused by their own operations or by those of their subsidiaries and business partners within their value chains.

3.1.1 Changing Geopolitical and Economic Context of EU Sustainability Regulation

The circumstances in which the CSRD and the CSDDD were drafted and adopted must be understood within the broader context of structural changes in the international environment, characterised in recent years by growing geopolitical instability, the transformation of global economic relations and increasing social pressures within developed economies. Global security conditions have gradually deteriorated, accompanied by a growing number of armed conflicts and an increasingly fragmented international environment (Institute for Economics and Peace, 2024). In this context, the Russian aggression against Ukraine has significantly reshaped the European security and economic landscape, particularly through rising energy prices affecting European companies (Lucian, 2024). At the same time, instability in the Middle East and escalating tensions among major global actors have further deepened uncertainty and reinforced the interconnection between economic, security and political interests.

In such circumstances, the EU faces a complex strategic position marked by economic interdependence with global markets and security dependence on the US, which complicates the development of a coherent, long-term, and stable foreign and economic policy. At the same time, globalisation processes continue to generate significant social pressures, particularly on the middle class, linked to rising living costs, income stagnation and structural changes in the labour market (OECD, 2019; Eurofound, 2023). These trends contribute to political polarisation and strengthen more protectionist and populist approaches, indirectly influencing debates on the regulatory burdens imposed on companies and their competitiveness.

Against this background, the EU nevertheless pursued an ambitious normative approach in the field of sustainable development, most visibly expressed in the European Green Deal of 2019, which served as a framework for the transition towards a climate-neutral economy (Schunz, 2022). However, the implementation of these objectives has increasingly come under pressure due to changing geopolitical and economic conditions. Growing security uncertainty, the restructuring of global trade flows and the increasing importance of strategic and industrial policies have gradually limited the space for the unilateral pursuit of ambitious environmental objectives. These developments have also affected perceptions of sustainability legislation. Due to differing approaches adopted by other major economies, particularly the US and Switzerland, increasing attention has been directed to the competitiveness of European companies, alongside concerns that sustainability reporting and due diligence obligations impose excessive or insufficiently coordinated burdens.

Institutional dynamics must also be considered. The CSDDD was adopted during the previous Commission mandate, whereas the new mandate, despite continuity in leadership, reflects a somewhat altered political and legislative orientation. In her inaugural address at the beginning of the second mandate in November 2024, the President of the European Commission announced amendments to several existing regulations and directives, with particular emphasis on simplification, rationalisation and greater clarity of the EU legal order (European Commission, 2024b).

3.1.2 The Impact of the Omnibus Simplification Package on the CSDDD and Its Proposed Amendments

The changed geopolitical and economic circumstances have therefore had a significant impact on EU sustainability regulation. The growing tension between environmental objectives and competitiveness is reflected in the gradual adjustment of the legislative approach, which places greater emphasis on feasibility and proportionality. This became particularly evident in 2025 through the so-called EU Competitiveness Compass (European Commission, 2025a). This new strategy is based on three priority objectives: closing the innovation gap, decarbonising the economy, and reducing dependencies, all of which are derived from Draghi's report on the future of European competitiveness. The Commission began implementing this strategy through the already mentioned omnibus package. Taken as a whole, the

Omnibus I and Omnibus II packages affect several legislative instruments, namely the CSRD, the CSDDD, the Taxonomy Regulation, Regulation (EU) 2023/956 establishing a Carbon Border Adjustment Mechanism (CBAM), Regulation (EU) 2021/523 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017, Regulation (EU) 2015/1017 on the European Fund for Strategic Investments, Regulation (EU) 2021/1153 establishing the Connecting Europe Facility and Regulation (EU) 2021/695 establishing Horizon Europe, the Framework Programme for Research and Innovation.

Omnibus I introduces targeted mechanisms to simplify and rationalise the legal frameworks governing sustainability reporting under the CSRD and due diligence under the CSDDD. Its fundamental objective is to reduce the administrative costs borne by companies without diminishing the purpose of either directive or undermining the strategic objectives of the European Green Deal relating to a green and just transition.

Among the more significant innovations are expanded opportunities for voluntary disclosures under the EU Taxonomy framework, as well as adjusted reporting obligations, which could give companies with advanced sustainability strategies a competitive advantage in attracting investment.

