# Effective, Proportionate and Dissuasive? The Finnish Sanctions Framework under the Corporate Sustainability Reporting Directive

University of Lapland
Faculty of Law
Environmental Law
Pro Gradu Thesis
Spring 2026
Kerttu Oja

**University of Lapland**

Faculty: Faculty of Law
Title of the thesis: Effective, Proportionate and Dissuasive? The Finnish Sanctions Framework under the Corporate Sustainability Reporting Directive
Author(s): Kerttu Oja
Degree programme/subject: Master of Laws
Type of work: Master's thesis
Number of pages + number of appendices: XII+72
Year: 2026

**Summary**

This thesis examines the Finnish sanctions framework for sustainability reporting under the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, CSRD). The Directive requires Member States to provide for penalties that are "effective, proportionate and dissuasive", but leaves the design of enforcement mechanisms largely to national legislators. The practical impact of the CSRD therefore depends on how this requirement is implemented at Member State level. The central research question of the study is whether the Finnish enforcement framework for CSRD sustainability reporting fulfils the EU-law requirement of effectiveness, proportionality and dissuasiveness. The analysis focuses on administrative enforcement mechanisms, civil liability, criminal liability and institutional allocation of supervisory responsibilities.

The thesis is based primarily on the legal dogmatic method. It systematises and interprets EU and Finnish legislation, including the CSRD and its national transposition into the Accounting Act, the Auditing Act and related legislation. In addition to doctrinal analysis, the study adopts an evaluative approach grounded in EU enforcement principles, particularly the requirement that penalties ensure the practical effectiveness (effet utile) of EU law.

The findings indicate that the Finnish framework formally complies with the Directive's requirements. Administrative supervisory mechanisms and corrective measures exist, civil liability is integrated into general corporate law, and criminal liability remains available only under adjacent contexts. However, the system relies predominantly on administrative oversight and corrective measures rather than on severe punitive sanctions. The absence of sustainability-specific criminal provisions reduces the dissuasive character of the framework.

The study concludes that the Finnish system can be considered formally effective and proportionate, but its dissuasiveness is more limited. The enforcement model emphasises compliance correction and transparency rather than punitive deterrence. As a result, the framework risks ensuring formal reporting compliance without necessarily guaranteeing substantive reliability of sustainability information. The thesis demonstrates that the credibility of information-based environmental regulation ultimately depends on the strength and coherence of national enforcement structures.

**Keywords:** Sustainability reporting, CSRD, enforcement, effectiveness, proportionality, dissuasiveness

X This thesis does not contain any personal data other than that of the author(s).

# Table of Contents

# References

## Literature and articles

*Aarnio, Aulis*: Laintulkinnan teoria. WSOY, 1989.

*Borchardt, Klaus-Dieter:* EU:n oikeuden perusteet. Euroopan komissio, Viestinnän pääosasto, Luxemburg: Euroopan unionin julkaisutoimisto, 2023. Available at: https://op.europa.eu/fi/publications

*Burns, Ronald G. – Lynch, Michael J. – Smith, Katelyn:* Sanctioning corporate crime: Fines received by the 50 top revenue generating companies in the US. Crime, Law and Social Change, Vol. 82: 1131–1155, 2024.

*Cafaggi, Fabrizio – Iamiceli, Paola:* The Principles of Effectiveness, Proportionality and Dissuasiveness in the Enforcement of EU Consumer Law: The Impact of a Triad on the Choice of Civil Remedies and Administrative Sanctions. European Review of Private Law, Vol. 25, Issue 3: 575–618, 2017.

*Cafaggi, Fabrizio – Iamiceli, Paola:* The Architecture of EU Law Enforcement. The Complementarity of Remedies and Sanctions in Light of Effectiveness, Proportionality, and Dissuasiveness. European Review of Private Law, Vol. 33, Issue 3: 603–634, 2025.

*Faure, Michael G. – Svatikova, Katarina:* Criminal or administrative law to protect the environment? Evidence from Western Europe. Journal of Environmental Law, Vol. 24, Issue 2: 253–286, 2012.

*Franssen, Vanessa:* European Sentencing Principles for Corporations. Leuven: KU Leuven, 2013.

*Hirvonen, Ari:* Mitkä metodit? Opas oikeustieteen metodologiaan. Yleisen oikeustieteen julkaisuja 17. Helsinki 2011.

*Johnston, Andrew – Sjåfell, Beate:* The EU's approach to environmentally sustainable business: can disclosure overcome the failings of shareholder primacy? In *Peeters, Marjan – Eliantonio, Mariolina*: Research handbook on EU environmental law. Edward Elgar Publishing, Cheltenham, 396–410, 2020.

*Kaisanlahti, Timo:* Kestävyysraportointi ja kestävyysraportoinnin varmentaminen. In: *Villa, Seppo – Airaksinen, Manne – Alén-Savikko, Anette – Bärlund, Johan – Jauhiainen, Jyrki – Kaisanlahti, Timo – Kanervo, Joel – Knuts, Mårten – Kuoppamäki, Petri – Kymäläinen, Seppo – Mansnérus, Juli – Mähönen, Jukka – Pihlajarinne, Taina – Rautio, Juha – Viitanen, Klaus*: Yritysoikeus. Helsinki: Alma Media Finland Oy, 2024.

*Markus, Jaakko – Paukku, Eelis:* Administrative Fines in Europe: A Quest for Effectiveness? European Public Law, Vol. 31, Issue 4: 533–556, 2025.

*Misiuda, Maria – Lachmann, Maik*: Investors' Perceptions of Sustainability Reporting – A Review of the Experimental Literature. Sustainability, Vol. 14, No. 24, 16746, 2022.

*Niskala, Mikael – Palmuaro, Sirkku:* Uudet kestävyysraportointivaatimukset : mitä ne tarkoittavat käytännössä? Helsinki: Alma Talent Oy, 2023.

*Mezzanotte, Félix E.:* Corporate sustainability reporting: double materiality, impacts, and legal risk. Journal of Corporate Law Studies, Vol. 23, No. 2: 633–663, 2024.

*Ojanen, Tuomas:* EU-oikeuden perusteita. Helsinki: Edita Publishing Oy 2016.

*Pantazi, Tania:* The Introduction of Mandatory Corporate Sustainability Reporting in the EU and the Question of Enforcement. European Business Organization Law Review, Vol. 25: 509–532, 2024.

*Raitio, Juha – Tuominen, Tomi*: Euroopan unionin oikeus. Helsinki: Alma Media Finland Oy 2025.

*Ruohonen, Janne – Sarajärvi, Oona*: Kestävyysraportointivarmennuksen rajoitettu varmuustaso – juridinen tarkastelu. In: *Ruohonen, Janne – Kihn, Lili-Anne – Rönkkö, Jaakko – Ala-Mikkula, Enni*: Varmennuksen ja kestävyysraportoinnin muuttuva toimintaympäristö. Tampere: Tampere University Press, 197-217, 2025.

*Silvola, Hanna – Peill, Elina – Aspholm, Ingalill – Kaisanlahti, Timo:* ESG Kestävyysraportointi: Yritysjohdon vastuu ja mahdollisuus. ST-Akatemia Oy 2024.

*Sørensen, Karsten Engsig:* Member States' implementation of penalties to enforce EU law: balancing the avoidance of enforcement deficits and the protection of individuals. European Law Review, Vol. 40, Issue 6: 811–831, 2015.

*Vomáčka, Vojtěch:* Calibrating green compliance: EU framework for effective, proportionate and dissuasive penalties in environmental protection. ERA Forum, Vol. 25: 281–299, 2024.

*White, Rob:* Reparative justice, environmental crime and penalties for the powerful. Crime, Law and Social Change, Vol. 67: 117–132, 2017.

*Wils, Wouter P.J.:* Optimal Antitrust Fines: Theory and Practice. World Competition, Vol. 29, No. 2: 183–208, 2006.

*Wojnowska-Radzińska, Julia*: Corporate sustainability reporting in the European Union – Quo vadis, EU lawmaker? Ruch Prawniczy, Ekonomiczny i Socjologiczny, Vol. 87, No. 3, 83–99, 2025.

**Official Sources**

*Secondary legislation of the European Union*

Directive (EU) 2024/1785 of the European Parliament and of the Council of 24 April 2024 amending Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control) and Council Directive 1999/31/EC on the landfill of waste, OJ L 2024/1785, 15.7.2024. (Industrial Emissions Amendment Directive)

Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937, OJ L, 2024/1760, 5.7.2024. (Corporate Sustainability Due Diligence Directive, CSDDD)

Directive (EU) 2024/1203 of the European Parliament and of the Council of 11 April 2024 on the protection of the environment through criminal law and replacing Directive 2008/99/EC, OJ L 319, 22.11.2024. (Environmental Crime Directive)

Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ L 322, 16.12.2022. (CSRD)

Directive (EU) 2014/95 of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330, 15.11.2014. (NFRD)

Directive (EU) 2013/34 of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC and repealing Council Directives 78/660/EEC and 83/349/EEC, OJ L 182, 29.6.2013. (Accounting Directive)

Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control), OJ L 334, 17.12.2010. (Industrial Emissions Directive)

Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community (INSPIRE), OJ L 108, 25.4.2007. (INSPIRE Directive)

Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, OJ L 157, 9.6.2006. (Audit Directive)

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, OJ L 390, 31.12.2004. (Transparency Directive)

Directive 2003/4/EC of the European Parliament and of the Council of 28 January 2003 on public access to environmental information and repealing Council Directive 90/313/EEC, OJ L 41, 14.2.2003. (Access to Environmental Information Directive)

Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, OJ L 2023/2772, 22.12.2023. (ESRS DR)

Regulation (EU) 2024/1244 of the European Parliament and of the Council of 24 April 2024 on reporting of environmental data from industrial installations, establishing an Industrial Emissions Portal and repealing Regulation (EC) No 166/2006, OJ L 2024/1244, 2.5.2024. (Industrial Emissions Portal Regulation)

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020. (EU Taxonomy Regulation)

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9.12.2019. (SFDR)

Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants, OJ L 169, 25.6.2019. (POPs Regulation)

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ L 119, 4.5.2016. (GDPR)

*Other official European Union sources*

COM(2025) 81 final. Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements.

COM(2025) 80 final. Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements.

COM(2021) 189 final. Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.

SWD(2021) 150 final. Commission Staff Working Document. Impact Assessment. Accompanying the document Proposal for a Directive of the European Parliament and of the Council, amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.

COM(2019) 640 final. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. The European Green Deal.

COM(2018) 97 final. Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions. Action Plan: Financing Sustainable Growth.

*National legislation*

Accounting Act (kirjanpitolaki, 1336/1997)

Act on Credit Institutions (laki luottolaitostoiminnasta, 610/2014)

Act on Finnish Financial Supervisory Authority (laki finanssivalvonnasta, 878/2008)

Auditing Act (tilintarkastuslaki, 1141/2015)

Criminal Code (rikoslaki, 39/1889)

Damages Act (vahingonkorvauslaki, 412/1974)

Limited Liability Companies Act (osakeyhtiölaki, 624/2006)

Securities Markets Act (arvopaperimarkkinalaki, 746/2012)

Trade Register Act (kaupparekisterilaki, 564/2023)

*Other official national sources*

HE 20/2023 vp, Hallituksen esitys eduskunnalle laeiksi kirjanpitolain ja tilintarkastuslain muuttamisesta ja eräiksi niihin liittyviksi laeksi. (Government Bill)

TaVM 5/2023, Talousvaliokunnan mietintö n:o 5 hallituksen esityksestä eduskunnalle laeiksi kirjanpitolain ja tilintarkastuslain muuttamisesta sekä eräiksi niihin liittyviksi laeiksi.

Hallituksen esitys eduskunnalle laeiksi kirjanpitolain ja tilintarkastuslain muuttamisesta ja eräiksi niihin liittyviksi laeksi (luonnos), 21.03.2023. (Government Bill draft 2023)

Oikeusministeriön Arviomuistio rikoslain viimeaikaisesta kehityksestä ja tulevista kehitystarpeista, 13.3.2018, Oikeusministeriö, Mietintöjä ja lausuntoja 7/2018. (Ministry of Justice publication 7/2018)

**Case law**

*Cases and opinions of the Court of Justice*

Case C-117/20, bpost, Judgment of 22 March 2022, ECLI:EU:C:2022:202.

Case C-151/20, Nordzucker and Others, Judgment of 22 March 2022, ECLI:EU:C:2022:203.

Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111.

Case C-544/19, ECOTEX BULGARIA, Judgment of 6 October 2021, ECLI:EU:C:2021:803.

Opinion of AG Bobek, 23 September 2021, Case C-205/20, NE, ECLI:EU:C:2021:759.

Case C-30/19, Braathens Regional Aviation, Judgment of 15 April 2021, ECLI:EU:C:2021:269.

Case C-501/14, EL-EM-2001, Judgment of 19 October 2016, ECLI:EU:C:2016:777.

Case C-255/14, Chmielewski, Judgment of 16 July 2015, ECLI:EU:C:2015:475.

Case C-148/14, Nordzucker, Judgment of 7 May 2015, ECLI:EU:C:2015:287.

Case C-315/13, De Clercq, Judgment of 4 December 2014, ECLI:EU:C:2014:2408.

Joined Cases C-22/13, C-61/13 to C-63/13 and C-418/13, Mascolo, Judgment of 26 November 2014, ECLI:EU:C:2014:2401.

Case C-565/12, LCL Le Crédit Lyonnais SA v Kalhan, Judgment of 27 February 2014, ECLI:EU:C:2014:190.

Case C-418/11, Texdata Software, Judgment of 26 September 2013, ECLI:EU:C:2013:588.

Case C-81/12, ACCEPT, Judgment of 25 April 2013, ECLI:EU:C:2013:275.

Case C-210/10, Urbán v Vám- és Pénzügyőrség Észak-alföldi Regionális Parancsnoksága, Judgment of 16 February 2012, ECLI:EU:C:2012:64.

Case C-156/04, Commission v Greece, Judgment of 7 June 2007, ECLI:EU:C:2007:316.

Case C-94/05, Emsland-Stärke, Judgment of 16 March 2006, ECLI:EU:C:2006:185.

Case C-26/00, Netherlands v Commission, Judgment of 14 July 2005, ECLI:EU:C:2005:450.

Joined Cases C-387/02, C-391/02 and C-403/02, Berlusconi and Others, Judgment of 3 May 2005, ECLI:EU:C:2005:270.

Opinion of AG Kokott, 14 October 2004, in Joined Cases C-387/02, C-391/02 and C-403/02, Berlusconi and Others, ECLI:EU:C:2004:624.

Case C-262/99, Louloudakis v Greece, Judgment of 12 July 2001, ECLI:EU:C:2001:407.

Case C-383/92, Commission v United Kingdom, Judgment of 8 June 1994, ECLI:EU:C:1994:234.

Case C-271/91, Marshall II, Judgment of 2 August 1993, ECLI:EU:C:1993:335.

Case 68/88, Commission v Greece, Judgment of 21 September 1989, ECLI:EU:C:1989:339. ("Greek Maize")

Case C-45/76, Comet, Judgment of 16 December 1976, ECLI:EU:C:1976:191.

Case C-33/76, Rewe, Judgement of 16 December 1976, ECLI:EU:C:1976:188.

Case 6/64, Flaminio Costa v ENEL, Judgment of 15 July 1964, ECLI:EU:C:1964:66.

*Other case law*

Supreme Court of Delaware, Marchand v. Barnhill, 212 A.3d 805 (2019).

Supreme Court of Finland, KKO 2016:58, Judgment of 29 June 2016.

**International soft-law instruments**

United Nations, Guiding Principles on Business and Human Rights (2011), HR/PUB/11/04, 2011.

United Nations, The Ten Principles of Global Compact. Available at: https://unglobalcompact.org/what-is-gc/mission/principles. Visited 23 February 2026.

Organisation for Economic Co-operation and Development (OECD), Guidelines for Multinational Enterprises, 2018.

Global Reporting Initiative, GRI Standards. Available at https://www.globalreporting.org/standards/. Visited 23 February 2026.

**European Union supervisory and expert bodies**

*European Securities and Markets Authority (ESMA)*

European Securities and Markets Authority, Guidelines on Enforcement of Sustainability Information, adopted 29 April 2025.

European Securities and Markets Authority, Progress Report on Greenwashing, ESMA30-1668416927-2498, 31 May 2023.

European Securities and Markets Authority, Enforcement and Regulatory Activities of European Accounting Enforcers in 2018, ESMA32-63-672, 27 March 2019.

*Committee of European Auditing Oversight Bodies (CEAOB)*

CEAOB, Guidelines on Limited Assurance on Sustainability Reporting, adopted 2024, European Commission.

**Other sources**

*Official reports*

Milieu Ltd: Provisions on penalties related to legislation on industrial installations – Document on Good Practices. Brussels: Milieu Ltd, 2011.

*Online sources*

Espinoza, Financial Times. Why Big Tech fines do not work. 10 April 2024. Available at: https://www.ft.com/content/ba6eb664-b981-42d7-b24a-65e7e19889f8 . Visited 28 January 2026.

Ministry of Economic Affairs and Employment of Finland, Project Memorandum TEM069:00/2024. Available at: https://tem.fi/en/project?tunnus=TEM069:00/2024. Visited 22 February 2026.

Ministry of Economic Affairs and Employment of Finland. Lausuntoyhteenveto – Luonnos hallituksen esitykseksi CSRD direktiivin voimaansaattamisesta. 9 June 2022. Available at https://api.hankeikkuna.fi/asiakirjat/3bcbdac5-4b29-49fb-8e72-15d460318755/dfbd92db-3b9e-4035-a3ff-95c65ee4bf02/YHTEENVETO_20230620114037.PDF. Visited 22 February 2026.

Ministry of Economic Affairs and Employment of Finland. Lausuntoyhteenveto – Luonnos hallituksen esitykseksi CSRD direktiivin voimaansaattamisesta. 12.12.2022. Available at https://www.lausuntopalvelu.fi/FI/Proposal/Participation?proposalId=0c7ff216-83fe-47d8-acb4-5a21d22c3bca. Visited 23 February 2026.

# Abbreviations

| | |
|---|---|
| CEAOB | Committee of European Auditing Oversight Bodies |
| CSDDD | Corporate Sustainability Due Diligence Directive |
| CSRD | Corporate Sustainability Reporting Directive |
| EFRAG | European Financial Reporting Advisory Group |
| ESMA | European Securities and Markets Authority |
| ESRS | European Sustainability Reporting Standards |
| EU | European Union |
| FIN-FSA | Finnish Financial Supervisory Authority |
| GDPR | General Data Protection Regulation |
| HE | Government Bill to Parliament |
| NFRD | Non-Financial Reporting Directive |
| OECD | Organisation for Economic Co-operation and Development |
| SFDR | Sustainable Finance Disclosure Regulation |

# 1 Introduction

## 1.1 Research topic and background

The legal landscape of corporate responsibility in the European Union has undergone a profound transformation during the last decade. Whereas sustainability reporting initially developed as a voluntary exercise, largely shaped by soft law instruments such as the Global Reporting Initiative Standards[1] and the UN Global Compact[2], the EU has progressively sought to establish a comprehensive regulatory framework for non-financial disclosures. The key step in this trajectory was the adoption of the Non-Financial Reporting Directive (NFRD, Directive 2014/95/EU),[3] which required certain large public-interest entities to disclose information relating to environmental, social and governance (ESG) matters from 2017 onwards.

