

04 November 2025

Following the European Commission's proposal for an Omnibus on Sustainability, corporate sustainability reporting requirements are entering a new phase of refinement. The ongoing negotiations on the value chain cap under the Corporate Sustainability Reporting Directive (CSRD) ahead of the triologue could significantly influence the implementation of the CSRD.

ecoDa believes the introduction of an arbitrary cap on the value chain (such as a tier one supplier, or suppliers above a certain size) is not fit for purpose. Such a one-size-fits-all approach does not take into account the diversity of business models, sectors, and risk exposures across companies. The risk is that an arbitrary approach undermines the spirit of the CSRD by failing to accurately capture the actual risks, impacts, and dependencies that are material to each organisation.

Instead, we suggest that companies should be encouraged to identify their most significant dependencies and impacts from other entities in their value chain with respect to these entities contribution to their products, services and production processes across the value chain rather than based on the ranking (tier 1, etc), size, volume of business, and use this analysis to determine materiality thresholds.

ecoDa supports seeing this process as an integral part of the double materiality assessment, ensuring that both financial and impact dimensions are adequately reflected. It will help avoid border effects such as the use of intermediaries, which will mask other entities with a larger impact (in case tier 1 is used as a cap), and provide for more flexibility regarding capturing material impact.

About ecoDa: The European Confederation of Directors Associations (ecoDa) is an independent and unique umbrella organization representing the main national institutes of directors across Europe. Our member institutes collectively encompass around 50,000 individual directors from 24 countries, who serve on the boards of companies spanning various sizes and sectors. Our mission is to promote the highest standards of boardroom

governance and to ensure that directors across Europe are well-equipped to meet the challenges and opportunities of their roles.

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