Omnibus II is directed towards amendments to the InvestEU Regulation, which constitutes the Union's largest risk-sharing instrument for supporting priority investments within the Union. The amendments are intended to increase the programme's effectiveness, particularly through an expansion of the EU guarantee and the creation of provisioning mechanisms using returned funds from the European Fund for Strategic Investments (EFSI). The InvestEU and EFSI Regulations will also be simplified in order to reduce the frequency and scope of certain reporting obligations. Among other measures, an exemption is envisaged for small final recipients, such as SMEs, together with an adjusted application of certain rules, including the definition of SMEs for particular financial products, in accordance with the principle of proportionality. The objective of these amendments is to reduce the administrative burden imposed on implementing partners of the InvestEU Programme, as well as on financial intermediaries and final recipients, particularly SMEs, who are required to provide reporting data to the Commission and to apply the prescribed rules. As is evident, Omnibus II substantively focuses

on the simplification of investment programmes, primarily InvestEU and EFSI, while it does not address questions relating to sustainability reporting and governance. Accordingly, the following discussion focuses on Omnibus I, which substantively covers the subject matter of this project (Primec, 2025).

Following lengthy negotiations and considerable normative uncertainty during 2025 regarding the final scope and content of the proposed amendments, the Omnibus I package was adopted at the EU level and materialised in Directive (EU) 2026/470. The Directive was published on 26 February 2026 and entered into force on 18 March 2026, with a deadline for transposition into national legal orders set for 26 July 2028. At the same time, the application of certain obligations was postponed, reflecting a more gradual approach to implementing the adjusted regulatory framework (European Commission, 2026). At the CSDDD level, the amendments are most clearly reflected in the narrowing of the personal scope of application, which is now limited to the largest economic entities. The Directive applies to companies with at least 5,000 employees and at least EUR 1.5 billion in global net turnover, as well as to certain categories of third-country undertakings generating comparable turnover within the EU internal market. Such regulation represents a departure from the originally broader circle of obligated entities, although, as already emphasised, not necessarily a reduction in the regulatory framework's actual reach. Among the more significant amendments are the removal of the obligation to adopt climate transition plans and the abolition of a uniform civil liability regime harmonised at the EU level. As a consequence, the regulation of civil liability has been left to the Member States, raising questions about the uniformity of legal protection and the predictability of the law. Nevertheless, the right to compensation remains a central mechanism for ensuring the Directive's effectiveness. The sanctions framework has also been amended to introduce a limit on fines based on a company's global net turnover. The financial sector has retained a special position, as due diligence obligations do not fully encompass the core activities of financial institutions. Such a solution may create certain systemic gaps, particularly given that financial flows are a key lever for creating or preventing adverse human rights and environmental impacts.

In the field of sustainability reporting, the amendments primarily aim to rationalise obligations. The thresholds for applying the rules have been increased, the number of obligated entities reduced, certain sector-specific standards abolished, and

broader possibilities introduced for restricting the disclosure of information that could seriously affect the company's competitive position. Viewed comprehensively, the amendments introduced through the Omnibus I package do not constitute an abandonment of the fundamental objectives of sustainable corporate governance, but rather their normative adaptation to changing economic and geopolitical circumstances. At the same time, however, these amendments raise important legal questions concerning the effectiveness, uniformity and actual reach of the regulatory framework, particularly in relation to the individual due diligence mechanisms established under the CSDDD (Dadush & Schönfelder, 2026).

3.2 Transformation of Due Diligence into a Binding Legal Obligation

3.2.1 Due Diligence as a Non-Binding Standard

The concept of due diligence, from an etymological perspective, denotes reasonable or appropriate care and refers to a standard of conduct that must be observed under circumstances in order to avoid liability arising from negligence. In a broader sense, due diligence is generally understood as one of the fundamental mechanisms through which corporate responsibility is exercised (Hösli & Weber, 2022). Originally, the concept emerged from commercial and financial practice, where it was understood as a process of careful examination and risk assessment in the context of corporate transactions, particularly mergers and acquisitions. In this field, due diligence represented a comprehensive process of collecting, verifying and analysing information concerning a company's business operations, assets and legal position, to ensure informed decision-making and reduce the purchaser's commercial and legal exposure (Howson, 2003).

Over time, the concept expanded beyond its original field of application and evolved into a broader instrument of preventive risk management, encompassing the environmental and social aspects of business activities. This development was reflected in the establishment of environmental, social, and human rights impact assessments, which, in certain legal systems, became a prerequisite for the approval and implementation of large-scale projects (Graetz & Franks, 2013). The broader use of the concept of due diligence became established during the 1990s, when discussions of corporate responsibility for protecting human rights intensified following revelations of systemic abuses within global value chains, particularly in

the oil, mining, and textile sectors. The first attempt at a legal definition was the Draft Norms on the Responsibilities of Transnational Corporations (United Nations, 2003), which was ultimately not adopted due to opposition from economic interests. Nevertheless, it significantly influenced subsequent developments and laid the groundwork for the United Nations "Protect, Respect and Remedy" framework (2008), developed by John Ruggie. This framework established a systemic approach to the relationship between business activities and human rights, grounded in three fundamental pillars: the state's duty to protect rights, companies' responsibility to respect them, and individuals' right to effective legal protection. An important innovation of the second pillar was the definition of due diligence as the fundamental process for fulfilling corporate responsibility, namely a set of procedures through which companies identify, prevent and manage adverse human rights impacts throughout the entire value chain (United Nations, 2010).