The NFRD, however, soon faced criticism for producing inconsistent, incomplete, and noncomparable disclosures across companies and sectors. Stakeholders, including investors, regulators, and civil society organisations, struggled to assess the true sustainability performance of companies. [4] In response to these shortcomings, the European legislator adopted the Corporate Sustainability Reporting Directive (CSRD, Directive 2022/2464/EU) in December 2022.[5] The CSRD replaces the NFRD and creates a broader, more detailed, and standardised system of sustainability reporting obligations.

The CSRD is significant in terms of both scope and content. It applies to a vastly larger group of companies – an estimated 49,000 undertakings across the EU, compared to roughly 11,700

[1] Global Reporting Initiative. https://www.globalreporting.org/standards/ (23 February 2026). The GRI Standards are voluntary, internationally recognized guidelines for sustainability reporting that help organizations disclose their economic, environmental, and social impacts.
[2] United Nations. https://unglobalcompact.org/what-is-gc/mission/principles (23 February 2026). Companies commit to aligning their strategies and operations with ten universally accepted principles on human rights, labour, the environment, and anti-corruption, and to advancing broader UN goals such as the Sustainable Development Goals.
[3] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330, 15.11.2014
[4] COM(2021) 189 final, p. 2.
[5] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ L 322, 16.12.2022. (CSRD)

under the NFRD[6] – and requires them to report in accordance with uniform European Sustainability Reporting Standards (ESRS). These standards, developed by the European Financial Reporting Advisory Group (EFRAG), include detailed requirements on environmental matters, such as climate change, pollution, water and marine resources, biodiversity and ecosystems, and resource use and circular economy. In addition, the CSRD mandates limited assurance by statutory auditors, a significant step in ensuring the reliability of sustainability information.[7]

From an environmental law perspective, the CSRD represents a distinctive regulatory technique. Rather than imposing direct substantive limits on environmentally harmful activities, it relies on information-based governance. By obliging companies to disclose their environmental impacts, risks, transition plans and governance structures, the CSRD seeks to influence behaviour indirectly through transparency, market discipline and stakeholder scrutiny. Sustainability reporting is thus embedded within the broader architecture of EU environmental and financial governance, including the European Green Deal[8] and the Action Plan on Financing Sustainable Growth.[9]

The effectiveness of such information-based regulation is inherently dependent on compliance. Unlike traditional environmental permitting regimes, non-compliance with sustainability reporting obligations does not immediately result in physical environmental harm. Instead, it undermines the transparency mechanism itself. Inaccurate, incomplete or misleading disclosures deprive stakeholders of material information, weaken capital market discipline and risk rendering the regulatory framework ineffective. The credibility of sustainability reporting therefore depends not only on the precision of reporting standards but also on the existence of a coherent and enforceable sanctions framework.

The CSRD does not establish a centralised EU-level enforcement system. Instead, in line with the general model of EU law, it requires Member States to provide for penalties that are "effective, proportionate and dissuasive".[10] This open-ended formulation grants national legislators discretion in designing enforcement mechanisms while simultaneously imposing

[6] COM(2021) 189 final, p. 1, 10. However, see COM(2025) 80 final, pp. 4-5, as the scope of mandatory reporting has been significantly narrowed to target large undertakings with more than 1,000 employees, effectively exempting approximately 80% of the companies originally captured by the CSRD.
[7] Article 34(1), second subparagraph, point (aa) of the Accounting Directive (Directive 2013/34/EU), as amended by the CSRD; Article 3 of the Audit Directive (Directive 2006/43/EC), as amended. See also Recital 60 of the CSRD.
[8] COM(2019) 640 final.
[9] COM(2021) 189 final, pp. 2-6.
[10] Accounting Directive, Article 51, as amended by the CSRD.

substantive constraints derived from EU law. The practical impact of the Directive thus depends significantly on how individual Member States implement and operationalise these enforcement requirements.

Additionally, the regulatory environment surrounding EU sustainability legislation remains dynamic. Since the adoption of the CSRD, the broader sustainability framework has been subject to ongoing policy debate and proposals for legislative adjustment. In particular, the European Commission has proposed amendments to several sustainability-related instruments through a broader legislative "Omnibus" simplification initiative aimed at reducing administrative burdens and strengthening European competitiveness.[11] These developments illustrate the evolving nature of the regulatory landscape within which corporate sustainability reporting operates. For the purposes of this thesis, the analysis reflects the legal and policy framework as it stood at the end of February 2026.

Against this background, the present thesis examines the Finnish implementation of the CSRD sanctioning requirement in a rapidly evolving regulatory environment. It focuses on the enforcement of sustainability reporting obligations and the legal consequences of non-compliance, analysing whether the national framework fulfils the EU requirement that penalties be effective, proportionate and dissuasive.

## 1.2 Research problem and structure

The central research question of this thesis is:

Does the Finnish sanctions framework for CSRD sustainability reporting comply with the EU requirement that penalties be effective, proportionate and dissuasive?

This main question is further specified through the following sub-questions:

1. How has Finland transposed the CSRD enforcement requirement into national law?
2. What administrative, civil and criminal mechanisms apply in cases of non-compliance with sustainability reporting obligations?
3. How are supervisory responsibilities institutionally allocated within the Finnish system?

[11] COM(2025) 81 final.

4. When assessed as a whole, does the Finnish enforcement framework satisfy the EU-law criteria of effectiveness, proportionality and dissuasiveness?

The thesis does not confine itself to identifying the formal existence of sanctions. Rather, it analyses the enforcement system as a structural whole, taking into account supervisory allocation, detection capacity, corrective measures, civil liability and the role of criminal law. The evaluation is conducted within the framework of EU law and its enforcement principles.

In delineating the scope of the analysis, it is important to note that the thesis examines enforcement both from the perspective of companies as reporting entities and from the standpoint of the individuals within those companies who may bear legal responsibility for non-compliance. Although the CSRD applies to several corporate forms, the assessment in this thesis focuses specifically on Finnish limited liability companies (osakeyhtiöt), as they constitute the predominant category of undertakings subject to the reporting obligations and represent the core of Finnish corporate practice.

The thesis is structured as follows. Chapter 2 situates the CSRD within the broader EU sustainability and environmental governance architecture and examines the meaning of effectiveness, proportionality and dissuasiveness in EU law. Chapter 3 analyses the Finnish implementation of sustainability reporting enforcement. Chapter 4 provides a structured assessment of the Finnish framework in light of the EU-law triad. Chapter 5 presents the conclusions.

## 1.3 Methods and sources

The primary methodological approach of this thesis is legal dogmatics. Legal dogmatics is traditionally understood as the discipline that interprets, systematises and clarifies the content of valid law.[12] Its central task is to determine what the law is in a given normative context by analysing binding legal sources and organising them into a coherent system.[13]

In accordance with this understanding, the present thesis identifies and interprets relevant EU and Finnish legal norms governing sustainability reporting and its enforcement, relying on a

[12] Hirvonen 2011, pp. 21-22.
[13] Ibid, pp. 24-26.

hierarchy of sources that includes binding instruments (directives and statutes), preparatory works, and established doctrine.[14] However, because the object of study is a framework derived from the Union, this approach is fundamentally integrated with EU legal methodology, which acknowledges EU law as an autonomous and independent legal order.[15] Consequently, legal concepts are interpreted not through national lenses alone but according to the specific terminology and requirements of EU law to ensure uniform application across Member States.

Consistent with EU methodology, this thesis employs specific interpretative principles recognized by the Court of Justice of the European Union (CJEU). A central feature is literal interpretation, whereby the provisions of the Treaties or of EU legislation are interpreted in accordance with their wording.[16] Furthermore, the analysis applies systematic interpretation, placing individual provisions within the context of the Union's broader legal framework, and teleological interpretation, which focuses on the objectives of the law.[17] A key dimension of this is the principle of effectiveness (*effet utile*), which dictates that rules must be interpreted in a manner that ensures they achieve their intended practical impact and full useful effect.[18] This is supplemented by a dynamic-evolutive approach, interpreting norms in light of the current state of European integration.[19] The *ratio decidendi* of CJEU case law is treated as a binding source of law, providing the authoritative interpretation of these systems.[20] The assessment therefore remains internal to the legal order, examining how Finnish implementation interacts with the duty of sincere cooperation under Article 4(3) Treaty of the European Union (TEU), which requires Member States to ensure the fulfilment of Union obligations.

When analysing the Finnish implementation of the CSRD, the thesis also follows the hierarchy of legal sources recognised in Finnish legal methodology: primary reliance is placed on binding legal instruments (EU directives, national statutes), followed by preparatory works, case law and established legal doctrine.[21] The thesis therefore does not employ

[14] Tuominen – Raitio 2025, pp. 77-78.
[15] Regarding independent legal order, see, e.g. Case 6/64, Flaminio Costa v ENEL, Judgment of 15 July 1964, ECLI:EU:C:1964:66. Further, Borchardt 2023, pp. 141-142 and Ojanen 2016, pp. 37-38.
[16] Ojanen 2016, pp. 51-52.
[17] Ibid, pp. 51-54.
[18] Ibid, p. 51.
[19] Ibid, p. 51-53
[20] Tuominen – Raitio 2025, pp. 78-79.
[21] See Aarnio 1989.

empirical methods, such as statistical analysis of enforcement outcomes, nor does it rely on sociological or economic research methods.

Although grounded in legal dogmatics, the thesis adopts a system-oriented perspective. Rather than examining individual provisions in isolation, it reconstructs the enforcement framework as an interconnected structure consisting of supervisory institutions, administrative measures, civil liability and criminal sanctions. This approach reflects the understanding that enforcement effectiveness in EU law cannot be assessed solely by reference to individual penalties but must be evaluated in light of the enforcement system as a whole.[22] The analysis therefore includes institutional allocation, procedural mechanisms and the interaction between administrative and criminal tracks.

In addition to interpretative systematisation, the thesis incorporates a normative-evaluative dimension. This evaluation is not grounded in independent policy preferences but in binding EU-law standards. The requirement that penalties be effective, proportionate and dissuasive derives from established EU law doctrine, including the Court of Justice's case law and the principle of sincere cooperation under Article 4(3) the Treaty of the European Union (TEU). These principles function as internal normative benchmarks within the EU legal order. The thesis therefore assesses the Finnish enforcement framework against these legally binding criteria.

## 1.4 Definitions

Given the interdisciplinary character of sustainability reporting, certain key concepts require clarification.

*Sustainability reporting* refers to the disclosure obligations imposed by the CSRD and implemented through national law. It encompasses environmental, social and governance information reported in accordance with the ESRS and integrated into the management report.

*Assurance* refers to the independent verification of reported sustainability information in accordance with the CSRD requirements. Under the current framework, sustainability

[22] On systemic assessment of enforcement in EU law, see e.g. Case 68/88, Commission v Greece, Judgment of 21 September 1989, ECLI:EU:C:1989:339.

reporting is subject to limited assurance by a statutory auditor or authorised sustainability assurance provider.

*Supervision* denotes the oversight activities carried out by designated national authorities to monitor compliance with sustainability reporting obligations.

*Enforcement* and *sanctions* refer to the legal consequences imposed in response to non-compliance with reporting requirements. These may include administrative measures, civil liability or criminal liability under national law.

The concepts of *effectiveness*, *proportionality* and *dissuasiveness* are used in accordance with their established meaning in EU law. Effectiveness requires that EU rules are applied in a manner that ensures their practical impact.[23] Proportionality requires that supervisory and sanctioning measures are appropriate and not excessive in relation to the objectives pursued.[24] Dissuasiveness concerns the capacity of enforcement mechanisms to deter non-compliance and remove incentives for strategic reporting deficiencies.[25]

These concepts form the evaluative foundation of the present study. Having established the key concepts and terminology that form the basis of this study, the analysis now turns to the broader legal and regulatory context in which these terms operate. The following chapter examines the regulatory framework and objectives of the CSRD, situating the defined concepts within the EU's evolving sustainability governance architecture. By linking the foundational definitions to the structures, obligations and policy aims that shape sustainability reporting at the EU level, Chapter 2 provides the necessary contextual grounding for understanding how these requirements function in practice and why they are central to the subsequent examination of enforcement in the Finnish legal system.

---

[23] This doctrine, fundamentally rooted in the duty of sincere cooperation (Article 4(3) TEU), mandates that Member States ensure the full and useful effect of Union law through demonstrably efficacious enforcement mechanisms. The requirement that a sanction should be effective indicates that it should be capable of achieving its intended objective.

[24] See Case C-262/99, Louloudakis v Greece, Judgment of 12 July 2001, ECLI:EU:C:2001:407, where stated that penalties "must not go beyond what is strictly necessary for the objectives pursued and a penalty must not be so disproportionate to the gravity of the infringement that it becomes an obstacle to the freedoms enshrined in the Treaty." See also Case C-210/10, Urbán v Vám- és Pénzügyőrség Észak-alföldi Regionális Parancsnoksága, Judgment of 16 February 2012, ECLI:EU:C:2012:64 and Case C-94/05, Emsland-Stärke, Judgment of 16 March 2006, ECLI:EU:C:2006:185.

[25] Case C-565/12, LCL Le Crédit Lyonnais SA v Kalhan, Judgment of 27 February 2014, ECLI:EU:C:2014:190; Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111.

# 2 The regulatory framework and objectives of CSRD

## 2.1 Sustainability reporting as a regulatory technique in EU environmental governance

The European Union has, over the past two decades, increasingly adopted information-based regulatory instruments to address complex environmental challenges.[26] Traditional command-and-control mechanisms, such as emissions limits, environmental permits and liability regimes, remain central features of EU environmental law.[27] Yet the environmental and climate challenges identified in the European Green Deal are characterised as systemic in nature, arising from diffuse economic activities, global value chains and the cumulative impacts of resource use. [28] The Green Deal therefore calls for a "new growth strategy" aimed at transforming the EU economy and decoupling economic expansion from environmental degradation.[29] In parallel, the Action Plan on Financing Sustainable Growth emphasises that achieving environmental objectives necessitates not only substantive sector-specific regulation but also mechanisms capable of integrating sustainability considerations into financial and corporate decision-making.[30]

In this context, sustainability reporting has emerged as a distinct regulatory technique. Rather than prescribing substantive environmental performance, it requires companies to generate, structure and disclose information concerning their environmental impacts, risks and opportunities.[31] This development marks a shift from regulating behaviour to regulating information about behaviour, based on the expectation that greater transparency will reshape incentives by enabling market actors, regulators and civil society to scrutinise corporate conduct. The Commission emphasises that sustainability information must be sufficiently

[26] See, e.g. Regulation (EU) 2024/1244 establishing the Industrial Emissions Portal and mandating EU-wide pollutant-release reporting; Directive 2003/4/EC on public access to environmental information implementing the Aarhus Convention; and Directive 2007/2/EC (INSPIRE) creating a harmonised EU spatial environmental data infrastructure.
[27] See Directive (EU) 2024/1785, the 2024 recast of Directive (EU) 2010/75(Industrial Emissions Directive), which maintains binding emission limit values and permit conditions as the core instruments of industrial pollution control; and Regulation (EU) 2019/1021 (POPs Regulation), which continues to impose strict prohibitions and binding limit values.
[28] COM(2019) 640 final, pp. 2-3.
[29] Ibid, p. 2.
[30] COM(2018) 97 final, pp. 3-5.
[31] Accounting Directive, as amended by the CSRD, Article 19a(1).

relevant, comparable and reliable in order to support effective decision-making and regulatory oversight.[32]

The EU's growing reliance on transparency-based instruments reflects its broader view that environmental sustainability is inseparable from economic and financial stability.[33] Reliable and comparable sustainability information is therefore regarded as a prerequisite for directing capital flows towards environmentally sustainable activities and for supporting the functioning of the internal market.[34]

Crucially for the present thesis, the effectiveness of information-based regulation depends on compliance. Where sustainability information is incomplete, unreliable or incomparable, the regulatory mechanism may lose its potential to influence behaviour or support environmental policy implementation.[35] This insight underscores the importance of a coherent and enforceable reporting framework. The CSRD constitutes the EU's most comprehensive attempt to establish such a framework, and its environmental objectives cannot be understood independently from the governance structure it introduces.

## 2.2 Limitations of the NFRD and the need for reform

The CSRD was introduced against the backdrop of significant structural weaknesses in the Non-Financial Reporting Directive (NFRD). The NFRD, adopted in 2014, represented the EU's first legally binding framework requiring certain large public-interest entities to disclose information on environmental, social and governance matters.[36] Despite its pioneering role, subsequent analyses revealed that the directive failed to meet its regulatory objectives, particularly in terms of environmental transparency, comparability of disclosures and support for sustainable finance.[37]

A core limitation of the NFRD was its restricted personal scope. The directive applied only to large public-interest entities with more than 500 employees, excluding a substantial number

[32] CSRD, Recital 2.
[33] COM(2018) 97 final, pp. 3-4
[34] Ibid, p. 1, 11.
[35] See Pantazi 2024, p. 513, noting that unreliable and non-standardised reporting undermined the regulatory effectiveness of the NFRD.
[36] NFRD, Art. 1 and Art. 19a of the Accounting Directive as amended.
[37] SWD(2021) 150 final, pp. 12-13 and p. 18.

of undertakings whose activities generate significant environmental impacts.[38] Furthermore, only entities in which either the balance sheet total has exceeded 20 million euros or the net turnover has exceeded 40 million euros in both the current and preceding financial year, were in scope of the NFRD. In Finland, approximately 100 companies fell within the scope of the NFRD provisions.[39] This narrow scope created a fragmented transparency landscape, where environmentally relevant information was available only for a small subset of economic actors. As noted by the Commission, the existing framework did not ensure that users had access to relevant, reliable and comparable sustainability information, as many companies either failed to report such information or disclosed data that was incomplete and difficult to compare.[40]

From an environmental law perspective, insufficient coverage represents a fundamental deficiency, as the environmental impacts of economic activities may not necessarily correspond to company size, legal form or listing status.[41] By limiting disclosure obligations to a small category of entities, the NFRD left information gaps concerning sectors central to climate change, biodiversity loss and natural-resource use. These are precisely the areas where reliable transparency is most essential for effective governance.

A further structural weakness was the absence of binding, harmonised reporting standards.[42] The NFRD allowed undertakings to rely on voluntary frameworks such as Global Reporting Initiative[43], United Nations Global Compact[44] or integrated reporting models, but it did not prescribe a uniform structure or minimum datapoints. As a result, sustainability reports varied greatly in format, scope, terminology and level of detail.[45] This variability undermined horizontal comparability between companies.[46] In its impact assessment of the NFRD, the Commission emphasized that one of the core objectives of non-financial reporting was to gradually transform the status of sustainability information so that, over time, it would

[38] NFRD, Art. 1 and Art. 19a (limiting the NFRD to large public-interest entities with more than 500 employees). See also SWD(2021) 150 final, p. 18, noting that this scope "does not include some companies from whom users need non-financial information," thereby creating significant information gaps.
[39] HE 20/2023 vp, p. 9.
[40] COM(2021) 189 final, p. 2.
[41] SWD(2021) 150 final, pp. 45-46 and 156-157; CSRD, Recital 18.
[42]As noted by the European Securities and Markets Authority (ESMA), 2019, "the effectiveness of the applicable framework and the comparability of the resulting disclosures would have been greater had the (NFRD) set up or indicated a specific framework and accepted a single set of standards to report this type of information."
[43] Global Reporting Initiative. https://www.globalreporting.org/standards/ (23 February 2026).
[44] United Nations. https://unglobalcompact.org/what-is-gc/mission/principles (23 February 2026).
[45] SWD(2021) 150 final, pp. 163-164.
[46] Ibid, p. 161.

become more comparable to financial information withing the EU framework.[47] The lack of binding, harmonised standards meant that this objective remained largely unmet.

