

2025-06-03**NFU Position Paper on Omnibus proposal revising key corporate sustainability regulatory framework****Introduction**

On 29 January, European Commission President Ursula von der Leyen proposed a “Competitiveness Compass” to bolster the EU’s economic standing, highlighting concerns that excessive regulation may be holding Europe back. Just weeks later, on 26 February 2025, the EU released a review of the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD)—collectively known as the Sustainability Omnibus Package. This review seeks to streamline sustainability regulations central to the European Green Deal.

The Nordic Financial Unions (NFU), representing finance workers across all five Nordic countries, strongly support sustainable finance—where investments align with environmental, social, and governance (ESG) goals. The Omnibus represents both a risk and an opportunity: while simplification could reduce duplication and ease reporting, proposals like the SME shield and a narrower scope may increase bureaucracy for finance professionals and fragment ESG standards.

Simplification is needed, but removing reporting obligations for most companies would amount to short-sighted deregulation. These companies will still face ESG data demands—now without a common framework. This poses risks of creating inconsistent expectations, higher compliance costs, and undermining the coherence of the sustainable finance system.

NFU Position on changes to CSRD

NFU urges the EU co-legislators to seize the opportunity presented by the postponement of the full application of the CSRD. Insights from the initial wave of reporting should be used to develop meaningful, tested simplifications that maintain data quality and support the objectives of sustainable finance.

In detail:**1. Financial Sector Data Needs Remain Unchanged**

The Corporate Sustainability Reporting Directive (CSRD) expands the scope of the Non-Financial Reporting Directive (NFRD) to include all listed companies, including SMEs, and mandates standardized EU sustainability reporting across environmental, social, and governance (ESG) areas. Developed by EFRAG, these

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standards address the NFRD's key shortcoming: the absence of a uniform reporting framework. The NFRD, applicable to large, listed firms, banks, and insurers with over 500 employees, required disclosures on ESG policies and their impact, but its lack of standardization created complexity and data inconsistency.

Rolling back the reporting requirements of the CSRD for a large number of companies would however significantly weaken the directive's ability to generate consistent, comparable, and decision-useful sustainability data across sectors.

Minimising reporting requirements not only limits transparency but also disrupts the flow of critical ESG data that financial institutions, investors, and regulators rely on to make sound, sustainable decisions. The CSRD was moving the EU towards a stronger, standardized data foundation—particularly in the social ("S") dimension, which has historically lagged behind environmental ("E") data.

The current framework of the CSRD—featuring mandatory standards, assurance requirements, integration into management reports, and alignment with the European Single Electronic Format—equips financial market participants with essential insights. It enables better risk assessment, supports more sustainable capital allocation, and enhances transparency in the pursuit of a competitive and socially fair European economy.

Furthermore, experiences from NFU's members show that while improvements in clarity and reduction of duplication are needed, the foundational data generated under the CSRD has already proven valuable. Wave 1 reporting has helped companies implement new measurement tools for sustainability impacts, contributing vital data also required under the SFDR and the EU Taxonomy Regulation.

Rather than narrowing the directive's scope, the EU should build on this momentum by addressing technical challenges, clarifying definitions, and streamlining processes. Simplification, not deregulation, is the path forward. Letting the market and its actors continue to adapt to the framework will deliver more robust, actionable, and future-proof sustainability reporting across the EU.

The proposed simplifications to the CSRD pose a serious threat to the effectiveness of the EU Taxonomy. By reducing the number of companies required to report, the availability of taxonomy-aligned data declines, undermining the ability of financial institutions to credibly calculate Green Asset Ratios (GAR)—one of the few regulatory tools available to measure portfolio-level sustainability. This distortion affects not

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only institutions within the scope of the CSRD and Taxonomy Regulation but also those outside it, which are still obligated to report GAR under Pillar III. The resulting disconnect between sustainability reporting and financial regulation is unsustainable and risks eroding trust in the EU's sustainable finance framework. Despite the proposal's narrower scope, the removal of sectoral reporting, and the SME shield, financial institutions remain subject to obligations under the EBA Guidelines and Pillar III¹. ESG risk management expectations do persist, meaning financial actors will continue to require reliable ESG data from their clients. The Omnibus proposal, as it stands, fails to address this core misalignment. T

NFU therefore strongly recommend that the co-legislators either:

- **Maintain the Current Scope of the CSRD** to maintain essential ESG disclosures needed for credit risk assessments and GAR calculations and to preserve the progress just as data maturity and usefulness are beginning to emerge. At the very least however:
- **Reassess the financial sector's disclosure requirements** (e.g., Pillar III) to reflect the loss of available ESG data. Without this alignment, financial institutions are placed in a paradox: they must report and manage ESG risks without access to the necessary data. The burden—and the blame—will unfairly fall on them.