This approach was subsequently incorporated into the UNGPs, which defined due diligence as a global standard of responsible business conduct (United Nations, 2011). Further development and concretisation of these principles were provided by the OECD, which, through its due diligence guidance for responsible business conduct, established a practical, internationally coordinated framework for their implementation. The guidelines are based on an approach to the prevention, management, and remediation of the adverse impacts of economic activities on human rights, the environment, and society, while also promoting transparent and sustainable business practices that extend beyond mere compliance with legal obligations and strengthen stakeholder trust (OECD, 2018, 2023).

The fundamental approach advanced by the CSDDD, together with its earlier versions prepared within the framework of the European Commission, is based on the international instruments concerning responsible business conduct and transposes them into a binding normative framework of EU law (Schmidt, 2024).

As can be observed, the concept of due diligence developed through political guidance and became firmly established in the practice of all stakeholders. At the same time, stakeholders emphasised the need to preserve the normative clarity and substantive consistency of due diligence concepts, since replacing them with substantively looser or terminologically less precise expressions could weaken their legal significance and effectiveness. To establish greater conceptual and

terminological coherence in international legal discourse, Rühmkorf and Walker advocate the use of the term 'due diligence' as a recognised, generally accepted legal concept (European Commission, 2020). In substantive terms, the concept of due diligence relates to existing standards of care within the framework of tort law and with corresponding standards in civil law systems. However, it exceeds the traditional framework of duties of care, particularly in terms of the scope and enforcement of obligations. This obligation is not confined solely to private law liability, such as claims for damages. However, it may also encompass public enforcement mechanisms, including the imposition of sanctions or fines for failure to adequately implement due diligence obligations (Hösli & Weber, 2022).

The CSDDD significantly contributes to the harmonisation of European legislation, as it is fundamentally based on internationally established due diligence standards, particularly the UNGPs (United Nations, 2022) and the OECD Guidelines for Multinational Enterprises (OECD, 2023). These instruments constitute the principal normative framework that has gradually shaped expectations concerning corporate responsibility within global supply chains over the past decade. Through their integration, the CSDDD transcends narrower national or sector-specific approaches and establishes a legally binding system that ensures uniform conditions within the EU internal market while preventing distortions of competition among companies operating in different legal environments.

3.2.2 Due Diligence as a Binding Legal Obligation for Companies

3.2.2.1 The Introduction of the CSDDD

At the level of EU law, the due diligence obligation in sustainability matters is defined as the obligation of companies to identify and address actual and potential adverse impacts on human rights and the environment arising from their own operations, the operations of subsidiaries and, where relevant in relation to the chain of activities, also the operations of business partners (European Commission, n.d.).

The concept of due diligence is founded upon international standards of responsible business conduct, primarily within the framework of the United Nations and the OECD. The UNGPs define due diligence as a process through which companies identify, prevent and mitigate adverse human rights impacts and account because

such impacts are addressed. Compared with the UNGPs, the OECD Due Diligence Guidance for Responsible Business Conduct extends the concept of due diligence to environmental protection as well. It defines it as a structured and ongoing process through which companies identify, prevent, mitigate, and address actual and potential adverse impacts arising from their own operations, supply chains, and other business relationships.

It is evident that the development of laws and other regulatory frameworks significantly influences how companies respond to human rights due diligence (HRDD). HRDD is comparable to due diligence in other legal contexts in that it constitutes an objective standard based on which a defendant may demonstrate compliance with a particular duty of care. It involves a contextual assessment that considers what a reasonable or prudent company knew or ought to have known under the circumstances. However, HRDD differs from other forms of due diligence in that it focuses on the impacts of corporate activities on human rights rather than solely on business risks (McCorquodale et al., 2017).

From the foregoing, it may be inferred that due diligence has become embedded as a constitutive element of modern corporate governance directed towards responsible and sustainable business conduct. As will be demonstrated in the following sections, the substantive understanding of due diligence does not merely concern compliance with minimum legal requirements, but rather encompasses systematic, risk-based and long-term management of impacts on human rights, the environment and other legally protected interests. Due diligence thereby becomes an autonomous obligation of companies, the non-fulfilment or breach of which may result in sanctions, including fines and civil liability.

The new obligation introduced by the CSDDD for certain categories of companies is examined in greater detail below, including the principal aspects of Omnibus I.