Empirical evaluations confirmed that disclosures often consisted of generic summary descriptions lacking concrete, quantifiable environmental data.[48] Several studies show that companies often reported favourable information, a practice commonly linked to greenwashing risks[49], while leaving out significant environmental impacts.[50] This flexibility effectively transferred significant normative power to companies themselves, enabling them to define the reporting standard and content of their disclosures.[51]

The reliability of sustainability information was further undermined by the absence of mandatory assurance requirements. Under the NFRD, statutory auditors were required only to verify the existence of a non-financial statement, not its content.[52] This assurance requirement meant that disclosures were not subject to substantive verification, significantly weakening the reliability of reported information. This deficiency proved particularly consequential in environmental matters, where data quality is essential for risk assessment, capital allocation and monitoring progress toward EU environmental objectives. The Commission noted widespread concerns that non-financial information lacked both reliability and completeness, limiting its usefulness for sustainable finance.[53] The absence of assurance thus hindered the direct and indirect regulatory effects that transparency mechanisms are intended to generate.

A fourth significant limitation lay in the NFRD's weak enforcement framework. This weakness was closely tied to the directive's underlying comply-or-explain principle. Under this approach, undertakings were not required to provide comprehensive disclosures in all cases but could instead justify the omission of certain information by offering an

[47] SWD(2021) 150 final, p. 16, 28.
[48] Ibid, p. 158.
[49] ESMA, 2023, p. 11, has defined greenwashing as "a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, financial product, or financial service. This practice may be misleading to consumers, investors, or other market participants."
[50] SWD(2021) 150 final, p. 158.
[51] Wojnowska-Radzinska 2023, pp. 85-86; SWD(2021) 150 final, p. 12.
[52] NFRD; SWD(2021) 150 final, p. 12. However, as noted by the Commission, 2021, "Some Member States (Italy, Spain and France) have introduced stronger assurance requirements than the existence check specified in the NFRD and require the verification of the content of the information reported by an independent assurance service provider."
[53] SWD(2021) 150 final, pp. 12-13, 162.

explanation.[54] As long as a company formally addressed the reporting obligation and provided a clear and reasoned explanation for non-disclosure, it was generally regarded as compliant.

The NFRD required Member States to establish penalties for non-compliance but provided no detailed guidance on the structure or severity of such measures.[55] As a result, national sanction systems varied widely[56], and in many Member States enforcement remained largely symbolic: the lack of a credible enforcement mechanism resulted in a compliance environment characterised by uncertainty and inconsistent supervisory practices, limiting the directive's capacity to influence corporate behaviour.[57] Without effective enforcement, disclosure obligations risk being perceived as procedural rather than substantive regulatory requirements, particularly where compliance imposes administrative burdens without corresponding consequences for non-compliance.

Finally, the NFRD framework became increasingly misaligned with the EU's evolving environmental and sustainable finance agendas. The adoption of the European Green Deal, the EU Taxonomy Regulation (2020/852/EU)[58] and the Sustainable Finance Disclosure Regulation (2019/2088/EU, SFDR)[59] expanded the demand for structured, reliable and comparable environmental data.[60] These instruments rely on corporate disclosures for their operation; without high-quality reporting, their regulatory functions cannot be fully realised.

The cumulative effect of these limitations rendered the NFRD incapable of supporting the transparency and accountability needed for modern environmental governance. The CSRD was therefore introduced to rectify these structural deficiencies and to create a robust, enforceable and standardised reporting framework aligned with the EU's environmental objectives and sustainable finance architecture.

---

[54] NFRD Article 19a(1): "Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so."
[55] NFRD, Article 51 (as part of the Accounting Directive); SWD(2021) 150 final, p. 199.
[56] Pantazi 2024, p. 520.
[57] Pantazi 2024, p. 513: "The absence of enforcement tools and external assurance, as well as the lack of reliability and credibility of information did not allow reporting obligations to affect the tendency of shareholders to conduct 'business as usual' and maximise their profits."; Johnston & Sjåfell 2020.
[58] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020.
[59] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9.12.2019
[60] Regulation (EU) 2019/2088 (SFDR), Recital 5; Regulation (EU) 2020/852, Recital 11.

## 2.3 The EU's sustainability and environmental policy architecture

The CSRD cannot be understood in isolation. It forms part of a broader shift in EU regulatory strategy, one that integrates environmental objectives into financial regulation, corporate governance and market transparency. The directive is embedded within a policy architecture that has expanded considerably since the adoption of the European Green Deal, which articulates the Union's overarching goal of reaching climate neutrality by 2050 and decoupling economic growth from resource use.[61] These ambitions have required the EU to redesign its regulatory instruments so that environmental sustainability is not treated as a peripheral concern but as a structural element of economic governance.

A central component of this policy transformation is the EU Sustainable Finance Agenda, initiated through the 2018 Action Plan on Financing Sustainable Growth. The Action Plan identified transparent and comparable sustainability information as a prerequisite for redirecting capital flows toward environmentally sustainable activities.[62] Without credible data on companies' environmental impacts and transition strategies, investors are unable to evaluate climate-related risks, assess sustainability performance or determine alignment with long-term environmental goals. The CSRD directly responds to this need by establishing standardised reporting requirements that provide the informational foundation for sustainable finance instruments, including the EU Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR).

The EU Taxonomy plays a particularly strategic role. It classifies economic activities according to their contribution to environmental objectives, such as climate change mitigation, climate change adaptation, biodiversity protection and circular economy.[63] However, the taxonomy cannot function effectively unless companies disclose detailed information on how their activities relate to these criteria. The CSRD ensures this connection by requiring undertakings to publish quantitative indicators on taxonomy-alignment and by mandating environmental disclosures structured in accordance with the European Sustainability Reporting Standards (ESRS).[64] Through this interdependence, the CSRD serves as a data-generating mechanism that enables the taxonomy to fulfil its regulatory purpose.

---

[61] COM(2019) 640 final, p. 2.
[62] COM(2018) 97 final, pp. 1-4.
[63] Regulation (EU) 2020/852, Articles 3 and 9.
[64] Delegated Regulation (EU) 2023/2772 (ESRS DR), ESRS E1-E5.

The SFDR likewise relies on corporate reporting. Financial market participants must disclose sustainability risks and Principal Adverse Impacts[65], but their ability to do so presupposes the availability of receiving consistent environmental information from investee companies.[66] The Commission has acknowledged that financial actors' disclosures have, to date, been limited by insufficient corporate sustainability data.[67] CSRD reporting aims to close this data gap and thereby enhance the reliability of SFDR disclosures. This creates a layered regulatory system: companies disclose environmental information under the CSRD, financial actors reinterpret this information under the SFDR, and both interact with the taxonomy, which provides a normative classification framework.

The CSRD also aligns with substantive environmental policy instruments under the European Green Deal. Sectors such as energy, transport, buildings and agriculture are subject to increasingly stringent environmental requirements, including emissions trading, renewable energy targets and biodiversity restoration measures. Transparency on environmental impacts and transition pathways supports the legitimacy and operationalisation of these substantive rules. By mandating disclosures on emissions, pollution, biodiversity and resource use, the CSRD enhances the EU's capacity to monitor progress towards its environmental objectives, even though it does not impose substantive performance standards itself.

Furthermore, the directive reflects an evolution in how the EU conceptualises the relationship between corporate reporting and environmental governance. Whereas earlier frameworks treated sustainability disclosure as a tool primarily intended for stakeholders, the CSRD frames such information as a legal requirement linked to investor needs, risk reduction and the functioning of sustainable finance markets.[68] The directive is therefore not merely a transparency initiative but part of a broader reconfiguration of regulatory authority within the EU.

In this sense, the CSRD embodies a hybrid regulatory model. It combines elements of environmental law, financial market regulation and corporate governance to create a system in which environmental transparency becomes a legal obligation supported by supervisory

[65] As defined in Recital 20 of Regulation (EU) 2019/2088 (SFDR), Principal Adverse Impacts (PAIs) refer to the negative effects that investment decisions may have on sustainability factors.
[66] Regulation (EU) 2019/2088 (SFDR).
[67] SWD(2021) 150 final, p. 167, The Commission noted that "The lack of adequate non-financial information means that investors are unable to take sufficient account of sustainability-related and other non-financial risks and opportunities in their investment decisions."
[68] Pantazi 2024, p. 514.

mechanisms. Its integration into multiple legal regimes reflects the Union's effort to use information as a strategic regulatory resource.

## 2.4 Environmental reporting obligations and the ESRS framework

The substantive content of sustainability reporting under the CSRD is specified through the European Sustainability Reporting Standards (ESRS), adopted by the Commission by delegated acts on the basis of technical advice provided by the European Financial Reporting Advisory Group (EFRAG).[69]

The conceptual cornerstone of the ESRS framework is the principle of double materiality, which requires undertakings to report from two distinct yet interrelated perspectives. The impact materiality perspective (the "inside-out" view) obliges companies to disclose their actual or potential material impacts on people and the environment, while the financial materiality perspective (the "outside-in" view) focuses on how sustainability matters create financial risks or opportunities that affect the undertaking's development, performance, and position.[70] This dual requirement ensures that disclosures go beyond traditional financial reporting to capture the systemic risks and negative externalities associated with corporate activity.[71] Under the ESRS rules, information is considered material if its omission or misstatement could reasonably be expected to influence the decisions of primary users, such as investors and lenders, or if the information is significant in relation to the environmental and social matters it depicts.[72]

The development of the ESRS is led by EFRAG, which provides technical advice to the Commission following a multi-stakeholder due process involving experts from national authorities, civil society, and the private sector. To ensure consistency across the Union's sustainable finance framework, the standards must be aligned with the Taxonomy Regulation and the SFDR.[73] For environmental matters, the ESRS specifically require disclosures categorized across six environmental objectives: climate change mitigation, climate change

[69] Commission Delegated Regulation (EU) 2023/2772 (ESRS DR).
[70] CSRD, Recital 29.
[71] COM(2021) 189 final, pp. 3-4; CSRD, Recital 14.
[72] ESRS DR, supplementing the Accounting Directive as regards sustainability reporting standards, s. 3.5 paragraph 48.
[73] COM(2021) 189 final, pp. 4-5.

adaptation, water and marine resources, resource use and the circular economy, pollution, and biodiversity and ecosystems.[74] These disclosures must include forward-looking and retrospective information, as well as qualitative and quantitative metrics that cover short, medium, and long-term time horizons.[75]

Initially, the framework was designed to include both sector-agnostic standards, applicable to all undertakings regardless of their industry, and sector-specific standards intended to highlight risks and impacts inherent to high-risk sectors.[76] However, following recent simplification initiatives aimed at enhancing European competitiveness and reducing administrative burdens, the Commission has proposed significant structural changes to the framework. Under the 2025 Omnibus simplification package, the empowerment to adopt sector-specific standards has been proposed for removal to prevent an excessive increase in prescribed datapoints.[77]

To mitigate the trickle-down effect[78] on small and medium-sized enterprises (SMEs) that fall outside the mandatory scope, the framework now emphasizes the "SME shield" or value chain cap. This mechanism stipulates that reporting undertakings cannot request information from their smaller value chain partners that exceeds the requirements of the voluntary SME standard.[79] Through these evolutions, the ESRS framework seeks to maintain the green oath of doing no harm while adapting to a difficult geopolitical context that demands a more proportionate and cost-effective regulatory landscape.

## 2.5 Entities in scope of the directive

The current scope of the CSRD encompasses all large undertakings and parent undertakings of large groups, as well as SMEs whose securities are admitted to trading on EU regulated markets, with the exception of micro-undertakings.[80] An undertaking is traditionally classified as large if it exceeds at least two of the following three criteria: a balance sheet total of EUR

[74] Chapter 6 a, Article 29b of the Accounting Directive.
[75] CSRD, Recital 33.
[76] CSRD, Recital 53.
[77] COM(2025) 80 final, pp. 4-5.
[78] The "trickle-down effect" refers to the risk that large undertakings subject to the CSRD could pass their own reporting obligations onto smaller suppliers and subcontractors, effectively imposing de facto reporting requirements on SMEs that fall outside the legal scope of the CSRD.
[79] COM(2025) 80 final, p. 4.
[80] COM(2021) 189 final, pp. 12-13.

25 million, a net turnover of EUR 50 million, or an average of 250 employees.[81] The directive also specifically includes credit institutions and insurance undertakings regardless of their legal form, provided they meet size requirements,[82] as well as non-EU (third-country) undertakings that generate a net turnover of more than EUR 150 million in the EU and possess a large EU subsidiary or a branch with a net turnover exceeding EUR 40 million.[83] Application of these requirements is phased in through four waves, beginning with large public-interest entities previously subject to NFRD.[84]

However, under the 2025 Omnibus simplification package, the European Commission has proposed a major reduction in scope, estimated to remove approximately 80% of undertakings from mandatory reporting requirements. The proposed changes would raise the mandatory reporting threshold to apply only to large undertakings with an average of more than 1,000 employees during the financial year. Furthermore, the simplification package seeks to completely exclude all listed SMEs from the mandatory reporting scope and increase the net turnover threshold for third-country undertakings to EUR 450 million generated in the Union. To avoid unnecessary costs, the proposal also introduces a two-year postponement for the reporting requirements of companies in the second and third waves, meaning these entities would not start reporting until 2027 or 2028. [85]

## 2.6 Assurance, supervision and legal consequences of non-compliance

A central innovation of the CSRD lies in the strengthening of mechanisms designed to ensure the reliability, enforceability and practical relevance of sustainability reporting obligations. While earlier EU-level frameworks relied heavily on flexible disclosure requirements[86] and company-specific discretion, the CSRD introduces a more structured approach combining assurance, supervision and consequences of non-compliance as integral elements of the reporting regime.

[81] Article 3(4) of the Accounting Directive.
[82] COM(2021) 189 final, pp. 12-13.
[83] Article 40a of the Accounting Directive, as amended by the CSRD.
[84] COM(2025) 80 final, p. 2.
[85] Ibid, pp. 3-5.
[86] Pantazi 2024, p. 513: ”The flexibility of the [NFRD], although mirroring the concurrent fluid state of sustainability reporting, appeared to be its most significant shortcoming.”

First, the CSRD significantly expands the role of external assurance. Sustainability information disclosed under the Directive must be subject to mandatory assurance. The requirement of assurance reflects the EU legislator's recognition that information-based regulation depends not only on the formal existence of disclosure obligations but also on the credibility and verifiability of the information provided.[87] By aligning sustainability reporting more closely with established practices in financial reporting, assurance serves to enhance trust in reported data and to reduce information asymmetries affecting investors and other users of sustainability information.[88] The assurance level was initially set at limited assurance[89], with the option to move toward reasonable assurance in the future.[90] However, this progression was removed from the CSRD through the Omnibus Directive to prevent escalating compliance costs.[91]

Secondly, the CSRD clarifies expectations regarding supervision. Member States are required to designate competent authorities responsible for overseeing compliance with sustainability reporting obligations, although the Directive does not impose a uniform supervisory model. The supervisory dimension of the CSRD is clarified in particular through amendments to the Transparency Directive (Directive 2004/109/EC). Recital 79 of the CSRD acknowledges that, under the previous legal framework, national competent authorities in several Member States lacked a clear legal mandate to supervise non-financial statements, especially where such statements were published outside the annual financial report. The recital explicitly notes that the Transparency Directive assigned national supervisors the task of enforcing compliance with corporate reporting requirements, but that this mandate did not clearly extend to non-financial reporting. It therefore became necessary to amend the Transparency Directive in order to ensure that sustainability reporting falls within the scope of national supervisory powers.[92]

Rather than establishing a centralised EU-level supervisory authority, the CSRD maintains a decentralised enforcement model in which supervision remains the responsibility of national

[87] SWD(2021) 150 final, p. 162.
[88] Misiuda & Lachmann 2022, p. 5.
[89] According to the CSRD, Recital 60, limited assurance engagements provide a lower level of assurance and are expressed in a negative form, indicating that the auditor has not identified evidence of material misstatement. They involve a reduced scope of procedures compared with reasonable assurance engagements. By contrast, reasonable assurance engagements require substantially more extensive work, including evaluation of internal controls and substantive testing, in order to obtain a higher level of assurance.
[90] CSRD, Article 26a.
[91] COM(2025) 81 final, p. 4.
[92] CSRD, Recital 69.

competent authorities. At the same time, the Directive recognises the need for supervisory convergence across Member States. Given the novel character of sustainability reporting requirements, the European Securities and Markets Authority (ESMA) is tasked with issuing guidelines to promote consistent supervision of sustainability reporting by national authorities, limited to issuers whose securities are admitted to trading on a regulated market within the Union.[93] ESMA's role is thus coordinative and interpretative rather than directly supervisory, reflecting the broader EU approach of harmonising substantive requirements while preserving national institutional autonomy.

Thirdly, the CSRD reinforces the legal significance of non-compliance by requiring Member States to provide for effective, proportionate and dissuasive penalties for infringements of sustainability reporting obligations.[94] While the choice of specific sanctions is left to national legislators, the Directive establishes a clear normative expectation that reporting obligations must be supported by meaningful consequences. This approach is consistent with established EU law practice in the field of corporate and financial regulation, where disclosure-based obligations are complemented by sanctioning regimes to safeguard their effectiveness.[95]

The sanctioning regime applicable to sustainability reporting under the CSRD is not constructed as an autonomous enforcement framework, but is instead deliberately anchored in the pre-existing system of penalties under the Accounting Directive.[96] Rather than introducing a separate set of sanctions specifically tailored to sustainability reporting, the EU legislator chose to extend the scope of the general penalty provisions governing annual financial statements to cover sustainability disclosures. As a result, infringements of sustainability reporting obligations are subject to the same overarching legal logic as violations related to financial reporting.

The integration of sustainability reporting into the Accounting Directive's general enforcement framework underscores the EU legislator's intention to treat sustainability information as a component of corporate reporting rather than as an ancillary or voluntary disclosure exercise. At the same time, this approach leaves considerable discretion to Member States in determining the specific nature and severity of sanctions. While the Directive establishes minimum qualitative requirements for penalties, it does not harmonise sanctioning

[93] CSRD, Recital 79; Article 28d of Directive 2004/109/EC as amended.
[94] Accounting Directive, Article 51, as amended by the CSRD.
[95] See Pantazi 2024, p. 520, stating that "enforcement will contribute to the effectiveness of the new rules".
[96] The Accounting Directive, Article 51, as amended by the CSRD.

practices across the Union.[97] This design choice has significant implications for the effectiveness and dissuasiveness of enforcement at national level.

Taken together, assurance, supervision and consequences of non-compliance form a coherent enforcement framework at EU level. Rather than operating as isolated mechanisms, they are designed to reinforce each other by enhancing information quality, ensuring compliance and creating incentives for adherence to reporting obligations. These elements set the parameters within which national enforcement systems, such as Finland, must operate.