2. Double Materiality (DMA)

The NFU recognises and strongly supports the Double Materiality Assessment (DMA) as a cornerstone of high-quality sustainability reporting. When properly applied, the DMA offers a comprehensive view of a company's sustainability profile, which is essential for embedding ESG considerations into the core business strategy. It enables companies to manage sustainability in a strategic and integrated manner, while also meeting growing expectations from investors and stakeholders for transparency on both financial risks and broader societal and environmental impacts. Crucially, the DMA helps identify where a company's operations can generate the greatest positive contributions—or pose the greatest risks—to people and the planet.

¹ Pillar III reporting refers to the EU's prudential disclosure requirements for banks under the Capital Requirements Regulation (CRR). It mandates financial institutions to publish detailed information on their ESG risks and taxonomy alignment, including metrics such as the Green Asset Ratio (GAR), to enhance market transparency and investor confidence.

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However, the current application of DMA has become overly complex and resource-intensive—especially for smaller entities and first-time reporters. The requirement to document every step in detail, can detract from actual materiality analysis and action.

To preserve DMA's strategic value while ensuring feasibility, NFU recommends the following:

- **Develop standardised guidelines or templates** to support a more consistent, efficient and comparable application of DMA across sectors.
- **Introduce a scalable approach**, where the depth and complexity of DMA increase in line with a company's size, maturity and sustainability exposure.
- **Ensure clearer alignment between the DMA process and the reporting requirements under the ESRS.** A more intuitive linkage will help companies focus their efforts on what matters most for both risk management and stakeholder communication.

NFU stresses that the Nordic finance industry has both welcomed and adapted to the CSRD and EU Taxonomy by investing in data systems and strengthening employee expertise in sustainability. Industry employees value the standardisation these frameworks bring and have responded with significant efforts to build sustainable finance competencies. Member surveys indicate strong support for the Voluntary Sustainability Reporting Standard for Micro, Small, and Medium Enterprises (VSME), which is seen as a helpful tool for simplifying reporting. Nordic banks have already committed to integrating the VSME standard into their products and providing related guidance. Making the VSME standard mandatory for medium-sized companies is being considered as a balanced way to reduce reporting burdens while preserving comparability for data users.

NFU Position on changes to CSDDD

NFU believes corporate governance frameworks, such as the Corporate Sustainability Due Diligence Directive create transparency, accountability, and equitable treatment, which are essential mechanisms for maintaining competitiveness and regulatory compliance. However, achieving consistency in enforcement across Member States remains a challenge.

In detail:

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1. Enforced Rules Drive Ethical Innovation

NFU views the proposed amendments to Article 22 in the Omnibus Directive critically, as they risk to significantly undermine the effectiveness of climate-related obligations. While the provision requiring companies to draft climate transition plans remains, the removal of enforcement mechanisms means that failure to implement these plans now carries no consequences.

This weakening of accountability is especially concerning in the context of globalisation, which has strengthened the influence of multinational corporations. These corporations often evade responsibility by exploiting weak regulations or leveraging investor protection systems. Efforts to promote voluntary corporate responsibility in global supply chains have proven insufficient—particularly in high-risk sectors such as the extractive industries—highlighting the urgent need for binding and enforceable rules.

Under the original Article 22 of the Corporate Sustainability Due Diligence Directive (CSDDD), Member States are required to ensure that companies adopt and implement transition plans for climate change mitigation. These plans are meant to align corporate strategies with a sustainable economy and the goals of the Paris Agreement, including climate neutrality and limiting global warming. However, the proposed changes pose a risk of reducing this critical obligation to a mere box-ticking exercise, lacking any meaningful impact in the real world.

NFU therefore recommends:

- **Companies that do fall under the scope of the directive should remain obliged to take action on their climate plans.**

2. Danger of heterogeneous sustainability due diligence regulations

From a Nordic perspective, the divergence in national approaches to sustainability due diligence underscores the danger of regulatory fragmentation across Europe.