3.2.2.2 Due Diligence Obligation

Companies are required to identify and appropriately address actual and potential adverse impacts on human rights and the environment arising from their own operations, the operations of their subsidiaries and the operations of their business partners within the chain of activities of those companies (Article 1(1)(a) CSDDD).

The initial Omnibus I proposal envisaged a narrowing of the material scope of due diligence to direct business partners and to partners operating "upstream" within the value chain, namely suppliers. However, this solution was ultimately abandoned in the final text of the amended CSDDD, with the consequence that the concept of a business partner, as defined in the original text of the Directive, remains unchanged, as follows from Article 1(1)(f) CSDDD. The original objective of the Omnibus I proposal, to reduce administrative and financial burdens for obligated companies, is therefore pursued through other legislative adjustments. Among the more significant measures are the narrowing of the personal scope of application, namely the reduction in the number of obligated entities, the removal of the obligation to adopt and implement climate transition plans, and the abolition of a uniform civil liability regime for breaches of due diligence obligations. Certain simplifications, however, are also reflected in the material scope of due diligence obligations, which will be examined further below.

3.2.2.2.1 Identification and Assessment of Adverse Impacts

In accordance with the provisions of the CSDDD, the substance of due diligence is to identify and mitigate adverse human rights and environmental impacts arising from companies' activities. An adverse human rights impact is understood as an impact resulting from the violation of specific human rights exhaustively listed and adapted to the particular context of corporate conduct, as set out in Part I, Section 1 of the Annex to the CSDDD, as well as rights deriving from specifically enumerated international instruments pursuant to Part I, Section 2 of the Annex.

These additional rights, such as the right to liberty and security of person under Article 9 of the International Covenant on Civil and Political Rights (ICCPR), are included provided that the company is in fact capable of impairing them, that the interference may affect a legally protected interest, and that the possibility of such interference could reasonably have been foreseen, as follows from Article 3(1)(c) CSDDD. Similarly, an adverse environmental impact is defined as an impact resulting from the violation of prohibitions and obligations established in international environmental instruments referred to in the Annex to the CSDDD, particularly within the framework of Part I, Sections 15 and 16, as well as Part II of the Annex. Such an impact also encompasses measurable environmental degradation

that interferes with human rights, especially the rights to food, water, health, and the use of land.

Although the Annex constitutes a relatively extensive catalogue, its exhaustive limitation to expressly enumerated rights and instruments, together with the exclusion of documents such as the Universal Declaration of Human Rights, departs from the broader understanding of internationally recognised human rights underlying the UNGPs. Furthermore, certain rights, such as the rights to food or health, are formulated from a corporate perspective, which does not fully reflect their broader content under international human rights standards.

Attention should also be drawn to the terminological aspect. The use of terms such as "abuse" or "violation" carries connotations associated with the responsibility of states under international human rights law or environmental law. Such terminology may unintentionally raise the threshold for determining when an impact is sufficiently serious to be considered relevant within the framework of corporate due diligence obligations, thereby affecting the scope and intensity of the preventive obligations imposed on companies (Bueno et al., 2024).

The CSDDD's approach is risk-based and requires companies to prioritise due diligence in areas of activity where the likelihood and severity of adverse impacts are greatest.

The identification and assessment process is structured in two phases. First, companies conduct a preliminary assessment based on reasonably available information, considering risks connected to business partners, geographic and institutional conditions, and the relevant sector or activity. On this basis, they identify actual and potential adverse impacts arising from their own operations, subsidiaries and business partners within the chain of activities. Second, companies must carry out an in-depth assessment in areas presenting the highest level of risk, which serves as the basis for subsequent preventive or corrective measures (Article 8(1) and (2) CSDDD).

3.2.2.2.2 Proportionality in Information Gathering and the Prioritisation of Risks

The framework established under the CSDDD requires due diligence to be carried out in a proportionate and targeted manner, as reflected in the design of information requests addressed to business partners. Companies may request from business partners only the information genuinely necessary for conducting an in-depth assessment of adverse impacts. For partners with fewer than 5,000 employees, such requests are permissible only when the necessary information cannot reasonably be obtained through other means. Where relevant information may be obtained from several business partners, companies must, where reasonable, direct their requests primarily to the partner or partners for whom the likelihood of adverse impacts is greatest. In situations where adverse impacts across different areas are equally likely or equally severe, priority is given to areas involving direct business partners.

In identifying and assessing adverse impacts, companies may rely on a broad range of appropriate sources, including both quantitative and qualitative data. These include independent reports, digital tools, industry and multi-stakeholder initiatives, as well as information obtained through notification mechanisms and complaints procedures. Such an approach enables effective due diligence while simultaneously limiting unnecessary administrative burdens for smaller partners in the chain of activities (Article 8(3) CSDDD).