## 2.7 Effectiveness, proportionality and dissuasiveness in EU law

### 2.7.1 Enforcement of EU law

In EU law, correct implementation of Union rules may involve transposition, application and enforcement, and enforcement concerns how different actors may compel other actors to fulfil their obligations under EU law.[98] Historically, the starting point has been that the Member States are responsible for enforcing EU law, which requires the Member States to put in place appropriate penalties for non-compliance and to ensure that these are enforced. A core expression of this enforcement logic is the Court's approach in *Greek Maize*, according to which Member States retain discretion as to penalties but must ensure that infringements of EU law are penalised under conditions analogous to similar national-law infringements and, in any event, that penalties are effective, proportionate and dissuasive.[99]

Grounded in the duty of sincere cooperation under Article 4(3) of TEU, these principles obligate Member States to move beyond their traditional procedural autonomy to ensure that Union law has its full and useful effect (*effet utile*). In the context of directives, this is further

[97] Pantazi 2024, p. 520.
[98] Sørensen 2015, p. 812.
[99] In Case 68/88, Commission v Greece, Judgment of 21 September 1989, ECLI:EU:C:1989:339, the Greek government failed to take appropriate action against the perpetrators. The Commission brought an infringement proceeding as Greece did not collect the required levies, did not pay interest on the delayed amounts, and, crucially, failed to institute any criminal or disciplinary proceedings against the individuals or companies involved in the tax evasion. This failure to act effectively meant that the perpetrators faced no legal or financial consequences for violating Community rules. The Court of Justice (CJEU) used this case to clarify that even when EU secondary legislation does not specify the type of penalties for violations, Member States have a positive obligation to act.

linked to the duty under Article 288 of the Treaty on the Functioning of the European Union (TFEU) to ensure their effective implementation.[100] The duty of sincere cooperation is reflected in the recurring requirement that penalties for infringements of EU law must be effective, proportionate and dissuasive[101], as stated in many other secondary EU law instruments. The CSRD expressly adopts this formulation, requiring Member States to provide for penalties for breaches of sustainability reporting obligations that meet these criteria.[102]

The effective-proportionate-dissuasive formula is not self-defining. These three criteria are currently undefined by EU legislation, but certain working definitions have been proposed for the purposes of assessing national penalty regimes, which are next to be assessed in more detail.

### 2.7.2 Effectiveness

In the context of EU law, effectiveness can be defined as penalties being capable of ensuring compliance with Union law and achieving the desired objective.[103] Thus, a measure is deemed effective only if it works *in concreto* rather than merely *in abstracto*, meaning it must be apt to perform the specific function for which it was designed – be it preventive, penal, compensatory, or restitutionary.[104]

The concept of effectiveness is generally divided into two distinct dimensions: the aptness of the remedy to fulfil its designed role and the absence of procedural obstacles that hinder that fulfilment.[105] A measure is rendered ineffective if it is obstructed by practical hurdles such as excessive burdens of proof, unreasonable time limits, or high costs that make the exercise of EU-conferred rights impossible or excessively difficult.[106]

---

[100] Sørensen 2015, p. 815.
[101] See Case C-418/11, Texdata Software, Judgment of 26 September 2013, ECLI:EU:C:2013:588, par 50; as well as cited case law: Joined Cases C-387/02, C-391/02 and C-403/02, Berlusconi and Others, Judgment of 3 May 2005, ECLI:EU:C:2005:270, par 65.
[102] Article 51 of the Accounting Directive, as amended.
[103] See Case C-262/99, Louloudakis v Greece, Judgment of 12 July 2001, ECLI:EU:C:2001:407; Milieu 2011, p. 16.
[104] Cafaggi & Iamiceli 2017, pp. 577-578.
[105] Ibid, pp. 577-578.
[106] See Case C-45/76, Comet, Judgment of 16 December 1976, ECLI:EU:C:1976:191, Case C-33/76, Rewe, Judgement of 16 December 1976, ECLI:EU:C:1976:188; Art. 4, Directive 2014/104/EU.

When applied specifically to sanctions, effectiveness is closely linked to the capacity to punish wrongdoing and discourage future violations.[107] A sanction fails the test of effectiveness if it remains purely symbolic or random, as nominal penalties do not provide a sufficient deterrent to influence the rational cost-benefit calculations of potential offenders.[108] Thus, the effectiveness of a penalty is inseparable from the deterrent force it exerts.[109] To maintain effectiveness, the severity of the penalty must be commensurate with the gravity of the breach.[110] Furthermore, the deterrent effect of a sanction – and thus its effectiveness – is a product not only of the severity of the penalty but also the likelihood of its imposition,[111] which requires swift detection and efficient processing by enforcement authorities.

Consequently, a sanction's effectiveness depends not only on its ability to achieve the intended outcome but also on the practicality of imposing it.[112] Thus, institutional specialization and swiftness are increasingly identified as prerequisites for an effective enforcement architecture. The transition from traditional criminal tracks to specialized Independent Regulatory Agencies (IRAs) is often motivated by the need for technical and legal expertise that for example the general police or prosecution may lack.[113] Specialized bodies are less likely to waive charges due to competing priorities and can process cases more expeditiously, which is crucial for countering "myopia" – the tendency of potential offenders to discount the severity of remote future punishments.[114]

In addition, criminal proceedings are generally characterized as lengthy,[115] while administrative sanctions offer advantages in terms of speed.[116] Evidence from Nordic reforms in occupational safety suggests that administrative tracks also achieve higher certainty and probability of sanctioning than criminal proceedings.[117]

---

[107] Cafaggi & Iamiceli 2025, pp. 610-611.
[108] See Sørensen 2015, pp. 6-7, and the case law cited: Joined Cases C-22/13, C-61/13 to C-63/13 and C-418/13, Mascolo, Judgment of 26 November 2014, ECLI:EU:C:2014:2401; Case C-81/12, ACCEPT, Judgment of 25 April 2013, ECLI:EU:C:2013:275 at [64]; Case C-383/92, Commission v United Kingdom, Judgment of 8 June 1994, ECLI:EU:C:1994:234 at [42].
[109] Case C-255/14, Chmielewski, Judgment of 16 July 2015, ECLI:EU:C:2015:475 at 23 and Case C-30/19, Braathens Regional Aviation, Judgment of 15 April 2021, ECLI:EU:C:2021:269, at 38. See also Vomáčka 2024, p. 292: "a sanction that fails to deter future offences can hardly be considered effective."
[110] See Case C-315/13, De Clercq, Judgment of 4 December 2014, ECLI:EU:C:2014:2408 at [73].
[111] Opinion of AG Kokott, 14 October 2004, in Joined Cases C-387/02, C-391/02 and C-403/02, Ber-lusconi and Others, ECLI:EU:C:2004:624.
[112] Sørensen 2015, p. 816.
[113] Markus & Paukku 2025, pp. 540-542.
[114] Ibid, pp. 540-542.
[115] Milieu 2011, p. 51.
[116] Vomáčka 2024, p. 295.
[117] Markus & Paukku 2025, p. 541.

Finally, reputational tools such as "name and shame" policies, blacklists, or public statements are increasingly recognized as a distinct category of effective sanctioning.[118] For many corporations, the risk of bad publicity can serve as a more powerful and effective deterrent than the financial fine itself,[119] and when paired with modest administrative penalties, can at times be seen as more effective than lengthy criminal trials.[120]

### 2.7.3 Dissuasiveness

Dissuasiveness of the sanction can be defined as having a deterrent effect on the offender as well as on other potential offenders,[121] persuading them to comply with EU law. This requirement is less well known, as it does not refer to a general principle of EU law in the same way as effectiveness and proportionality, and has not often been used by the Court to create additional duties after *Greek Maize*.[122] A part of the dissuasiveness is that the sanction must, at a minimum, deprive the infringer of the benefits gained from the violation.[123] In the context of sustainability reporting, this would be competitive or financial advantages secured through violations of the CSRD.

Dissuasive sanctions must be designed to achieve economic neutralization by removing any financial incentive for non-compliance, a principle often realized through the disgorgement of illegal benefits.[124] To ensure that a penalty is not viewed merely as a cost of doing business, it must be sufficiently severe to deprive the infringer of both actual and anticipated economic advantages gained through the breach.[125] In legal systems such as Germany and Spain, authorities are explicitly empowered to impose fines that exceed standard legislative maximums if necessary to ensure the fine is higher than the economic benefit derived.[126] Furthermore, the financial capacity and size of the undertaking – typically measured by global annual turnover – in some cases, serve as critical proxies to ensure effectiveness and

[118] Cafaggi & Iamiceli 2017, p. 607.
[119] Milieu 2011, pp. 44-45.
[120] Ibid, p. 45.
[121] Milieu 2011, p. 16.
[122] Sørensen 2015, p. 816.
[123] Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111; Cafaggi & Iamiceli 2017, pp. 578-579.
[124] Cafaggi & Iamiceli 2017, pp. 578-579.
[125] Faure & Svatikova 2012, pp. 256-257; Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111.
[126] Milieu 2011, p. 41.

proportionality.[127] For instance, under the GDPR and the 2024 Environmental Crime Directive, maximum fines are calculated as a percentage of total consolidated turnover to ensure proportionality and dissuasive effect. This is also the case with the recently adopted Corporate Sustainability Due Diligence Directive (CSDDD), that is closely related to the CSRD.[128]

The conduct, culpability, and individualization of the offender represent an essential category for determining whether the sanction is dissuasive.[129] A central metric in this assessment is the mental element, which distinguishes between intentional acts, gross negligence, and simple negligence to scale the severity of the penalty.[130] Effectiveness may also require that the system accounts for recidivism, where repeated offenses trigger significantly higher penalties to maintain a credible deterrent threat over time.[131] Ultimately, the principle of effectiveness dictates that national authorities must perform a context-sensitive application, considering the operator's good faith and all legal and factual circumstances to ensure the sanction adequately reflects the unique gravity of the specific violation.[132] This brings us to the principle of proportionality.

### 2.7.4 Proportionality

Proportionality requires that penalties adequately reflect the gravity of the violation and do not go beyond what is necessary to achieve the desired objective.[133] Thus, proportionality functions in two directions: penalties that are too mild fall short of the required standard, while excessively harsh penalties also violate proportionality, which therefore operates as both a lower and an upper limit.[134] Proportionality has been described as calling for a balance

[127] Cafaggi & Iamiceli 2017, p. 600; Cafaggi & Iamiceli 2025, p. 625.
[128] Article 27 of CSDDD.
[129] See Cafaggi & Iamiceli 2017, p. 607: dissuasiveness is linked to the seriousness of the infringement, the injurer's state of mind (intent, recklessness, fault), the magnitude of the potential harm, the type of interests (economic or non-economic), the past behaviour of the injurer and the probability of detection.
[130] Sørensen 2015, pp. 7-8.
[131] See Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111 at 44, and Franssen 2013, p. 322 and pp. 370-372.
[132] Case C-148/14, Nordzucker, Judgment of 7 May 2015, ECLI:EU:C:2015:287; see also Vomáčka 2024, p. 295.
[133] Milieu 2011, pp. 16-17. When assessing the "desired objective", relevance is given to the objectives of the CSRD in this case. Further, see Case C-271/91, Marshall II, Judgment of 2 August 1993, ECLI:EU:C:1993:335 at 18. See also Case C-501/14, EL-EM-2001, Judgment of 19 October 2016, ECLI:EU:C:2016:777.
[134] Sørensen 2015, p. 816.

between relevant interests,[135] and it is evidently linked to the general proportionality principle in EU law.

Proportionality in enforcement is typically assessed through a tripartite test established by the Court of Justice of the European Union (CJEU), which checks for suitability or adequacy, necessity, and proportionality stricto jure.[136] Under this test, a measure must be apt for achieving the pursued objective and should not go beyond what is strictly necessary.[137] Proportionality stricto jure specifically requires a fair balance between the gravity and relevance of the infringement and the intensity of the effects generated by the sanction. Consequently, a functional approach to this principle requires that the severity of a penalty be commensurate with the gravity of the offense.[138]

Sanctions are generally considered proportional when they are tailored to the concrete circumstances of the case and the characteristics of the infringer, as noted earlier in chapter 2.7.3 regarding dissuasiveness. Thus, penalties that account for specific aggravating or mitigating factors – such as whether the violation was intentional or negligent, its duration, and the actual degree of harm caused – are considered proportionate because they reflect the specific seriousness of the act.[139]

Conversely, sanctions can be deemed disproportionate when they impose an unnecessary burden relative to the benefits achieved or fail to distinguish between the severity of different breaches.[140] One clear example of a non-proportional sanction is a "one-size-fits-all" or flat-rate fine that remains rigid regardless of the seriousness of the specific incident.[141] Sanctions that are merely symbolic or so low that they effectively benefit the offender are also viewed as lacking proportionality because they fail to produce a genuine deterrent effect, as noted earlier.[142] Furthermore, penalties that are manifestly inappropriate, such as a fine that is ten

---

[135] Cafaggi & Iamiceli 2017, p. 578.
[136] Ibid, p. 578.
[137] Opinion of AG Bobek, Judgment of 23 September 2021, Case C-205/20, NE, ECLI:EU:C:2021:759.
[138] Sørensen 2015, pp. 6-7, and cases cited: Case C-81/12, ACCEPT, Judgment of 25 April 2013, ECLI:EU:C:2013:275 at 63; and Case C-565/12, LCL Le Crédit Lyonnais SA v Kalhan, Judgment of 27 February 2014, ECLI:EU:C:2014:190 at 47. See also Case C-255/14, Chmielewski, Judgment of 16 July 2015, ECLI:EU:C:2015:475 at 23 and Case C-30/19, Braathens Regional Aviation, Judgment of 15 April 2021, ECLI:EU:C:2021:269, at 38.
[139] Franssen 2013, pp. 115-116.
[140] See Case C-501/14, EL-EM-2001, Judgment of 19 October 2016, ECLI:EU:C:2016:777. National measures must not exceed the limits of what is appropriate and necessary to achieve legitimate objectives. When multiple appropriate measures are available, the authority must have "recourse to the least onerous" option, and the resulting disadvantages to the operator must not be disproportionate to the aims pursued.
[141] Sørensen 2015, p. 10. As noted, "If there is no provision for graduation – for instance in the case of a flat-rate fine – the Court is likely to find that the penalty is disproportionate."
[142] See footnote 108.

times the amount of tax due or the refusal of VAT deduction rights for a minor technical formality not involving evasion, have been identified as exceeding the limits of the principle.[143]

### 2.7.5 Applying the triad

It must be noted that the three criteria are not best treated in isolation, as the criteria are closely interlinked[144], and revolve around the relationship between the severity of the offence and type and severity of the penalty.[145] The triad should also be applied not only within but also between enforcement mechanisms, and evaluation should take into account the cumulative effects of sanctions and remedies.[146]

The triad is not applied in a formal hierarchy but must be balanced contextually in each individual case, as they may occasionally conflict.[147] A significant challenge in applying these principles together is the potential for trade-offs between dissuasiveness and proportionality. While dissuasiveness might push for the most burdensome measure to maximize deterrence, proportionality requires lighter measures that correlate strictly with the magnitude of the consequences.[148]

The relationship between penalties and other enforcement tools is also relevant to understanding how effectiveness is achieved. Penalties can be distinguished from corrective actions, as it has been noted that the latter are restorative and that their primary objective is not punitive but to achieve compliance, even though they may significantly affect the perpetrator.[149] Additionally, as most Member States provide for both administrative and criminal sanctions, it should be recognised that these sanctions are grounded in distinct enforcement rationales: administrative sanctions typically allow for dialogue with the offender and offer greater flexibility, whereas criminal sanctions tend to have a stronger

[143] See Case C-210/10, Urbán v Vám- és Pénzügyőrség Észak-alföldi Regionális Parancsnoksága, Judgment of 16 February 2012, ECLI:EU:C:2012:64 at [24].
[144] Milieu 2011, p. 16.
[145] Vomáčka 2024, p. 294.
[146] Cafaggi & Iamiceli 2017, p. 611, 616.
[147] Ibid, p. 579.
[148] Cafaggi & Iamiceli 2025, pp. 632-633.
[149] Vomáčka 2024, p. 291.

deterrent effect and are generally reserved for serious, intentional, or repeated violations.[150] Coordination must maximize effectiveness and dissuasion without resulting in cumulative sanctions that are disproportionate or violate the principle of ne bis in idem (not being punished twice for the same act),[151] as under Article 50 of the EU Charter of Fundamental Rights, the duplication of proceedings and penalties of a criminal nature for the same act against the same person are prohibited.[152]

Several elements have been recognised as important for ensuring that sanctions are differentiated and graduated in a way that makes the overall system effective, proportionate, and dissuasive. These include distinguishing between minor and serious offences and employing measures beyond monetary fines, which are regarded as particularly effective instruments for securing compliance and are generally applied in a progressive manner. It is also noted that the risk of adverse publicity may operate as a significant dissuasive factor or otherwise enhance the effectiveness of enforcement.[153] These insights correspond with the broader observation that purely symbolic sanctions are inadequate, and that enforcement deficits arise where penalties exist in law but are not meaningfully applied. If penalties are not enforced, they will neither be effective nor dissuasive.[154]

Taken together, these sources support a legally grounded understanding of enforcement in EU law: Member States remain primarily responsible for enforcement, but their discretion is constrained by the requirement that penalties and related remedies be effective, proportionate and dissuasive, assessed in context and, often, at the level of the enforcement system as a whole. This framework provides the general EU-law lens through which the enforcement of disclosure and reporting obligations can be analysed.

[150] Milieu 2011, p. 19-20.
[151] Vomáčka 2024, pp. 295-296, citing Case C-151/20, Nordzucker and Others, Judgment of 10 March 2022, ECLI:EU:C:2022:203, para. 28.
[152] Case C-117/20, bpost, Judgment of 10 March 2022, ECLI:EU:C:2022:202., para. 24.
[153] Milieu 2011, pp. 44-45.
[154] Sørensen 2015, pp. 821-822.

# 3 The enforcement of sustainability reporting obligations in Finland

## 3.1 Transposition of the CSRD into Finnish law

The CSRD has been transposed into Finnish law primarily through amendments to the Accounting Act (kirjanpitolaki, 1336/1997), the Auditing Act (tilintarkastuslaki, 1141/2015) the Trade Register Act (kaupparekisterilaki, 564/2023), as well as the Limited Liability Companies Act (osakeyhtiölaki, 624/2006). The national implementing legislation entered into force on 31 December 2023, following the adoption of Government Bill HE 20/2023 vp and its approval by the Finnish Parliament. As according to the CSRD, the obligations were first applied to large listed companies for the 2024 financial year, with disclosures published in 2025.[155]

In line with the structure of the Accounting Directive as amended by the CSRD, Finland chose to integrate sustainability reporting obligations into the existing framework of financial reporting law, specifically introducing a new regulatory framework in Chapter 7 of the Accounting Act, defining which entities are subject to reporting obligations, the required content and structure of sustainability disclosures, the use of EU sustainability standards, the assurance requirements for reported information, and the conditions under which group-level reporting or subsidiary exemptions apply. In addition, certain obligations relevant to listed companies were placed outside Chapter 7, including the requirement for the board of directors of a listed company to issue a statement confirming that the sustainability report has been prepared in accordance with the applicable reporting standards and Article 8 of the Taxonomy Regulation.

Sustainability reporting is regulated as part of the management report, which is prepared by the company's board of directors and forms an integral element of annual reporting.[156] According to Section 25 of Chapter 7 of the Accounting Act, the company must submit to the Finnish Patent and Registration Office the financial statements approved by the general meeting, the management report prepared by the board that includes the sustainability report,

[155] HE 20/2023 vp, p. 1.
[156] Ibid, p. 5.

the auditor's report, and the assurance report on sustainability reporting unless it is included in the auditor's report. Further, the documents must be submitted within six months of the end of the financial year, unless otherwise provided by law, thereby anchoring sustainability information within established transparency mechanisms. For Finnish limited liability companies, this deadline is eight months from the end of the financial year, as per Section 25 of the Trade Register Act.