Norway has taken a leading role with the adoption of the **Transparency Act (Åpenhetsloven)** in 2021. This law obliges large and mid-size companies, including financial institutions, to conduct due diligence on human rights and decent working conditions across their supply chains. It grants citizens the right to request corporate information, enforces compliance through the Norwegian Consumer Authority, and

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mandates companies to support remediation. Evaluations two years post-implementation (KPMG, 2024; SIFO, 2024) indicate that the regulatory burden has been manageable. Businesses have begun integrating social risks into ESG strategies, though challenges remain—particularly with proportionality and translating potential into actual risk assessments. Encouragingly, the law has spurred innovation in digital reporting tools and enhanced NGO-corporate collaboration, despite concerns over data access and insufficient sanctions for non-compliance.

Denmark was following a similar path until the CSDDD was proposed and negotiated. Parliamentary motions called for binding human rights due diligence legislation targeting large and high-risk sector companies. However, legislation has not yet been enacted.

Finland has progressed more slowly. A 2022 government policy statement declared support for EU-level binding due diligence legislation, and national legislative work began under the Ministry of Economic Affairs and Employment in 2022. Yet, this process was paused to await developments on the EU's Corporate Sustainability Due Diligence Directive (CSDDD). Despite this delay, there is evident political will in Finland to promote corporate accountability and respect for human rights.

Sweden has yet to introduce specific national due diligence legislation. Sweden has emphasized aligning with EU frameworks over developing its own national law at this stage. These national variations highlight the urgency for a unified and enforceable EU-level framework. The CSDDD plays a critical role in providing legal certainty for both companies and affected communities. Its scope, which includes financial services and investment activities, is essential to avoid regulatory loopholes and create a level playing field.

3. Scope

However, the proposed narrowing of the directive's scope under the **Omnibus Directive**, which could exclude up to 80% of European companies, is cause for concern.

NFU supports:

- **Alignment of the scopes of the CSDDD with CSRD** to ensure consistency and coherence. For the directive to be effective, robust enforcement, adequate supervisory resources, and enhanced regulatory coordination are

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vital. Drawing on existing models from EU competition law and incorporating private international law principles could further strengthen the framework.

In its current form, the CSDDD represents a significant step toward harmonising due diligence standards, fostering corporate accountability, and advancing the EU's overarching objectives in sustainability and human rights protection.

4. Stakeholder engagement

NFU strongly opposes changes to Articles 3 and 13 of the CSDDD, which would exclude trade unions from stakeholder consultations and remove mandatory engagement prior to disengagement. This would undermine participatory governance and employee rights.

NFU recommends

- to **leave the provisions in question untouched.**
- to strengthen implementation and enforcement as **effective enforcement, sufficient supervisory resources, and EU-wide legal coherence are necessary.** Lessons from EU competition law and private international law should inform CSDDD implementation.

5. Climate plans

NFU's members in the insurance sector are painfully aware that less robust, comparable data leaves insurers less prepared for the challenges ahead. Removal of the transition plan requirement from CSDDD introduces further fragmentation. This change stands in contrast to the regulatory direction taken by the European Insurance and Occupational Pensions Authority (EIOPA), which is moving toward more prescriptive ESG planning requirements under the revised Solvency II Directive. Draft Regulatory Technical Standards (RTS), currently under consultation, will require insurers to prepare detailed sustainability risk plans. These include governance structures, materiality analyses, scenario modelling over multiple time horizons, and quantifiable risk targets—mirroring the kind of forward-looking planning initially envisioned in the CSDDD. As long as second-level rules are advancing, reinforcing the need for forward-looking risk assessment and strategic alignment with climate targets, the removal of transition plans in the CSDDD provides no significant change for the insurance sector. Even worse, the Omnibus proposal's removal sends the opposite signal—suggesting a retreat from risk-based

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climate planning just as prudential regulators are embedding it more deeply into supervisory practice.

NFU recommends

- to **leave Article 22 untouched.**

Conclusion

In sum, the combined effect of narrowing the CSRD's scope, slashing reporting requirements and weakening the CSDDD, while maintaining other legislative instruments, risks fragmenting the EU's sustainable finance landscape. Rather than simplifying the regulatory environment, the Omnibus proposal could introduce greater complexity, regulatory contradiction, and operational uncertainty. This misalignment jeopardises both the credibility and coherence of the EU's sustainable finance strategy at a time when global momentum demands regulatory convergence, not retreat.

Nordic Financial Unions (NFU) is the voice of employees in the Nordic bank and insurance sectors. Through its seven affiliated unions in Denmark, Sweden, Norway, Finland and Iceland NFU represents 150 000 members.