Where not all identified risks can be addressed simultaneously, companies must prioritise those adverse impacts that are the most severe and most likely to occur, considering their scale, gravity and possible irreversibility. Less severe and less probable risks may be addressed subsequently. The mere fact that a less significant adverse impact has not been addressed does not in itself expose the company to penalties under Article 27 (Article 9 CSDDD).

3.2.2.3 The Content of Individual Due Diligence Actions

The CSDDD derives due diligence as a comprehensive process from established international standards, particularly UN and OECD instruments. These standards define six core phases: integrating responsible business conduct into corporate policies; identifying and assessing risks; preventing or mitigating adverse impacts;

monitoring effectiveness; ensuring transparency; and providing remediation together with complaint mechanisms. The CSDDD follows these phases while simultaneously developing them in greater normative detail through Articles 7 to 16, by placing individual procedural elements of due diligence within a legally binding framework and adapting them to the particularities of corporate operations. In this manner, the general principles contained in international standards are transformed into precise obligations imposed on obligated entities.

Since certain procedural elements, particularly the identification and assessment of actual and potential adverse impacts, have already been addressed in the previous subsection, the following discussion focuses on the remaining elements constituting the substance of due diligence.

3.2.2.3.1 Integration of Due Diligence into Company Policies and Risk Management Systems

Under the CSDDD, due diligence must be integrated into the company's internal governance structure as a constituent element. Accordingly, the company is first required to adopt a due diligence policy, which must subsequently be incorporated into its internal policies, codes of conduct and risk management systems.

Companies must implement a comprehensive due diligence process encompassing the identification, prevention, mitigation and remediation of adverse impacts, supported by stakeholder engagement and an effective complaint mechanism. The Directive also regulates information exchange, the protection of trade secrets, and obligations concerning documentation and the retention of evidence relating to due diligence activities (Article 7 CSDDD).

3.2.2.3.2 Prevention of Potential Adverse Impacts

Preventing potential adverse impacts is the central preventive element of due diligence, requiring companies to adopt appropriate and proportionate measures promptly before harm materialises. The selection of such measures depends on the nature of the identified risk, its severity, and the company's actual ability to influence the conduct of entities within its chain of activities. Where necessary, companies are required to:

- adopt and implement prevention action plans with measurable indicators,
- obtain contractual assurances from business partners regarding compliance with codes of conduct and preventive measures,
- undertake organisational, technical or financial adjustments, including changes to business strategies or practices,
- provide targeted and proportionate support to SMEs, including training or financial assistance,
- cooperate with other entities through industry or multi-stakeholder initiatives.

Attention is devoted to SMEs. Where companies obtain contractual assurances from SMEs or conclude agreements with them, the contractual terms applied must be fair, reasonable and non-discriminatory. As a rule, the costs of compliance verification for SMEs are borne by the company itself, as provided for in Article 10 of the CSDDD.

3.2.2.3.2.1 Suspension of Business Relationships as a Last Resort

In situations where a company, despite having adopted appropriate measures, is unable to prevent or adequately mitigate an adverse impact, it is required to resort to measures of last resort relating to the adjustment of its relationship with the relevant business partner for the duration of the impact.

This means that the company must refrain from entering into new business relationships or extending existing ones and may, where permitted under applicable law, temporarily suspend or terminate the relationship in relation to the activities concerned. At the same time, the company is required, without undue delay, to develop and implement an enhanced prevention action plan, the effectiveness of which may reasonably be expected. The mere continuation of the business relationship under such circumstances does not in itself constitute an independent basis for sanctions or civil liability. Prior to deciding on a temporary suspension, the company must also assess the consequences of such a measure. Where the suspension would result in manifestly more severe adverse consequences than the already existing impact, the company is not required to adopt such a measure, although it must properly substantiate its decision. Irrespective of this, the company remains under an obligation to monitor adverse impacts continuously and regularly

review the appropriateness of the measures adopted, as provided for in Article 10(7) CSDDD. The same approach also applies to measures adopted by the company to eliminate actual adverse impacts, as provided for in Article 11 of the CSDDD.

3.2.2.3.3 Addressing Actual Adverse Impacts

Where an adverse impact has already materialised, due diligence extends beyond its purely preventive dimension. It requires the company to adopt measures to end or mitigate the impact or otherwise remediate its consequences. Such measures must, in both substance and intensity, be adapted to the nature of the specific impact and directed towards the most effective possible restoration of a legally and factually acceptable situation.