Under the CSRD, sustainability report must be submitted in a uniform electronic format for registration. In the Government Bill, this requirement is expanded nationally so that all entities subject to reporting obligations must, in addition to their sustainability report, submit their financial statements and management reports in digital XHTML format to the Finnish Patent and Registration Office. The purpose of this requirement is to ensure that these documents are made available to citizens and stakeholders in a consistent and accessible manner. The underlying rationale is that the sustainability report and the financial statements constitute an informative whole in which the documents complement one another.[157]

In addition, as a national option permitted by the directive, all reporting entities are required to make the management report containing the sustainability report available on their website in both a digital XHTML format and a readable format. As a further national extension, this obligation has been expanded to require that the financial statements likewise be published on the company's website in both readable and digital form. In preparatory works, the proposed extension is deemed appropriate for ensuring easy access to information for stakeholders, as Finnish organisations commonly use their websites as primary information channels. It also secures the availability of the directive-required information during potential disruptions in public authorities' information systems, without imposing additional obligations on companies.[158]

As part of the national transposition of the CSRD, Finland has implemented the requirement for external assurance of sustainability reporting through amendments to existing accounting and auditing legislation. Sustainability reporting is subject to mandatory verification, as stated in Section 2 a of Chapter 2 of the Auditing Act, by a sustainability reporting auditor. The eligibility requirements applicable to statutory auditors also apply to sustainability reporting auditors.[159] The assurance may be carried out either by an auditor who has been approved as a

[157] HE 20/2023 vp, pp. 15-16.
[158] Ibid, p. 16.
[159] Section 1, Chapter 2 of the Auditing Act.

sustainability reporting auditor, or by an audit firm registered as a sustainability assurance firm.[160]

Sustainability assurance has been integrated into the existing system of statutory auditing by incorporating the assurance obligation into the scope of the Auditing Act. At the same time, sustainability assurance is expressly distinguished from the statutory audit of financial statements and administration. This distinction reflects the specific nature of sustainability information, which is predominantly non-financial and often forward-looking[161], as well as the EU legislator's decision to introduce assurance on a limited basis.[162] Whereas statutory audits of financial statements require the auditor to obtain reasonable assurance, sustainability reporting is subject only to limited assurance.[163] Limited assurance engagements are characterised by a narrower scope of procedures and a lower level of confidence in the conclusions reached.[164] In practice, the outcome of such an engagement is typically expressed in negative form, stating that the auditor has not become aware of any matter that would indicate that the subject matter is materially misstated.[165] As Ruohonen and Sarajärvi summarize, sustainability assurance differs fundamentally from statutory financial auditing in its object of assurance, applicable standards, procedural scope, content of the assurance conclusion, and the absence of comparable duties to report, liability, and criminal responsibility.[166]

The results of the sustainability assurance engagement must be presented in a sustainability assurance report. As per Section 5 a of Chapter 3 of the Auditing Act, the assurance report constitutes a formal statement on whether the sustainability report has been prepared in accordance with the applicable reporting requirements and standards. Further, Section 3 a of the same chapter stipulates that sustainability reporting assurance must be carried out in accordance with sustainability assurance standards. However, the European Union has not yet adopted harmonised sustainability assurance standards.[167] The purpose of the future EU-level

[160] Article 34 of the Accounting Directive.
[161] HE 20/2023 vp, p. 25.
[162] Ibid, pp. 8-9.
[163] Ibid, p. 8.
[164] Ibid, p. 9.
[165] As per Article 34 of the Accounting Directive.
[166] Ruohonen & Sarajärvi 2025, p. 207.
[167] The Commission was originally required to adopt delegated acts for a common limited assurance standard by October 1, 2026. However, as part of an Omnibus simplification package, the Commission seeks to remove the fixed deadline for limited assurance standards. Instead, targeted assurance guidelines are to be issued by 2026 to clarify procedures for assurance providers while granting itself more flexibility on the eventual adoption of formal standards.

standards is to specify the procedures for limited assurance engagements, including the planning, risk assessment and risk management, and the form and content of the assurance conclusion.[168] During the interim period, the Committee of European Auditing Oversight Bodies (CEAOB) has issued general guidelines on limited assurance.[169] These guidelines are not binding standards but high-level recommendations.

## 3.2 Responsibility for the sustainability report

Under the CSRD, Member States shall ensure that the members of the administrative, management and supervisory bodies of the undertaking have collective responsibility for ensuring that the sustainability reporting is drawn up and published in accordance with the requirements of the directive.[170] The responsibility for the sustainability report is structurally aligned with the responsibility regime applicable to the financial statements and the management report. The sustainability report is not treated as a separate or autonomous reporting instrument from the perspective of corporate governance, but rather as an integral part of the management report, to which the existing allocation of duties and liabilities applies.

Pursuant to the Finnish Accounting Act, responsibility for the preparation of the management report – including the sustainability report – lies with the board of directors or another equivalent governing body, as well as the managing director. The preparatory works clarify that the liability regime applicable to the management report extends to the sustainability report by virtue of its statutory inclusion therein.[171] This extension does not introduce a new category of liability but operates within the framework already established for corporate reporting obligations.

According to Chapter 3, Section 7a of the Accounting Act, the liability of board members and the managing director for the financial statements and the management report shall be determined in accordance with the statute governing the legal entity concerned. The same provision is expressly extended to sustainability reporting through Section 27, Chapter 3 of

[168] Audit Directive, Article 26a(3).
[169] CEAOB, Guidelines on Limited Assurance on Sustainability Reporting, adopted 2024, European Commission.
[170] Accounting Directive, Article 33, as amended.
[171] HE 20/2023 vp, pp. 31-32.

the Accounting Act, which provides that the responsibility regime governing the management report applies correspondingly to the sustainability report and the consolidated sustainability report. For the board of directors and the managing director of a limited liability company, the liability is determined in accordance with the Finnish Limited Liability Companies Act.

Responsibility for the content of the sustainability report is therefore allocated in accordance with the general division of tasks between the board of directors and the managing director. The managing director is responsible for the day-to-day administration of the company in accordance with the instructions and orders given by the board, and for ensuring that accounting and financial administration are organised in a reliable manner.[172] Although sustainability reporting is not explicitly listed as a separate statutory duty of the board, this does not imply that responsibility would rest solely with the managing director. On the contrary, particularly in listed companies, the board must explicitly take a position on compliance with sustainability reporting standards.[173]

The board's responsibility is closely connected to its general duty of care and oversight. The board is required to ensure that the company's reporting systems, including those relating to sustainability matters, are organised appropriately and function effectively.[174] This includes establishing adequate internal procedures and compliance systems to support the lawful preparation of the sustainability report. Thus, the board cannot limit its role to passive receipt of information prepared by the managing director.[175]

According to Section 6, Chapter 7 of the Accounting Act, the sustainability report must include a description of the board of directors' and the managing director's responsibilities in relation to sustainability matters, their expertise or ability to rely on external expertise in carrying out those responsibilities, and any incentive schemes linked to sustainability factors. The responsibility is imposed on the members of the board of directors and the managing director, although in practice, the financial statement documents are prepared by accountants and other financial administration professionals who are employed either by the company itself or by a service provider.[176] This distinction reflects the principle that while sustainability

[172] Section 17, Chapter 6 of the Limited Liability Companies Act.
[173] Kaisanlahti 2024, p. 841.
[174] Niskala & Palmuaro 2023, pp. 54-55.
[175] Kaisanlahti 2024, p. 841.
[176] Silvola et al. 2024, chapter 4, section "Hallituksen jäsenten allekirjoitukset".

reporting may involve extensive internal processes and expert input, ultimate legal responsibility remains with the company's governing organs.

A central mechanism through which responsibility is formalised is the approval and signing of the annual reporting documents. While accounting and sustainability information are often prepared by financial and sustainability professionals within the company or by external service providers, the legal significance of the documents arises only through approval by the competent corporate bodies. Both the financial statements and the management report, including the sustainability report, must be signed by the members of the board and by the managing director, as provided in Chapter 3, Section 7, subsection 1 of the Accounting Act. By signing, each signatory expressly confirms having approved the document, and the signature serves as an explicit manifestation of responsibility.[177] A signature is required even from a member who has joined the board only after the end of the relevant financial period, although such a member bears no liability for earlier actions.[178]

In situations where a board member disagrees with the content of the sustainability report, Finnish law provides a mechanism for recording dissent. A board member who does not share the majority's view may have their dissenting opinion recorded in the financial statements or the management report, according to Chapter 3, Section 7, subsection 2 of the Accounting Act. This possibility is significant from a liability perspective, as individual liability in a multi-member board is assessed separately, and recorded dissent may limit exposure to subsequent claims.[179]

In stock-listed companies, a statement must be included immediately before the signatures confirming that the sustainability report contained in the management report has been prepared in accordance with the sustainability reporting standards and with Article 8 of the SFDR, as required under Chapter 3, Section 7 of the Accounting Act. This requirement does not apply to micro-undertakings unless they publish a sustainability report.

With regard to statements and assurances related to sustainability reporting, the Finnish law does not require any other separate personal guarantees or declarations. Responsibility for the correctness of sustainability information is not made contingent on personal assurances but arises from the breach of statutory duties under law.[180] Even so, the requirement may

[177] Silvola et al. 2024, chapter 4, section "Hallituksen jäsenten allekirjoitukset".
[178] Ibid.
[179] HE 20/2023 vp, p. 13.
[180] Silvola et al. 2024, chapter 4, section "Erityiset lausumat pörssilistatussa yrityksessä".

influence governance practices within listed companies. By obliging directors to explicitly affirm compliance with applicable reporting standards, the provision can heighten the board's internal scrutiny of issues that are material to the financial statements or the management report. This does not expand the scope of liability, but it may affect how directors approach their oversight duties and how disagreements within the board are handled.[181]

Furthermore, the role of board committees, such as the audit committee which is appointed from among the members of the board of directors of a stock-listed company, does not alter the allocation of responsibility. Committees act as preparatory bodies assisting the board, but ultimate responsibility remains with the board as a whole.[182]

In the assurance statement, the sustainability reporting auditor further assesses whether the sustainability report complies with the requirements laid down in Chapter 7 of the Accounting Act and the applicable reporting standards, as well as with the disclosure obligations under Article 8 of the SFDR.[183] The responsibility of the assurance provider is thus explicitly limited, also by the level of assurance, to assessing compliance with the prescribed regulatory framework and does not extend to guaranteeing the correctness of the reported sustainability information beyond the scope of the assurance engagement.

## 3.3 Civil liability and due diligence

The question of whether inaccurate or incomplete sustainability reporting can be challenged by private parties – and whether such deficiencies may give rise to civil liability for the company or its management – is particularly significant. A wide range of stakeholders may have an interest in pursuing civil liability claims based on incorrect disclosures, including shareholders, customers, business partners, and civil society actors such as NGOs focused on environmental and human rights issues.

Under Finnish law, liability for deficiencies in sustainability reporting is primarily structured through general corporate and accounting law rules on damages, rather than through any autonomous sustainability-specific liability regime. Sustainability reporting is legally

[181] Silvola et al. 2024, chapter 4.
[182] HE 20/2023 vp, p. 13.
[183] Ibid, pp. 83-84; Section 3a, Chapter 3 of the Auditing Act.

integrated into the management report, and consequently the assessment of civil liability is anchored in the same doctrinal framework that governs liability for incorrect or incomplete financial reporting. The legislative materials make explicit that the introduction of sustainability reporting obligations has not altered the fundamental structure of liability under national law but instead extends existing responsibility mechanisms to the new reporting content.

The Government Bill explicitly confirms that the responsibility regime applicable to the management report also applies to the sustainability report included therein, noting that the liability of a member of the board of directors or other comparable governing body, as well as the managing director, regarding the financial statements and the report of operations is governed by the law applicable to the legal entity in question.[184] Since the sustainability report forms part of the management report, the same allocation of responsibility applies without the need for separate statutory provisions.

Civil liability arises under Chapter 22 of the Finnish Limited Liability Companies Act,[185] which establishes the personal liability of members of the board of directors and the managing director for damage to the company caused in the performance of their duties. According to Section 1 of Chapter 22, a member of the board or the managing director is liable for damage that he or she has caused intentionally or negligently in violation of the duty of care laid down in the Limited Liability Companies Act. This violation also entails non-compliance with the Accounting Act, as Chapter 8, Section 3 of the Limited Liability Companies Act contains an explicit reference to it: the financial statements and the report of operations must be prepared in accordance with the provisions of the Accounting Act and Chapter 8 of the Limited Liability Companies Act.[186]

In order for civil liability to arise, the general conditions of liability must be satisfied.[187] First, there must be a breach of a statutory duty. In the context of sustainability reporting, this may consist of non-compliance with the reporting obligations laid down in the Accounting Act as amended to implement the CSRD, including failures to disclose required information or to comply with the applicable reporting standards.

[184] As per Section 7 a, Chapter 3 of the Accounting Act.
[185] HE 20/2023 vp, p. 32.
[186] Silvola et al. 2024, chapter 4.
[187] Kaisanlahti 2024, p. 845.

Second, the breach must be attributable to fault on the part of the board member or managing director. Finnish company law does not impose collective strict civil liability on the board as a body. Instead, liability is assessed individually, taking into account each person's role, actions and the information available to them. The preparatory works underline that in Finland, the liability for damages of a company's management personnel is determined separately for each individual, and that dissenting opinions or absence from decision-making may be relevant in excluding liability. [188] This individualised approach applies equally to sustainability reporting, notwithstanding the EU-level emphasis on collective responsibility.[189]

Third, damage must have occurred. Under Finnish law, compensable damage may be suffered by the company itself, by shareholders or, in certain circumstances, by third parties. The general damages provisions of the Limited Liability Companies Act, which extend liability to damage caused not only to the company but also to shareholders and others where the statutory conditions are met, apply to damages occurred in reference to the sustainability reporting.[190] However, the implementation of the CSRD in Finland does not introduce any special heads of damage specific to sustainability reporting, nor does it lower the threshold for establishing damage in this context.

Fourth, there must be a causal link between the breach and the damage suffered. The causal connection must be demonstrated before liability can be imposed, and liability cannot be established solely on the basis of deficiencies in reporting without proof of actual harm.[191] This requirement significantly limits the practical reach of civil liability for sustainability reporting, particularly given the indirect and informational nature of the harm that may arise from inaccurate or incomplete disclosures. The burden of proof can thus be considered difficult to satisfy for claiming damages due to reporting deficiencies as the claimant must satisfy several demanding legal criteria under general Finnish tort and company law principles.

The connection between liability arising from the Securities Markets Act (arvopaperimarkkinalaki, 746/2012) and the new declaration introduced in Section 7, Chapter

[188] HE 20/2023 vp, p. 13.
[189] A core objective of the wording in the Accounting Directive (Article 33.1) is to steer Member States away from systems where liability is concentrated solely on specific individuals, such as the Chair of the board or members of the Audit Committee.
[190] HE 20/2023 vp, p. 13; further, Chapter 22, subsection 2 of Section 1 of the Limited Liability Companies Act extends liability for damages caused to the company, a shareholder, or another person for a breach of the Limited Liability Companies Act or the articles of association committed intentionally or negligently.
[191] See Silvola et al. 2024, chapter 4, section "Erityiset lausumat pörssilistatussa yrityksessä", explaining that the matter may, in itself, concern conduct that constitutes acceptable, i.e. non-negligent, risk-taking.

7 in the Accounting Act have also been discussed. The purpose of the declaration was not to alter the prevailing liability doctrine, but to enhance transparency and accountability. The provision's origins in the Transparency Directive situate it within the broader regulatory architecture of the Securities Markets Act, however, the damages regime under that Act does not extend to violations of the Accounting Act, meaning that the statement itself cannot serve as a direct basis for securities-market liability.[192] Liability may arise only if the financial statements fail to provide a true and fair view of the result and financial position as required under Chapter 7, Section 6, subsection 1 of the Securities Markets Act, thereby resulting in materially misleading information being conveyed to the market.

Particular emphasis is based on the role of due diligence and oversight mechanisms in assessing the duty of care. While sustainability reporting is not assigned as a separate statutory task of the board, the board's general responsibility for the organisation of the company's administration and reporting systems extends to sustainability matters. The Supreme Court decision KKO 2016:58 establishes that relying solely on information provided by the managing director is insufficient in major environmental matters: the board must proactively manage key operational risks. Even a decision requiring the managing director to comply with conditions and report to the board would not be enough if the board does not itself take an active role in ensuring proper environmental risk management.[193]

Sustainability-related due diligence is grounded not in strict liability but in a negligence-based model of responsibility.[194] This means that a company can avoid liability by demonstrating that it has taken reasonable steps to identify, prevent, and mitigate actual or potential adverse impacts on people and the environment. This is significant in the context of sustainability reporting, given the qualitative, forward-looking and evaluative nature of much of the information disclosed. Section 7, Chapter 7 of the Accounting Act operationalizes this principle by requiring companies to disclose the procedures through which sustainability matters are integrated into governance, the harms identified in their operations and value chains, and the measures taken to address them. These obligations reflect a proactive conception of due diligence: companies must not merely react to harms once they occur but must establish systems capable of uncovering risks in advance.

[192] See Silvola et al. 2024, chapter 4, section "Erityiset lausumat pörssilistatussa yrityksessä".
[193] Kaisanlahti 2024, pp. 841-842.
[194] Kaisanlahti 2024, p. 842; UN: Guiding Principles on Business and Human Rights 2011 (HR/PUB/11/04) 2011, p. 19.