In selecting appropriate measures, account must be taken of the entity responsible for causing the impact, namely, whether the impact resulted from the company's conduct, from joint conduct involving a business partner, or exclusively from the partner's conduct. At the same time, consideration must also be given to the level within the chain of activities at which the impact arose, whether at the level of a subsidiary, a direct business partner or an indirect business partner, as well as to the actual ability of the company to influence the conduct of the entity responsible. Where the impact cannot be brought to an immediate end, the company is at least required to minimise its extent as much as possible. To addressing adverse impacts, the company must adopt one or more of the following measures:

- neutralise or minimise the impact, considering its severity and the company's degree of involvement,
- develop and implement a corrective action plan containing clearly defined timelines and measurable indicators,
- obtain contractual assurances from business partners regarding compliance with the code of conduct and the adopted measures, together with appropriate verification mechanisms, including mechanisms involving independent third parties,
- undertake the necessary organisational, technical or financial adjustments and, where appropriate, modify business strategies,

- provide targeted and proportionate support to SMEs where necessary in order to achieve compliance,
- where appropriate, cooperate with other entities,
- provide remediation to affected persons.

Where an actual adverse impact cannot be ended or adequately minimised despite the measures adopted, the company is required, as a measure of last resort, temporarily to suspend or terminate the business relationship with the relevant partner, while simultaneously implementing an enhanced corrective action plan where its effectiveness may reasonably be expected. For as long as such a plan is reasonably assessed as effective, the mere continuation of the business relationship does not constitute a basis for imposing penalties under Article 27 or for liability under Article 29, as follows from Article 11 CSDDD.

3.2.2.3.4 Remediation of Adverse Impacts

Where an adverse impact has already materialised, the company is required either to provide, or at least participate in providing, appropriate remediation for the harm caused. Where the actual adverse impact has been caused exclusively by a business partner, the company may engage in voluntary remediation while using its ability to influence the partner's conduct to secure appropriate compensation. Such an obligation follows from Article 12 CSDDD.

Remedial measures may encompass various forms of redress for the consequences of harm, including the restoration of the previous situation, the provision of financial or non-financial compensation, as well as reimbursement of costs incurred by public authorities in connection with the implementation of corrective measures, as provided for in Recital 58 CSDDD.

3.2.2.3.5 Stakeholder Engagement

Effective implementation of due diligence presupposes appropriate stakeholder engagement, since, without their participation, a company often cannot comprehensively identify the actual or potential adverse impacts of its operations. Stakeholder engagement, therefore, does not represent merely a supplementary

element, but rather an important methodological and substantive basis for the development of appropriate, proportionate and genuinely effective measures. Companies are required to ensure effective and informed engagement with stakeholders throughout all key stages of due diligence, particularly in identifying adverse impacts and developing preventive, corrective, and remedial measures.

In this context, stakeholders must be provided with access to appropriate information, the opportunity to obtain additional explanations, and protection against potential retaliatory measures. Where direct engagement is not feasible, experts may be involved. Although compliance with these obligations may also be organised through industry-based or multi-stakeholder initiatives, such an approach does not replace engagement with employees and their representatives in accordance with labour law rules, as provided for in Article 13 CSDDD.

3.2.2.3.6 Complaints Procedure

The establishment of complaint mechanisms represents an important procedural aspect of due diligence, as it enables the early detection of adverse impacts and establishes a formalised avenue for their consideration. Their effectiveness largely depends on the degree of accessibility, transparency, and their capacity to enable affected persons and other entitled entities to assert their claims in a timely and effective manner. Complaints may be submitted by affected persons or their legal representatives, including civil society organisations, trade unions and workers' representatives, as well as organisations with relevant expertise in environmental protection.

The procedure itself must be publicly accessible, predictable, and designed to ensure protection against retaliatory measures, including the possibility of anonymous or confidential complaint submissions. In the event of a substantiated complaint, the adverse impact is deemed to have been established, thereby triggering the company's obligation to adopt appropriate preventive, corrective and remedial measures. In addition, companies are also required to establish a notification mechanism concerning risks or violations, which may operate independently or within collective or industry-based systems. Importantly, the submission of a complaint or notification does not constitute a condition for access to judicial or other non-judicial remedies, as follows from Article 14 CSDDD.

3.2.2.3.7 Monitoring the Effectiveness of Due Diligence Measures

By its nature, due diligence is not a one-off action but a continuous, cyclical process that requires companies to monitor the effectiveness of the measures adopted and their due diligence policy. Such monitoring enables an assessment of whether the adopted preventive and corrective measures genuinely contribute to reducing identified risks and whether they require supplementation, adjustment, or replacement with more effective solutions.

Under Article 15 CSDDD, companies must regularly assess the effectiveness of measures adopted in relation to their own operations, subsidiaries and relevant business partners. Such assessments must be carried out following substantial changes in circumstances and otherwise at least every five years, particularly where doubts arise regarding the effectiveness of existing measures or where new risks emerge. Based on these assessments, companies must, where appropriate, adapt their due diligence policies and update the measures adopted.

3.2.2.3.8 Communication and Transparency

Transparency represents one of the fundamental preconditions for the effective implementation of due diligence, as it enables external scrutiny of corporate conduct and strengthens corporate accountability towards affected stakeholders, the market and the wider public. The obligation to communicate or report, therefore, does not operate merely as a formal requirement but rather as an integral part of a system that enables an understanding of the policies adopted, the risks identified, and the measures implemented.

For this purpose, companies are required to publish annual reports on matters governed by the Directive, which must be made available on their websites. The report must be prepared in an appropriate official language of the EU used in the state of the supervisory authority and, where relevant, also in a language commonly used in international business. Publication must be ensured within a reasonable period, and no later than 12 months after the end of the financial year or the publication of the annual financial statements, where the company voluntarily reports in accordance with sustainability reporting rules. For third-country companies, an additional requirement applies: the report must also include

information on their authorised representative within the EU. The reporting obligation does not, however, apply to companies already reporting on sustainability matters under the CSRD, since, in such cases, the relevant requirements are deemed to be fulfilled within the existing sustainability reporting framework, as follows from Article 16 CSDDD.

4 Results and Discussion

The analysis confirms that the amendments introduced by the Omnibus I package primarily affect the scope and operationalisation of obligations, while the fundamental structure of due diligence remains unchanged. Even in its amended form, the CSDDD retains a procedural model based on systematic risk management, in which the normative weight lies not in individual measures as such, but rather in the coherence and effectiveness of the company's conduct system. The central issue, therefore, becomes how companies should organise their internal processes to identify and address adverse impacts arising within complex business relationships. A more detailed examination of the framework's elements demonstrates that the CSDDD establishes a structured regime that goes beyond the traditional understanding of legal obligations as static rules of conduct. Due diligence is shaped as a dynamic and adaptable standard, the content of which is determined in light of the specific circumstances of each case, particularly regarding the severity and likelihood of adverse impacts, and the company's actual ability to influence the conduct of other entities. Such a structure raises important questions about legal certainty and the criteria for assessment, since the focus of evaluation shifts to the appropriateness of corporate conduct in specific situations.

The CSDDD also significantly influences the further development of EU corporate law and opens a new developmental dimension within the field. The Directive increasingly connects corporate law with the protection of a broader range of stakeholders, as well as with human rights and environmental considerations, thereby moving beyond its more traditional understanding. In this way, corporate law is gradually adapting to contemporary social and economic expectations and acquiring a more pronounced sustainability dimension. Although the future development of this transformation will largely depend on the evolution of the broader legal and institutional framework, the CSDDD has undoubtedly marked a new direction in the development of EU corporate law.

Within this framework, the role of relationships within the chain of activities becomes particularly significant. Although the thresholds for applying the Directive have been substantially increased following the reform, due diligence obligations remain designed to extend beyond the boundaries of a single legal entity. This means that standards of conduct are also shaped and implemented through contractual relationships, business practices and expectations among economic actors. Such a mechanism creates a diffuse regulatory effect that is not linked solely to the formal status of an obligated entity, but rather to its actual participation in economic flows. A further aspect highlighted by the analysis concerns the relationship between the normative framework and its enforcement. Amendments relating to liability, particularly the abandonment of a uniform European regime, increase the significance of national legal systems. Therefore, the emphasis shifts from harmonisation to concretisation, where Member States, through legislative and institutional solutions, will determine how intensively and effectively due diligence obligations will be implemented. This raises questions concerning potential divergences among legal systems and their impact on legal certainty and the unity of the internal market.

Within the Slovenian legal framework, this context raises the question of the relationship between the new requirements and the existing ZGD-1 normative framework, which, as the fundamental statute of Slovenian corporate law, still primarily regulates the disclosure dimension of sustainability. Such a structure reflects the previous development of EU law, which was predominantly directed towards ensuring corporate transparency, whereas the CSDDD introduces a significantly broader and substantively more demanding regime of conduct. This regime extends beyond mere reporting obligations and encompasses the organisation of internal processes, risk management, relationships within the chain of activities and various forms of legal liability. The difference in normative logic raises the question of whether the existing system can be adequately upgraded through limited amendments or whether a more comprehensive legislative solution should be considered to ensure transparent and systematic regulation of this field. From the perspective of the future development of the Slovenian legal order, the key issue will above all be how to ensure the effective integration of these obligations while simultaneously preserving the internal coherence of the legal system. A particular challenge lies in the relationship between traditional institutes of corporate law, especially the duties of administrative, management and supervisory bodies, and

the new due diligence obligations, which broaden their substantive framework. Equally important will be the question of the institutional framework for supervision and enforcement, including the relationship between administrative and civil law mechanisms, as well as the development of clear criteria for assessing the appropriateness of corporate conduct in practice.