Under Finnish law, the responsibility for ensuring adequate due diligence rests primarily with the board of directors.[195] Although Section 7, Chapter 7 of the Accounting Act does not specify which corporate body must conduct the due diligence process, the OECD Guidelines describe the board's role broadly as approving responsible business conduct policies and intervening when such policies are not followed[196]. ESRS 2 further reinforces this by requiring disclosures that identify the duties, oversight responsibilities, and reporting structures of the company's governing, management, and supervisory bodies in relation to impacts, risks, and opportunities[197]. In the Finnish governance model, where the board is the highest decision-making body, these provisions collectively indicate that the board holds ultimate oversight responsibility, while senior management is tasked with implementing and monitoring the due diligence processes.[198]

However, membership in the audit committee may result, pursuant to Section 3, Chapter 6 of the Damages Act (vahingonkorvauslaki, 412/1974), in the allocation of a greater share of liability for damages to the individual than would apply to a board member who does not belong to the committee.[199] Committee membership may likewise limit the adjustment of liability under Section 1 of Chapter 2.[200] It is also possible that a member appointed to the audit committee may be subject to a heightened standard of care due to their personal special expertise, such as accounting or sustainability reporting.[201]

Due diligence cannot be satisfied through formalistic or "check-box" compliance.[202] International guidance, including the UN Guiding Principles, underscores that only meaningful, outcome-oriented processes can demonstrate the level of care required to rebut allegations of negligence.[203] The oversight function of the board is therefore crucial: board members must design and supervise information and monitoring systems that reliably capture

---

[195] Kaisanlahti 2024, p. 843.
[196] OECD Guidelines for Multinational Enterprises (2018), para. K17.
[197] ESRS 2, sections 20(b), 22(a)-(d); CSRD, Annex II (definition of governing, management and supervisory bodies).
[198] Kaisanlahti 2024, p. 843.
[199] See Silvola et al. 2024, chapter 4, section "Tarkastusvaliokunnan jäsenen asema".
[200] Ibid.
[201] Ibid.
[202] Kaisanlahti 2024, pp. 842-843.
[203] UN: Improving accountability and access to remedy for victims of business-related human rights abuse: The relevance of human rights due diligence to determinations of corporate liability (A/HRC/38/20/Add.2), Section 13, p. 4: "Conducting appropriate human rights due diligence should help business enterprises address the risk of legal claims against them by showing that they took every reasonable step to avoid involvement with an alleged human rights abuse. However, business enterprises conducting such due diligence should not assume that, by itself, this will automatically and fully absolve them from liability for causing or contributing to human rights abuses."

risks. The Marchand decision, by the Supreme Court of Delaware in 2019, illustrates the consequences of failing to do so, showing that a board acting merely as a passive recipient of information cannot claim to have exercised due care.[204] While Finnish law does not impose an identical standard, it can be argued that the logic of oversight provides a persuasive interpretive framework for assessing whether a board has acted with the level of diligence necessary to avoid negligence-based liability in sustainability matters.[205]

However, the duty of care does not require perfection. The board is not expected to establish flawless reporting systems or to eliminate all risks of error. Rather, liability is assessed on the basis of whether the board acted in good faith and took reasonable steps to organise reporting in light of the company's size, activities and risk profile.[206] This standard reflects the broader principle in Finnish company law that liability is mitigated where management can demonstrate a bona fide effort to comply with statutory obligations.[207]

Under Section 9 a, Chapter 10 of the Auditing Act, Finnish law expressly extends the civil liability regime applicable to statutory auditors to sustainability assurance engagements.[208] As a result, the sustainability assurance provider may be held liable for damage caused in the course of sustainability assurance under the same principles as those governing auditor liability, including the possibility of professional sanctions and compensation liability where the assurance engagement has been performed negligently or in breach of applicable obligations.[209] However, the required assurance level is only limited, which raises the threshold for auditor negligence compared to the reasonable assurance expected in financial and governance audits.[210]

## 3.4 Supervisory authorities

The enforcement of sustainability reporting obligations in Finland is characterised by a fragmented supervisory structure, reflecting both the division of competences in national

[204] Kaisanlahti 2024, pp. 844-845.
[205] Ibid, pp. 844-845.
[206] Ibid, p. 845.
[207] Ibid, pp. 844-845.
[208] HE 20/2023 vp, p. 44.
[209] Ibid, pp. 60-61.
[210] Kaisanlahti 2024, p. 845.

corporate law and the differentiated scope of the CSRD. Rather than establishing a single central authority responsible for supervising sustainability reporting, the Finnish implementation relies on existing supervisory bodies whose mandates are extended to cover sustainability disclosures.

For companies whose securities are admitted to trading on a regulated market, supervisory responsibility is assigned to the Finnish Financial Supervisory Authority (Finanssivalvonta, FIN-FSA). Under the Act on Finnish Financial Supervisory Authority (laki finanssivalvonnasta, 878/2008), FIN-FSA is tasked with overseeing compliance with sustainability reporting obligations for listed companies that are required under Chapter 7 of the Accounting Act to include a sustainability report in their management report. According to Section 37 f of the Act, this supervisory role also extends to other entities subject to FIN-FSA's supervision that fall within the scope of mandatory sustainability reporting. Sustainability reporting supervision is thus integrated into the existing market supervision framework rather than organised as a standalone regulatory function.

The supervisory powers exercised by FIN-FSA in relation to sustainability reporting are linked to the supervisory model applied to financial reporting under the International Financial Reporting Standards (IFRS). The applicable provisions explicitly provide that the same supervisory mechanisms used for monitoring compliance with the IFRS are to be applied, *mutatis mutandis*, to sustainability reporting obligations.[211] This legislative choice reflects an intention to anchor sustainability reporting supervision in familiar procedural structures, thereby ensuring continuity.

At EU level, FIN-FSA's supervisory activity is guided by soft-law instruments adopted by ESMA, most notably the Guidelines on Enforcement of Sustainability Information adopted on 29 April 2025. The guidelines are addressed to national competent authorities and apply to the enforcement of sustainability information published by issuers whose securities are admitted to trading on a regulated market and who are required to disclose sustainability information under the Accounting Directive.[212] ESMA clarifies that the enforcement of sustainability information constitutes an ex post supervisory activity, which is conceptually distinct from

[211] HE 20/2023 vp, p. 53.
[212] ESMA 2025, pp. 3-4.

statutory assurance of sustainability reporting performed by auditors or independent assurance service providers.[213]

The guidelines establish common supervisory principles, emphasising a risk-based and proportionate enforcement approach and seeking to align the enforcement of sustainability information as closely as possible with the enforcement of financial information.[214] They further provide detailed methodological guidance on the selection of issuers for examination, the types and scope of examinations, and the enforcement actions available in cases of non-compliance, including corrective notes, reissuance of sustainability statements and corrections in future reports.[215] Although the guidelines do not confer direct supervisory powers on ESMA at the entity level, national competent authorities, including FIN-FSA, are required to make every effort to comply with them and to incorporate them into their national supervisory frameworks.[216] Accordingly, the ESMA guidelines play a central role in shaping FIN-FSA's supervisory practices and in promoting harmonised enforcement and the uniform application of the CSRD framework across the Member States.[217]

In addition to market supervision, the Finnish system assigns a formal oversight role to the Finnish Patent and Registration Office. Companies subject to sustainability reporting obligations are required to submit their financial statements and related documents, including the sustainability report where applicable, to the Finnish Patent and Registration Office within the prescribed time limits.[218] The Finnish Patent and Registration Office is empowered to request missing or incomplete filings and to enforce compliance with registration obligations through administrative measures.[219] Although the Finnish Patent and Registration Office does not assess the substantive content of sustainability reports, its role forms part of the broader institutional framework ensuring that reporting obligations are formally fulfilled.

A notable feature of the Finnish implementation, as highlighted in the preparatory works, is the absence of a designated supervisory authority for sustainability reporting by large unlisted

---

[213] ESMA 2025, pp. 12-13.
[214] Ibid, p. 10: "In particular, the guidelines aim to ensure that enforcers carry out the enforcement of sustainability information in a converged manner and to make sure that this enforcement also closely resembles the enforcement which is undertaken in relation to financial information."
[215] Ibid, pp. 16-22.
[216] Ibid, p. 11.
[217] Ibid, pp. 22-23.
[218] As per Section 25, Chapter 7 of the Accounting Act.
[219] In accordance with Section 10, Chapter 8 of the Limited Liability Companies Act, the Finnish Patent and Registration Office is explicitly empowered to exhort an undertaking to fulfill its filing obligations or to supplement deficient documentation under the threat of a fine.

companies. The Economic Affairs Committee has explicitly drawn attention to this deficiency.[220] According to the Committee, this situation is linked to the evolving EU regulatory landscape, particularly the adoption of the Corporate Sustainability Due Diligence Directive (CSDDD).[221] The Committee notes that with the CSDDD, which will begin to be applied nationally in Finland from 26 July 2027[222], compliance with sustainability obligations will become subject to national supervision. The supervision is based to a significant extent on reporting, which is why the question of reporting oversight should be resolved in the same context as the overall supervisory framework.[223]

Under Finnish law, the authority of the Finnish Patent and Registration Office to appoint a sustainability reporting auditor is expressly provided for in the Auditing Act, Chapter 2, Section 8 a. Pursuant to this provision, where a sustainability reporting auditor has not been appointed in accordance with the Auditing Act or other applicable legislation, the Finnish Patent and Registration Office is required to appoint a qualified sustainability reporting auditor for the entity, applying the same procedure as that laid down in Chapter 2, Section 8 concerning the duty of the Finnish Patent and Registration Office to appoint an auditor.

However, with regard to credit institutions, the competence to appoint a sustainability reporting auditor is assigned to FIN-FSA under the Act on Credit Institutions (610/2014, laki luottolaitostoiminnasta), Chapter 12, Section 13. As a special provision, this rule takes precedence over the general appointment power of the Finnish Patent and Registration Office under the Auditing Act, with the result that in cases involving credit institutions, the authority to appoint the sustainability reporting auditor rests with FIN-FSA rather than the Finnish Patent and Registration Office.[224]

A specific statutory obligation has been introduced for the sustainability reporting auditor of a public-interest entity to act upon suspected irregularities in accordance with Article 7 of the EU Audit Regulation 537/2014. Under Section 4 b, Chapter 5 of the Auditing Act, a sustainability reporting assurance provider for a public-interest entity must follow the procedure laid down in Article 7 of the Audit Directive whenever the provider suspects, or has reasonable grounds to suspect, an irregularity within the meaning of that Article. According to preparatory works, this provision is intended to mirror the notification

[220] TaVM 5/2023, p. 8.
[221] Ibid, p. 8.
[222] Ministry of Economic Affairs and Employment of Finland, TEM069:00/2024.
[223] TaVM 5/2023, p. 8.
[224] HE 20/2023 vp, p. 49.

obligations that already apply in statutory audits, requiring the assurance provider to notify the competent authority where the matter concerns a public-interest entity such as a listed company, credit institution or insurance undertaking.[225] Under Article 7 of the Audit Directive, a sustainability reporting auditor who suspects irregularities, including possible fraud relating to the financial statements, must first inform the audited entity and invite it to investigate the matter, and only if the entity fails to investigate must the auditor report the matter to the authority designated to handle such irregularities. The assurance provider must submit the notification in writing and without undue delay, meaning it cannot be postponed until the completion of the assurance engagement.[226]

For entities other than public-interest entities, there is no corresponding statutory obligation to notify an authority in case of irregularities. In such cases, the task of the sustainability reporting assurance provider is to issue an assurance report that highlights any deficiencies or instances of non-compliance, but the law does not impose a separate duty to report these matters to a supervisory authority.

Overall, the Finnish framework demonstrates that sustainability reporting supervision has been integrated into existing corporate oversight structures rather than organised as a separate regulatory regime. The division of responsibilities between FIN-FSA, the Finnish Patent and Registration Office and sector-specific authorities reflects a deliberate legislative choice to rely on established institutions while EU-level requirements continue to develop. The lack of a designated supervisor for large non-listed companies further indicates that a more comprehensive supervisory model will be addressed once the broader EU regulatory framework has been finalised.

## 3.5 Administrative enforcement mechanisms

The Finnish implementation of the CSRD relies primarily on administrative enforcement mechanisms to ensure compliance with sustainability reporting obligations. This approach reflects the EU legislator's requirement that Member States provide for sanctions to enforce reporting obligations, while leaving discretion as to the form and nature of such measures.

[225] HE 20/2023 vp, p. 42.
[226] Ibid, p. 42.

Under the Finnish system, sustainability reporting is not enforced through a dedicated criminal offence but through a set of administrative instruments designed to secure the timely and formal fulfilment of reporting duties.[227]

The obligation to provide sustainability information is subject to a specific administrative sanction threat aimed at reinforcing compliance with reporting and disclosure requirements. As emphasised in the preparatory works, EU law requires Member States to establish sanctions applicable to infringements of national provisions adopted pursuant to the Accounting Directive, including those concerning sustainability reporting.[228] These sanctions must be effective, proportionate and dissuasive.[229] In Finland, this requirement has been implemented through administrative measures that are closely tied to the obligation to submit the sustainability report for registration.

A central enforcement mechanism is the late-filing penalty imposed by the Finnish Patent and Registration Office. The late-filing penalty applies where a sustainability reporting undertaking fails to submit its sustainability report for registration within the statutory deadline, namely eight months from the end of the financial year, according to Section 25 of the Trade Register Act (564/2023). As per the second sub-section, the amount of the fee for late submission of statutory financial statements is:

> *1) EUR 150 when notification of the financial statements for registration is late by no more than two months;*
>
> *2) EUR 300 when notification of the financial statements for registration is late by more than two months but no more than four months;*
>
> *3) EUR 600 when the financial statements have not been notified for registration within a year of the end of the financial year.*

Section 25 establishes a graduated fee structure in which the cost of late submission increases in proportion to the length of the delay. The longer a company postpones submitting its financial statements – including the sustainability report as part of the management report – the more significant the financial consequence becomes. Additionally, public limited liability companies and European Companies must pay double the amounts listed in sub-section 3,

---

[227] HE 20/2023 vp, pp. 25-26.
[228] Ibid, p. 25.
[229] Accounting Directive, Article 51.

meaning that their late-submission fees are automatically higher at every stage. Recognizing the critical importance of sustainability reporting, sub-section 3 further iterates that the late-filing fee is tripled when the delay specifically concerns the sustainability report included in the management report. Consequently, the graduated fees for late sustainability reporting are escalated to EUR 450, EUR 900, and EUR 1,800, respectively.

Further, the sanction is escalated for repeated non-compliance: when a company has failed to submit its sustainability report within eight months in two or more financial years, it becomes subject to double the fee, resulting in a maximum penalty of up to EUR 3,600. Section 25 also introduces important limitations on when a fee may be imposed on late submission. According to sub-section 5, the fee cannot be levied if the authority has not made its decision "within a year of the date following the date on which the financial statements were received for registration." Likewise, no fee may be imposed if the financial statements themselves "have not been received for registration within one year of the end of the financial year." These conditions ensure that companies are not exposed to indefinite or retrospective sanctions.

Finally, sub-section 6 of Section 25 requires that companies be given an opportunity to present evidence before a fee is imposed where this is necessary for a particular reason. This procedural safeguard ensures that the authority must consider any relevant circumstances that may justify the delay.

In addition to the late-filing penalty, the Finnish Patent and Registration Office is empowered to encourage compliance through corrective measures. Where a sustainability reporting undertaking has failed to submit the required documents or has submitted incomplete documentation, the Finnish Patent and Registration Office may issue a request to remedy the deficiency within a specified time limit.[230] This request may be reinforced by the threat of a fine. The purpose of these measures is not punitive as such, but to ensure that the reporting obligation is fulfilled in practice.

Where the obligation to submit the required documents is not complied with despite a formal request, more severe administrative measures may be applied. In such cases, the Finnish Patent and Registration Office may initiate proceedings leading to the company being ordered into liquidation or removed from the Trade Register, under Section 4, Chapter 20 of the

[230] The Limited Liability Companies Act, Chapter 8, Section 10. See also Silvola et al. 2024, chapter 4.3, section "Hallinto-oikeudelliset seuraamukset".

Limited Liability Companies Act. These measures constitute the most intrusive administrative enforcement tools available under Finnish company law and apply equally to failures concerning the sustainability report where it forms part of the management report.

By contrast, the enforcement powers of the FIN-FSA are more limited in scope with regard to sustainability reporting. While FIN-FSA may impose an administrative penalty payment for breaches of certain provisions within its supervisory remit, these powers do not extend to the supervision of compliance with sustainability reporting standards or taxonomy-related disclosure requirements.[231] Nor does the administrative penalty payment provided in Section 40 of the Act on the Financial Supervisory Authority apply to the financial statements or the sustainability report.[232] As a consequence, the principal enforcement tool available to FIN-FSA in this context is the issuance of a public warning, in accordance with Section 39 of the same Act. However, this issuing a public warning is only possible for public limited liability companies, as they fall within the scope of the Act as other parties operating in the financial markets.[233] Such a warning may follow from a breach of the reporting standards. However, given the company-specific discretion applied in implementing the standards, such a sanction could likely be considered only in cases of clear deficiencies in reporting. [234]

The Finnish enforcement model for sustainability reporting is characterised by a predominantly administrative approach, relying on registration-based controls, corrective requests, and financial penalties tied to the formal submission of reports. The preparatory works explicitly state that breaches of sustainability reporting obligations are subject to administrative law consequences and that no specific criminal sanctions have been introduced for such infringements.[235]

## 3.6 Criminal liability

Under Finnish law, criminal liability related to corporate reporting is closely linked to the legal function of the financial statements and the requirement to provide a true and fair view.

[231] Kaisanlahti 2024, p. 849.
[232] Ibid, p. 849.
[233] Act on the Financial Supervisory Authority, Section 5.
[234] Kaisanlahti 2024, p. 849.
[235] HE 20/2023 vp, pp. 25-26.

Criminal sanctions under Chapter 30 of the Criminal Code (39/1889, rikoslaki) apply to breaches concerning financial statements, including accounting offences that impair the provision of a true and fair view of the undertaking's financial position or results.[236] These provisions cover not only the preparation of the financial statements after the end of the financial year but also the recording of business transactions during the accounting period. However, the scope of these criminal provisions does not extend to the management report, as following the legislative reform of 2015, the management report was separated from the financial statements and established as a legally distinct document. [237]

Although sustainability reporting is, under the Accounting Directive, included in the management report, this structural separation has direct consequences for criminal liability. Because the management report is not regarded as an accounting instrument for fulfilling the true and fair view requirement, the criminalisation laid down in Chapter 30, section 9 of the Criminal Code regarding accounting offence does not apply to deficiencies or inaccuracies in the sustainability report.[238] This exclusion is explicitly justified by the differing nature of sustainability information, which is not subject to the same level of precision and verifiability as financial accounting data.[239]

In its initial draft proposal for implementing the CSRD, the Finnish government suggested a criminal enforcement track, including a new "Sustainability Reporting Offence" (kestävyysraportointirikos) in Chapter 30 of the Criminal Code to mirror the existing sanctions for financial statements.[240] The draft argued that criminalizing reporting failures was necessary to ensure that sustainability and financial information were treated with equal weight within a single, coherent disclosure framework.[241] However, in the final proposal (HE 20/2023), the government withdrew the criminal sanctions following stakeholder feedback.

The preparatory works emphasise that the assessment of materiality plays a decisive role in determining the content of the sustainability report. Under the Accounting Directive, sustainability reporting must include information that is material for providing a fair understanding of the undertaking's impacts and development, as well as information that is material for understanding how sustainability matters affect the undertaking's financial

[236] HE 20/2023 vp, p. 25.
[237] Ibid, p. 25.
[238] Kaisanlahti 2024, p. 848.
[239] HE 20/2023 vp, p. 25.
[240] Government Bill draft 2023, p. 17.
[241] Ibid, p. 17, 42.

position, performance and prospects. The materiality assessment thus involves a significant degree of managerial judgement, influenced by delegated sustainability reporting standards and by the undertaking's own evaluation of its individual context.[242] This reliance on qualitative assessment and subjective judgement has direct implications for the choice of enforcement mechanisms. The Government Bill explicitly notes that the content requirements of sustainability reporting cannot achieve the same level of precision as those applicable to financial statements, because sustainability information often concerns anticipatory and qualitative factors and relies on assessments made ex ante. As a result, deficiencies in sustainability reporting cannot be evaluated against objective accounting criteria in the same manner as financial misstatements.[243]

Further, the absence of criminal liability in relation to the content of sustainability reporting is grounded in the principle of legality in criminal law. Criminal liability requires that offences are defined with sufficient precision so that individuals can foresee which conduct is punishable.[244] As criminal penalties involve a significant interference with fundamental rights, the boundaries of their application must be defined with extreme clarity to satisfy the requirements of a state governed by the rule of law.[245] Stakeholders, such as the Directors' Institute Finland, expressed concerns that the broad and evolving definitions of ESG factors might fail the requirement of specificity (*epätäsmällisyyskielto*) necessary for punitive criminal law.[246] Hence, Finnish preparatory works emphasize that criminal law should remain a measure of last resort (*ultima ratio*)[247] and should be considered subsidiary to administrative measures. If the objectives of the legislation can be achieved through administrative sanctions, which are typically less intrusive on fundamental rights than a criminal record or imprisonment, the administrative path is preferred to ensure a proportionate response.[248]

As a result, breaches of sustainability reporting obligations are sanctioned through administrative measures rather than criminal penalties. Finnish law has not introduced a specific criminal offence for failures or inaccuracies in sustainability reporting. Criminal liability remains relevant only in adjacent contexts, such as for directors to face criminal

[242] HE 20/2023 vp, pp. 25-26.
[243] HE 20/2023 vp, p. 26.
[244] Ibid, p. 26.
[245] Ibid, p. 26.
[246] Ibid, p. 27.
[247] Since criminal law restricts fundamental rights, it should be used only as a last resort, and other regulatory options must be considered first. See Ministry of Justice publication 7/2018.
[248] Ibid, pp. 25-26.

liability by Criminal Code's Chapter 30 if the conditions for those crimes are fulfilled.[249] Most notably, for listed companies, directors may face criminal liability for an information crime (*tiedottamisrikos*) under Chapter 5, Section 5 of the Criminal Code, if they provide false or misleading information in their reports. However, this offence requires intent or gross negligence and can apply to the contents of both the financial statements and the management report.[250]

This clear delineation reflects a conscious legislative choice to confine criminal liability to areas where legal obligations are sufficiently precise and objectively verifiable, while relying on administrative enforcement to address non-compliance with sustainability reporting obligations.

[249] Silvola et al. 2024, chapter 4.3, section "Muu peruste rikosoikeudelliselle sanktiolle".
[250] See Silvola et al. 2024, chapter 4, section "Erityiset lausumat pörssilistatussa yrityksessä".

# 4 Assessment of the Finnish CSRD enforcement framework

## 4.1 Institutional allocation

The Finnish CSRD enforcement framework is best understood as an allocation choice: instead of creating a bespoke sustainability-reporting enforcement architecture, the regime is channelled through pre-existing reporting structures and their supervisory logic. At EU level, this choice is partly pre-structured by the CSRD itself, which largely refrains from specifying a dedicated enforcement model. As Pantazi observes, "the CSRD makes no particular reference to public enforcement issues and sanctions", and indeed "on the issue of enforcement, the Directive is almost entirely silent."[251] This deliberate silence shifts the decisive design choices to Member States and, in practice, encourages a governance solution in which sustainability reporting is absorbed into the "normal" architecture of corporate reporting supervision.

This absorption model has immediate institutional consequences. First, it directs the supervisory home of sustainability reporting to those bodies, procedures, and enforcement habits that already govern corporate reporting. Second, it makes sustainability reporting legible to the legal system primarily through concepts that were developed for financial reporting, namely formal completeness, procedural compliance, and ex post correction, rather than through an enforcement logic calibrated to the epistemic and normative features of sustainability information. The CSRD's integration with reporting infrastructure is reinforced by requirements of standardised format and publication timeline. These design choices facilitate supervision by making sustainability reports institutionally "processable" within existing disclosure regimes, and they can be defended as a pragmatic way to operationalise oversight without creating entirely new supervisory machinery.

However, the same institutional allocation also generates a structural tension, because the object of supervision differs from the object that the inherited system was built to govern. Preparatory works acknowledge this difference in explicit terms: financial statement data are almost without exception verifiable through accounting records as monetary figures, whereas

[251] Pantazi 2024, p. 520, 528.

similar precision cannot be achieved in sustainability reporting.[252] Sustainability information is practically more difficult to measure; it concerns not only quantitative, retrospectively verifiable data but also forward-looking and qualitative matters.[253] Thus, supervisory systems and sanctioning logics designed around verifiability, audit trails, and relatively determinate accounting constructs encounter inherent friction when tasked with overseeing forward-looking, qualitative and contested sustainability statements. Mezzanotte develops the same concern from the viewpoint of the new CSRD concepts, emphasising that impact materiality is a distinct, novel concept whose workings in a setting of mandatory reporting are thus far untested, and that implementation is not a clear-cut process such that new sources of legal risk will emerge.[254] The supervisory problem is therefore not simply one of "more rules", but of supervising a category of information whose compliance boundaries are structurally less determinate and whose contestability is built into the regime's core concepts.

Against that background, the Finnish allocation choice can be defended on institutional grounds, but it simultaneously sets up an enforcement gap risk. The defence is straightforward: administrative supervision is often regarded as particularly suitable for complex and technical regulatory environments, and, in general, administrative penalties offer advantages in terms of speed and effectiveness.[255] The supervisory system can communicate expectations, steer reporting practices, and intervene without the evidentiary burdens associated with criminal prosecution. Yet this same advantage becomes ambiguous when the legal framework offers few concrete enforcement specifications and high interpretive uncertainty.

This gap risk is intensified by the EU-level structure of enforcement discretion. As noted, directives and regulations often do not specify in detail what penalties Member States should adopt and how they should be enforced, and because this leaves discretion, it is thus far easier to ensure that the "black letter text" of EU law is correctly transposed than to ensure that it is applied and enforced correctly. [256] When EU legislation delegates enforcement details to national systems, the result is likely to be unevenness.[257] Pantazi similarly concludes that the Accounting Directive's enforcement requirements are very generic, and leave room for

[252] HE 20/2023 vp, pp. 25-26.
[253] Ibid.
[254] Mezzanotte 2024, pp. 645-646.
[255] Vomáčka 2024, p. 295.
[256] Sørensen 2015, p. 2.
[257] Ibid, p. 2.: "enforcement could not be left entirely to the Member States, as this would result in the very uneven application of EU law."

insufficient and divergent implementation among Member States.[258] Finland's institutional allocation choice should be read in this EU context: it is not an isolated national deviation, but a foreseeable consequence of a legislative approach that integrates sustainability reporting into financial reporting structures while leaving enforcement largely to national discretion.

At the same time, this does not eliminate national responsibility for the institutional design. It rather reframes the question: what follows from choosing a financial-reporting-like supervisory structure for sustainability reporting, given the different informational properties of the latter. In this sense, the Finnish allocation choice inherits not only institutional machinery but also the conceptual structure of financial reporting enforcement, thereby increasing the likelihood that sustainability reporting supervision will be formally robust but substantively challenged.

Finland's supervisory and institutional allocation is best conceptualised as an integration model. It is administratively plausible and, in some respects, institutionally efficient, because it leverages existing reporting channels, formats, and supervisory capacities. However, the practical effectiveness of this arrangement also depends on whether supervisory authorities possess sufficient resources and specialised expertise to oversee sustainability disclosures, an issue that has been widely discussed in the broader debate on the allocation of supervisory responsibilities under the CSRD. [259] Moreover, the establishment of new or more specialised supervisory structures would itself require financial and human resources, meaning that shortcomings in enforcement may reflect not only institutional design choices but also broader resource constraints.

The choice to integrate the supervision into the existing framework regarding financial reporting also establishes the preconditions for an enforcement gap: the object of supervision is forward-looking, qualitative, and conceptually novel, while the inherited enforcement model is rooted in verifiability, determinate constructs, and a compliance paradigm developed for financial reporting. The remainder of Chapter 4 therefore assesses, on this allocation baseline, whether the Finnish system's tools and institutional structure can realistically deliver effectiveness, proportionality, and dissuasiveness in a domain characterised by high interpretive uncertainty and structurally contestable reporting judgments.

[258] Pantazi 2024, p. 520.
[259] HE 20/2023 vp, p. 23.

## 4.2 Effectiveness

### 4.2.1 Effectiveness as a system-level requirement

At a system-level, the requirement of effectiveness in the enforcement of the CSRD in Finland is fundamentally rooted in the duty of sincere cooperation, which mandates Member States to provide sufficient remedies to ensure effective legal protection. As established in the foundational *Greek Maize* case, this principle dictates that while Finland possesses procedural autonomy in selecting its enforcement mechanisms, it must ensure that any penalties for non-compliance are capable of producing the desired result of ensuring compliance with Union norms. True effectiveness at the systemic level is not satisfied by the mere existence of supervisory powers or paper-based sanctioning provisions; rather, it depends on whether the chosen enforcement tools can realistically influence the behaviour of reporting entities in light of the regulatory objective, which is the transition to a carbon-neutral society.[260]

The Finnish CSRD enforcement framework can be assessed against the factors that, according to comparative EU enforcement analysis, empirically contribute to effective compliance. However, as noted earlier, the enforcement system should be examined as a whole, especially when assessing the effectiveness of sanctions.[261] This systemic approach is particularly relevant in the context of sustainability reporting, which relies on multiple actors, such as supervisory authorities, registration authorities, assurance providers and, indirectly, market participants, rather than on single enforcement authority. Accordingly, the effectiveness of the Finnish sustainability reporting enforcement framework must be evaluated by examining whether the combined operation of administrative sanctions, supervisory practices and assurance mechanisms is capable of ensuring that undertakings comply with the substantive reporting obligations introduced by the CSRD.

### 4.2.2 Formal compliance versus substantive compliance

A central question for effectiveness is whether enforcement mechanisms secure merely formal compliance or whether they are capable of ensuring substantive compliance with

[260] Silvola et al. 2024, in chapter 2.2.1; On influencing behaviour, see Vomácka 2024, pp. 282-283, 291.
[261] Milieu 2011, p. 9.

sustainability reporting requirements. The Finnish system is effective in ensuring the formal existence and timely publication of sustainability reports. This is primarily achieved through registration-based enforcement mechanisms administered by the Finnish Patent and Registration Office.

As established in Chapter 3, undertakings subject to sustainability reporting obligations must submit their financial statements and management report – including the sustainability report – for registration within the statutory deadline. Failure to do so triggers a late-filing penalty under Section 25 of the Trade Register Act, with the amount of the penalty increasing in proportion to the length of delay and escalating in cases of repeated non-compliance. This mechanism is designed to create a clear and predictable incentive to submit the required documents on time.

The Finnish late-filing penalty provides an automatic and administratively straightforward response to non-compliance. Administrative sanctions avoid the high legal certainty and precision thresholds required for criminal prosecution, which are often difficult to satisfy when dealing with non-financial metrics, thus making administrative sanctions easier to administer and impose, and far less resource-consuming than the criminal justice system as they allow agencies to act directly without a prosecutor, ensuring that penalties follow breaches with greater certainty and speed.[262]

However, the effectiveness of the system becomes more questionable when assessed in relation to substantive sustainability reporting obligations. The late-filing penalty is indifferent to the content of the sustainability report. An undertaking that submits a report on time but fails to comply with ESRS requirements, omits material environmental information or relies on overly generic disclosures faces no comparable administrative financial sanction. The enforcement mechanism is thus aligned with the obligation to file a report, not with the obligation to report meaningfully. Consequently, there is a risk of a “tick-the-box” approach where companies meet the formal requirements to avoid the late-filing fee while providing lower-quality substantive data. In addition, while the FIN-FSA supervises the compliance of listed entities, it lacks the authority to impose financial penalties and may issue only a public warning, reserved for the most serious deficiencies in reporting.[263]

[262] Faure & Svatikova 2012, pp. 255-256.
[263] Kaisanlahti 2024, p. 849.

This structural feature reflects the legislative choice, analysed in 4.1, to integrate sustainability reporting into the accounting and registration framework. While this choice ensures administrative coherence, it limits the capacity of enforcement mechanisms to address the qualitative dimension of sustainability reporting. As a result, the system risks producing what may be described as procedural effectiveness without substantive effectiveness.

### 4.2.3 Detection and enforcement capacity

Effectiveness also depends on the likelihood that non-compliance will be detected and followed by enforcement action. Even well-designed sanctions fail to ensure compliance if violations are unlikely to be identified. In the Finnish system, detection of substantive deficiencies in sustainability reporting is structurally limited: the role of the Finnish Patent and Registration Office is confined to verifying that required documents have been submitted; it does not assess the content of sustainability reports. Consequently, Finnish Patent and Registration Office's enforcement activity contributes to effectiveness only at the level of formal compliance.

For listed companies, substantive supervision of sustainability reporting falls within the remit of FIN-FSA. However, as shown in Chapter 3, FIN-FSA's enforcement powers in relation to sustainability reporting are narrow. The authority lacks competence to impose administrative penalty payments for breaches of sustainability reporting standards and may primarily resort to issuing public warnings. While such warnings may have reputational consequences, their effectiveness depends on visibility, consistency and perceived severity. It has also been noted that imposing of a public warning could likely be considered only in cases of clear deficiencies in reporting.[264]

A significant enforcement gap exists for large unlisted entities in Finland. While the FIN-FSA is tasked with supervising the substantive reporting quality of listed companies and specific financial institutions, no formal supervisor is assigned to oversee the content of sustainability reports for unlisted companies. The Economic Affairs Committee of the Finnish parliament has likewise drawn attention to the fact that no authority has been designated to supervise sustainability reporting by large unlisted companies. This gap was justified on the grounds that, according to the information provided to the Committee, the Corporate Sustainability

[264] Kaisanlahti 2024, p. 849.

Due Diligence Directive (CSDDD) was expected to be decided upon by the first half of 2024, and the directive would make compliance with sustainability obligations subject to national supervision. Since the supervision would, to a significant extent, be based on reporting, it was considered appropriate to address the question of oversight of reporting in conjunction with the broader supervisory framework.[265]

That said, it is worth considering whether the supervision of the CSRD should be left dependent on the implementation of another directive. The CSDDD may indirectly strengthen the institutional capacity and information environment relevant for CSRD enforcement, but it cannot legally substitute for or expand the supervisory powers required to ensure accurate and reliable sustainability reporting under the CSRD.

Further, the approach also places listed and unlisted companies in different positions with respect to supervision. Finnwatch argues that it is difficult to justify why two major competitors in the same industry – such as Kesko, a large stock-listed company, and S-Group, a large unlisted cooperative – should face different levels of regulatory scrutiny simply due to their legal form or listing status.[266] FIN-FSA itself has raised concerns that large unlisted companies can have significant societal and environmental impacts, yet without official supervision, the reliability of their reports may be lower than those of listed firms.[267] This inconsistency potentially undermines the core objective of the CSRD to prevent greenwashing, as stakeholders may not be able to trust the sustainability data from unlisted entities as much as they do from listed ones.

For these large unlisted entities, the system shifts the burden of quality control to the sustainability reporting auditor, who must provide mandatory external assurance. This requirement for limited assurance acts as the only substantive check for many firms, with the auditor tasked with expressing an opinion that they have not become aware of any matter that would indicate that the subject matter is materially misstated. The role of the sustainability auditor is therefore central to the system's effectiveness, as they provide the professional oversight needed to reduce the likelihood of greenwashing.

[265] TaVM 5/2023 vp, p. 8.
[266] Finnwatch, in its statement regarding the implementation of CSRD in Finland, Ministry of Economic Affairs and Employment of Finland 2023, p. 42.
[267] FIN-FSA, in its statement regarding the implementation of CSRD in Finland, Ministry of Economic Affairs and Employment of Finland 2022, p. 10.

The Finnish system exhibits a fragmented sanctioning architecture, in which the Finnish Patent and Registration Office controls registration-based penalties, FIN-FSA controls reputational measures for listed companies, and no authority is empowered to impose substantive financial penalties for defective sustainability disclosures. No single authority is tasked with systematically assessing the quality of sustainability disclosures across all reporting entities. Ultimately, while the Finnish model is effective at ensuring formal compliance, as in the existence of reports, its substantive effectiveness is contingent upon the rigor of the auditing profession and the market's reaction to transparency rather than the strength of state-imposed penalties.

### 4.2.4 Corrective measures and their limits

In many enforcement systems, infringements are solved without imposition of penalties as such, but through discussion and negotiation.[268] This is also characteristic of the Finnish framework, where corrective measures play a part. The Finnish Patent and Registration Office may request undertakings to remedy deficiencies in submitted documents and set deadlines for compliance, reinforced by the threat of further administrative action. These measures correspond to what can be described as remediation-oriented enforcement, [269] which can be effective in restoring legality.

However, while this approach may enhance administrative efficiency, it limits the deterrent and expressive function of sanctions. In the Finnish system, corrective requests and late filing fees are not systematically publicised and are not linked to escalating consequences for repeated substantive deficiencies. As a result, they primarily function as compliance assistance tools rather than as mechanisms capable of influencing future behaviour.

The Finnish Patent and Registration Office does have the authority to escalate matters by removing a company from the Trade Register or ordering its liquidation if it persistently neglects its filing duties. Yet, as noted in chapter 4.2.2, the Finnish Patent and Registration Office does not assess the substantive content of the sustainability reports; its oversight is limited to whether the report has been filed. Consequently, these more severe measures can only be applied in cases of clear negligence, such as a complete failure to submit the report.

[268] Milieu 2011, p. 17.
[269] Ibid, p. 18.

Although the threat of liquidation may encourage undertakings to file, it does not ensure the accuracy or completeness of the information reported. A system that relies primarily on corrective measures focused on filing therefore limits the deterrent effect of enforcement and may ultimately undermine the effectiveness of the sanctioning regime.

## 4.3 Proportionality

Unlike effectiveness and dissuasiveness, which focus on the capacity of sanctions to induce compliance, proportionality requires that penalties accurately reflect the gravity of the violation and stay within what is necessary to reach the desired objective.[270] This requirement is particularly salient in the context of sustainability reporting, where obligations are embedded in accounting law but concern information that is qualitatively different from traditional financial reporting.

As established in Chapter 3, the Finnish system relies primarily on administrative sanctions and corrective supervisory measures, while excluding criminal liability for sustainability reporting deficiencies. From a proportionality perspective, this legislative choice reflects a conscious calibration of enforcement intensity to the nature of the regulated conduct. The preparatory works explicitly acknowledge that sustainability information differs fundamentally from financial information, noting that a comparable level of precision cannot be achieved in sustainability reporting, as the information is not only quantitative and retrospectively verifiable but also forward-looking and qualitative.[271] This uncertainty directly constrains the range of proportionate sanctions that may be imposed without risking excessive or arbitrary enforcement. Finland's implementation reflects these standards by selecting administrative sanctions as the primary enforcement tool, seemingly following the principle of parsimony which dictates that the least intrusive means should be used when the regulatory goal – in this case, transparency in the green transition – can be achieved without the moral stigma of criminal law.[272]

[270] See e.g. Case C-94/05, Emsland-Stärke, Judgment of 16 March 2006, ECLI:EU:C:2006:185.
[271] HE 20/2023 vp, p. 25.
[272] See Franssen 2013, p. 106. Parsimonious is the sanction that causes least harm to the offender.

From a formal perspective, the existence of a graduated penalty structure supports proportionality, as it differentiates between short delays and prolonged non-compliance, and thus takes into account the seriousness of the offence.[273] The public warnings imposed by FIN-FSA for only listed companies can also be considered proportionate as listed companies are expected to operate under heightened public scrutiny, making such warnings meaningful and appropriate in their case. Furthermore, the system employs a graduated approach where the Finnish Patent and Registration Office uses "softer" corrective measures like supplemented notices and conditional fines before resorting to terminal measures such as liquidation.