In a broader sense, the developments analysed demonstrate the gradual transformation of EU corporate law, within which sustainability considerations are increasingly becoming an integral element of legally relevant corporate conduct. Even after the reform, the CSDDD continues to operate as a normative framework that encourages the integration of these considerations into corporate decision-making and governance processes, while simultaneously raising unresolved questions about its actual effectiveness. The answer to these questions will largely depend on the specific solutions adopted at the level of the Member States, their legislative and drafting quality, and the further development of administrative and judicial practice. It is precisely this implementation dimension that constitutes the key point of departure for further discussion and research, particularly in the context of the Slovenian legal system.

5 Conclusion

The amendments introduced through the omnibus reform confirm that, even within a narrowed regulatory framework, the due diligence obligation remains a key legal instrument of responsible, sustainability-oriented corporate governance. It does not merely concern formal compliance with normative requirements, but rather constitutes a structured, risk-based process through which companies identify, prevent, mitigate, and remedy adverse impacts on human rights and the environment. In this way, due diligence extends beyond the traditional understanding of regulatory obligations and becomes embedded within the core of legally relevant corporate conduct.

The substantive reach of this obligation is reflected in the requirement to establish reasonable, effective and appropriately tailored procedures, the omission or inadequate implementation of which may give rise both to administrative measures and to civil liability. Due diligence, therefore, increasingly emerges as a normatively binding criterion for assessing corporate conduct and legal responsibility.

Within this framework, Directive (EU) 2024/1760 establishes a dual system of legal consequences. On the one hand, it provides for administrative sanctions for failures in establishing and implementing a due diligence system, without requiring proof of actual damage or the materialisation of an adverse impact. On the other hand, it establishes a framework for civil liability, while leaving the formulation of specific rules to national legal systems. Liability arises upon fulfilment of the classical conditions, particularly the existence of damage and a causal link between the breach of due diligence obligations and the resulting harmful outcome.

Because of this combination of administrative supervision and potential civil liability, understanding the substance and scope of due diligence obligations is a key element of legal certainty for companies. Due diligence is therefore not exhausted through the mere formal adoption of internal rules but requires their actual effectiveness and adaptation to specific risks.

On this basis, it is possible to formulate an answer to the central research question. Due diligence in the field of corporate sustainability, as regulated by the reformed CSDDD, constitutes a transformative legal standard within EU corporate law. However, this transformation is evolutionary rather than discontinuous. Its essential novelty lies in the normative transformation of existing concepts of corporate responsibility.

First, due diligence introduces an obligation of procedural conduct, shifting the centre of gravity of legal responsibility from ex post sanctioning of damage towards the ex ante organisation of business processes. Companies are no longer merely addressees of prohibitions against causing harm, but become bearers of duties of active risk management, which represents a significant shift in the structure of corporate law.

Second, due diligence influences the substantive understanding of the duties of administrative, management and supervisory bodies. Although the Directive does not directly interfere with national concepts of fiduciary duties, it effectively broadens their substantive framework by requiring consideration of the interests of a broader range of stakeholders and the long-term impacts of corporate activities. In this way, the traditionally shareholder-oriented understanding of corporate interest is gradually supplemented by elements of sustainability responsibility.

Third, due diligence establishes a multi-layered regulatory mechanism that connects internal corporate processes, administrative supervision, and civil law sanctions. This integrated approach reinforces its character as an operational legal standard that directly influences corporate organisation, decision-making, and supervision.

At the same time, however, the reform also reveals certain limitations of this standard. The narrowing of the circle of obligated entities and the emphasis placed on proportionality reflect a normative compromise that reduces its universal reach, although without diminishing its systemic significance.

In conclusion, due diligence in corporate sustainability constitutes a qualitative advancement of EU corporate law. It does not introduce an entirely new legal concept but rather transforms existing legal structures within which sustainability considerations increasingly become a constitutive element of legally relevant corporate conduct. Its actual effectiveness will depend primarily upon consistent implementation within national legal systems and upon the development of judicial and administrative practice that will give this standard concrete substantive meaning.

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Summary

This article examines the evolving role of corporate sustainability due diligence within EU company law, with particular focus on the implications of the Omnibus I reform of the Corporate Sustainability Due Diligence Directive (CSDDD). The analysis shows that, despite regulatory simplifications and a narrower scope of application, the core structure of due diligence remains intact as a risk-based, continuous and process-oriented obligation. The reform shifts emphasis toward proportionality and

implementation, increasing the importance of national legal frameworks and institutional design. The article argues that due diligence functions as an emerging legal standard of corporate governance, reshaping directors' responsibilities and integrating sustainability considerations into corporate decision-making, while leaving open questions regarding legal certainty, coherence and effective enforcement across Member States.

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