However, in the determination and graduation of sanctions, no consideration was given to the size or market power of the infringer; the assessment was based solely on the extent of the delay.[274] The graduation of the sanctions in the Finnish system is very minimal and therefore has little significance for firms of this size. By relying exclusively on the extent of the delay through a fixed nominal fee, the Finnish system is close to adopting a "one-size-fits-all" approach that has historically been viewed by the Court of Justice as disproportionate when applied to entities with vastly different degrees of economic power.[275]

Besides the graduated late filing fee structure, the Finnish enforcement system does not make a distinction between minor and serious offences, which has been identified as an important feature in regard to proportionality of penalties.[276] In the worst-case scenario, a company that submits an insufficient sustainability report on time faces no penalties, whereas another company that submits its report late may provide a higher-quality report and still be penalized solely for missing the deadline. This asymmetry highlights a tension with the principle of proportionality: the current enforcement model risks imposing sanctions that are disconnected from the actual gravity of the infringement. By focusing primarily on procedural timeliness rather than the substantive adequacy of the report, the system may produce penalties that are neither necessary nor proportionate to the harm or regulatory risk involved.

Further, the Finnish system firmly relies on fixed nominal fees rather than turnover-based sanctions. EU case law and secondary legislation in other fields, such as the GDPR and

[273] Franssen 2013, pp. 115-116.
[274] Cafaggi & Iamiceli 2025, p. 619 on market power and size of the infringer.
[275] Sørensen 2015, p. 10. When a "one-size fits-all" sanction, e.g. a flat-rate fine is imposed, the Court is likely to conclude that the penalty is disproportionate. See also Case C-210/10, Urbán v Vám- és Pénzügyőrség Észak-alföldi Regionális Parancsnoksága, Judgment of 16 February 2012, ECLI:EU:C:2012:64.
[276] Milieu 2011, p. 32.

competition law, emphasize that the financial strength of the entity is a critical factor in the proportionality assessment; for instance, using a percentual cap on net worldwide turnover ensures the penalty is commensurate with the infringer's size.[277] Interestingly, a draft version of Article 51 of the Accounting Directive required Member States to consider an undertaking's financial strength when setting the type and level of penalties or administrative measures, but this requirement is ultimately missing from the Directive's final adopted text.[278]

The limited attention given to the type and severity of penalties largely stems from the EU-level framework. In its original proposal, the CSRD would have required Member States to ensure that all relevant circumstances were taken into account when determining penalties or administrative measures. These included the seriousness and duration of the breach, the degree of responsibility of the person or entity involved, their financial capacity, and the extent of any profits gained or losses avoided. Member States were also expected to consider the harm suffered by third parties, the level of cooperation during the investigation, and any previous infringements.[279] However, this requirement was removed from the final text of the directive. As a result, Finland, like any other Member State, was not obliged to assess these factors when setting the type and severity of penalties, which is reflected in the Finnish approach.

Whether the sanctions in Finland genuinely match the gravity of a reporting violation remains a point of debate. Proportionality requires that a sanction be commensurate with the seriousness of the offence and the magnitude of its consequences. It can be argued that for a large multinational undertaking with an annual turnover exceeding EUR 40 million, a fixed nominal fee of EUR 1,800 may be perceived merely as a "cost of doing business".[280] In such

---

[277] See Wils 2006, p. 18, on the impact of high fines on the market structure. Wils notes that to prevent distortions in market structure, competition authorities should calibrate cartel fines according to each firm's financial capacity. Differential treatment can occur either by moderating penalties for firms with limited ability to pay or by augmenting sanctions for significantly larger participants. In EU practice, this principle is operationalized through the statutory 10% turnover cap and the use of multipliers to adjust fines for disproportionately large undertakings.
Further, see Case C-544/19, ECOTEX BULGARIA, Judgment of 6 October 2021, ECLI:EU:C:2021:803, where the Court rules that a penalty calculated as a fixed percentage of the amount in breach is in principle proportionate because it increases in a "linear fashion" to reflect the "extent and seriousness of the irregularity committed".

[278] COM(2021) 189 final, p. 54.

[279] Ibid.

[280] The phrase "cost of doing business" describes a phenomenon where penalties are so small relative to a corporation's revenue and profits that they fail to function as a deterrent. Instead of encouraging compliance, these fines are treated as predictable operational expenses that are easily absorbed by large firms making hundreds of billions in annual revenue. Further, see Espinoza 2024, on Financial Times: Because the impact of such penalties on stock prices and corporate reputation is often temporary and minor, critics argue that traditional fining practices are ineffective against "Big Tech" and other powerful entities. See also White 2016.

cases, the penalty fails to materially deprive the infringer of the benefits obtained from the violation, potentially leading to under-deterrence.[281] If the damage caused by misinformation involves millions of euros in misdirected capital or significant environmental degradation, a low-level administrative fine may be viewed as manifestly disproportionate to the abstract and concrete harm inflicted on the market by misallocation capital, channelling of financial resources toward activities that exacerbate rather than remediate environmental and social problems.

### 4.4 Dissuasiveness

The principle of dissuasiveness requires that penalties imposed for non-compliance are sufficiently severe to produce a genuine deterrent effect, preventing both the offender and other potential violators from engaging in similar misconduct.[282] The dissuasive character of the Finnish system is primarily anchored in the registration oversight conducted by the Finnish Patent and Registration Office. To signal the elevated regulatory importance of sustainability disclosures, Finland implemented a tripled late fee specifically for sustainability reports compared to traditional financial statements, reaching a maximum of EUR 1,800. For persistent or repeat offenders who fail to file for two or more consecutive years, this fee is doubled, which reinforces the principle that escalating penalties are necessary to deter repeated noncompliance.[283] Furthermore, the system includes the terminal threat of liquidation or removal from the trade register for entities that remain in total non-compliance despite formal warnings, which acts as a powerful deterrent against absolute reporting failures. For listed entities, the FIN-FSA further enhances dissuasiveness through the power to issue public warnings, leveraging reputational tools to influence market standing and investor trust.

However, the system faces potential shortcomings in its dissuasive strength, particularly regarding the magnitude of the financial penalties. In EU law, a truly dissuasive sanction must deprive the infringer of the benefits obtained from the violation, a requirement that often

[281] Cafaggi & Iamiceli 2017, p. 583. Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111.
[282] See Case C-255/14, Chmielewski, Judgment of 16 July 2015, ECLI:EU:C:2015:475 and Case C-30/19, Braathens Regional Aviation, Judgment of 15 April 2021, ECLI:EU:C:2021:269; Cafaggi & Iamiceli 2017, pp. 578-579.
[283] Franssen 2013, pp. 370-372.

necessitates turnover-based fines.[284] Under the current system, the late-filing fee for large undertakings ranges from EUR 300 to EUR 1,800 depending on the length of the delay. While this graduated structure reflects an attempt to create escalating incentives for compliance, the absolute level of the penalties remains comparatively low and may neither incentivise nor deter undertakings to report on time. Because the Finnish late fee is a fixed nominal amount, a maximum of EUR 1,800 may be perceived as a negligible cost of doing business for large multinational corporations with annual turnovers exceeding EUR 40 million.[285]

Additionally, a notable supervisory gap exists for large unlisted entities, as no formal state authority is assigned to oversee the substantive content of their reports, leaving the burden of deterrence almost entirely to mandatory external assurance and the market's reaction to a potentially qualified auditor's opinion. It has been argued that the fact that it may be very difficult to detect an infringement may justify more severe penalties in order to ensure a preventive effect.[286] Thus, given that misleading sustainability claims are often difficult to detect, it could be justified to impose more severe penalties to ensure a preventive effect against greenwashing.[287]

A central feature of the Finnish implementation is the absence of criminal sanctions for sustainability reporting. While accounting crimes under the Criminal Code apply to financial statements, they do not extend to the sustainability section of the management report. Finnish lawmakers justified this exclusion by citing the qualitative and predictive nature of sustainability information, which relies on subjective materiality assessments rather than the mathematically verifiable monetary figures of financial accounting. Because these disclosures often involve forward-looking statements and data from complex value chains outside the company's direct control, they struggle to meet the strict legal certainty and precision required for criminal liability under the *nullum crimen sine lege* principle. [288]

---

[284] See Cafaggi & Iamiceli 2017, p. 600: "E.g. within administrative enforcement, where deterrence has been considered a priority, sanctions are often adjusted against the size of the infringer (defined by the amount of revenues), the seriousness of the violation, the magnitude of the conduct's consequences in order to attain an adequate deterrent effect."

[285] Burns et al. 2024, p. 1148-1149. See also Case C-452/20, Agenzia delle dogane e dei monopoli and Ministero dell'Economia e delle Finanze, Judgment of 24 February 2022, ECLI:EU:C:2022:111, where the Court recognizes that if sanctions are limited to administrative fines, economic operators may take a calculated risk to violate the law for financial gain.

[286] Case C-544/19, ECOTEX BULGARIA, Judgment of 6 October 2021, ECLI:EU:C:2021:803 at 107.

[287] Sørensen 2015, p. 10, citing Case C-156/04, Commission v Greece, Judgment of 7 June 2007, ECLI:EU:C:2007:316 at 79.

[288] HE 20/2023 vp, pp. 25-26.

The question of when to impose criminal liability is especially important from a deterrence standpoint. While criminal sanctions also relate to proportionality and overall effectiveness, the real issue is how well a measure achieves its intended impact. Criminalizing certain conduct plays a crucial role in discouraging wrongdoing and preventing harmful behaviour before it occurs. Deterrence works best when the perceived risk of violating the law is simply too high. That threshold rises significantly when an individual decision-maker within a company can be held personally criminally liable, rather than the company merely facing an administrative fine as an organization.

The argument for introducing criminal sanctions rests also on the premise that they provide a qualitatively different level of social disapproval and stigma that administrative fines cannot achieve.[289] In sectors like environmental protection, the EU has increasingly mandated criminalization because the threat of criminal sanctions for directors can alter corporate cost-benefit calculations more effectively than monetary sanctions, which a company might simply externalize.[290] Criminal penalties are viewed as necessary to combat intentional evasion or greenwashing by large entities that might otherwise view administrative fees as a predictable business expense.

However, administrative proceedings are faster, less formal, and do not require the high beyond reasonable doubt standard of proof, which is difficult to satisfy for qualitative ESG metrics.[291] Furthermore, relying on the criminal justice system can lead to underdeterrence because police and prosecutors often lack the specialized technical expertise to evaluate sustainability harm and may prioritize “real crimes” over reporting errors.[292] By focusing on transparency and digital accessibility, the Finnish system leverages public scrutiny as a surrogate for criminal punishment, assuming that the threat of reputational harm and the loss of access to sustainable finance will realistically influence behaviour more effectively than a complex and remote criminal trial. Moreover, EU enforcement doctrine does not require Member States to privilege punishment over compliance assistance. What it does require is that sanctions not be purely symbolic.[293] A system in which breaches routinely lead to

[289] Franssen 2013, pp. 101-102, 391-393.
[290] EU has moved from a voluntary approach to a mandatory one, specifically identifying the Environmental Crime Directive as a pivotal instrument for enforcing compliance. See Vomáčka 2024, where concluded that sanctions play a crucial role in altering corporate cost-benefit calculations, extending beyond simply punishing offenders (p. 283).
[291] Faure & Svatikova 2012, pp. 255-256; Markus & Paukku 2025. pp. 541-542.
[292] Faure & Svatikova 2012, pp. 258-259; Markus & Paukku 2025, pp. 541-542.
[293] Sørensen 2015, p. 7.

concrete supervisory interventions, mandatory corrections, and reputational exposure may, in principle, satisfy the effectiveness requirement even if financial penalties are used sparingly.

Finally, despite the exclusion of specific criminal sanctions, Finnish law does not entirely rule out the possibility of criminal liability for directors under general criminal provisions if specific criteria are met. The administrative next step does not preclude the application of the Criminal Code's Chapter 30 if the conditions for those crimes are met. For listed companies, directors may face criminal liability for an information crime under Chapter 5, Section 5 of the Criminal Code.

On the positive side, Finland's reliance on administrative supervision corresponds to what can be identified as one of the main advantages of administrative sanctions, namely that they allow for communication with the perpetrator, giving the regulator greater flexibility over the types of measures it can use.[294] This communicative and flexible character aligns well with sustainability reporting obligations, which are technically complex, conceptually evolving, and often characterised by uncertainty rather than clear-cut illegality. In such a setting, enforcement that allows for dialogue and gradual escalation may be better suited to securing compliance than immediate recourse to punitive sanctions.

## 4.5 Public scrutiny as part of enforcement

Public scrutiny is a central mechanism for influencing corporate behaviour, as transparency is viewed as a prerequisite for market participants to properly assess long-term value and sustainability risks.[295] By requiring disclosures to be reliable, comparable, and easy to find, the CSRD empowers primary users – such as investors, asset managers, NGOs, and trade unions – to hold undertakings accountable for their impacts on people and the environment.[296] High-quality reporting can enhance a company's access to financial capital and improve its overall reputation, while conversely, public disclosures enable benchmarking by industry rivals.[297] This benchmarking allows market and social actors to react negatively to companies

[294] Milieu 2011, p. 21.
[295] COM(2018) 97 final, pp. 3-4.
[296] COM(2021) 189 final, p. 23.
[297] Ibid, p. 24.

that underperform compared to their peers, creating a pressure for conduct change that avoids public backlash and encourages the management of negative externalities.[298]

While the initial legislative proposal for the CSRD included specific administrative sanctions, the final text of the directive omitted these measures.[299] The original proposal aimed to amend Article 51 of the Accounting Directive to require Member States to provide specific mandatory penalties, including a public statement indicating the natural person or the legal entity responsible and the nature of the infringement, as well as cease-and-desist orders and administrative pecuniary sanctions.[300] However, the concrete references to public enforcement tools were absent from the final directive. Consequently, the CSRD remains largely silent on specific sanctions, leaving the enforcement of sustainability reporting to be handled primarily through existing national regimes for financial reporting or, for listed companies, the framework of the Transparency Directive.

The Finnish enforcement framework for the CSRD relies heavily on public scrutiny as a primary driver for substantive compliance. This structural dependency is rooted in the legislative decision to reject criminal liability for sustainability reporting, a choice motivated by the recognition that sustainability data typically involves subjective judgment and complex materiality assessments rather than the mathematically verifiable monetary figures found in traditional financial statements.[301]

In Finland, the transparency of the Finnish Trade Register – where financial statements are historically accessible – naturally extends to sustainability reporting, ensuring that these disclosures are available to the public. In addition, Finland implemented a national expansion of the directive's digital requirements, obliging all reporting entities to deliver their reports to the Finnish Patent and Registration Office in a standardized digital format to ensure they are accessible to citizens and stakeholders.[302] Furthermore, companies are mandated to keep these reports publicly available on their websites free of charge.[303]

In practice, the reputational harm generated through public scrutiny functions as a central informal sanction, effectively shifting a portion of the enforcement burden to the public sphere. This transparency-based mechanism is particularly critical because existing

[298] Mezzanotte 2024, p. 656.
[299] COM(2021) 189 final, p. 54.
[300] Ibid, p. 54.
[301] HE 20/2023 vp, pp. 25-26.
[302] HE 20/2023 vp, p. 35, 16; Niskala & Palmuaro 2023, p. 57.
[303] As per Section 26, Chapter 7 of the Accounting Act; HE 20/2023 vp, pp. 15-16.

administrative sanctions, such as late filing fees reaching a maximum of EUR 1,800, and for repeated non-compliance EUR 3,600, are relatively low and may not always be proportionate to the seriousness of a substantive reporting failure by a large multinational entity. As a result, the system leverages the market's reaction to ensure the useful effect of the directive in instances where monetary penalties alone lack sufficient dissuasiveness.

For stock-listed companies, the FIN-FSA can issue public warnings for clear reporting deficiencies, leveraging reputational damage as a deterrent. For large unlisted entities, the system relies on public scrutiny quite heavily, as there is no formal supervisor assigned to oversee the substantive content of reports for these entities. Especially for these unlisted firms, the Finnish system shifts the enforcement burden to the sustainability auditor and the transparency of the market itself.

While the Finnish system relies on public scrutiny as part of enforcement, it must be noted, that a significant deficiency in the enforcement landscape is the absence of a dedicated and secure mechanism through which stakeholders, other than the auditor of a public limited liability company, can confidentially inform authorities if they suspect greenwashing or the reporting of misleading data in a sustainability report. Finnwatch highlighted this deficiency in its 2023 statement, yet no such mechanism has been introduced.[304]

This reliance on public scrutiny as an enforcement mechanism also means that the practical effectiveness of the CSRD in Finland ultimately depends on the broader societal valuation of sustainability. Where environmental protection and social responsibility are widely regarded as legitimate and important public interests, transparency can generate strong behavioural incentives: civil society, the media, and investors are more likely to react to shortcomings, and the reputational consequences of inadequate reporting become more severe. Conversely, if sustainability issues recede from public attention or are politically deprioritised, the external pressure that underpins the Finnish model weakens, reducing the directive’s capacity to steer corporate conduct. In this sense, the enforcement architecture is inherently contingent on societal expectations, and its deterrent effect fluctuates with the intensity of public engagement in sustainability matters.

[304] Finnwatch, in its statement, Ministry of Economic Affairs and Employment of Finland 2023, p. 42.

## 4.6 Private enforcement and its marginal role

As demonstrated, Finland has chosen to enforce sustainability reporting obligations almost exclusively through administrative mechanisms. No autonomous criminal offence has been introduced for non-compliance with CSRD reporting requirements, and civil liability operates indirectly through general company law doctrines rather than as a reporting-specific enforcement tool. Consequently, the effectiveness of the Finnish enforcement framework depends primarily on the design and operation of administrative sanctions.

The marginality of private enforcement is driven by the high burden of proof required for successful litigation. Under general tort law and company law, a claimant must demonstrate actual damage, a clear causation link between the reporting failure and that damage, and typically, fault or negligence on the part of the directors.[305] These conditions are notoriously difficult to satisfy in the context of sustainability reporting.

Furthermore, the role of social partners and civil society in private enforcement is severely constrained by legal standing (*locus standi*) issues and the lack of dedicated liability regimes under the CSRD. Despite the CSRD's intention to empower stakeholders to hold undertakings accountable for their environmental and social impacts, most non-governmental actors lack the path to directly challenge reporting breaches in court unless they have suffered a direct personal financial injury.[306] For instance, while the Unfair Commercial Practices Directive regulates misleading communications to consumers, sustainability reports are primarily directed at investors, making them difficult to challenge as unfair commercial practices under current European and Finnish consumer law.[307]

Ultimately, private enforcement in Finland serves as a reputational threat and a driver for transparency rather than a robust legal deterrent. The effect utile of the directive is largely achieved through the complementarity of administrative oversight and public scrutiny, where the risk of a qualified auditor's opinion or negative media coverage acts as an informal sanction. In this environment, reputational harm can be even more fatal to an undertaking's

[305] Pantazi 2024, p. 522, where she notes that "-- recourse to general tort law provisions barely constitutes a sufficient means of private enforcement of CSR reporting obligations on behalf of shareholders, as tort liability normally requires actual damage, proof of causation between the conduct and damage, and, in some cases, separate proof of fault."
[306] Ibid, p. 525.
[307] Ibid, p. 523, 528.

market standing and cost of capital than the relatively low fixed administrative fines imposed by the state. Thus, private enforcement remains a latent secondary check, subordinate to the primary Finnish strategy of utilizing mandatory digital disclosures to facilitate stakeholder monitoring in the public sphere.

# 5 Conclusions

The purpose of this thesis has been to determine whether the Finnish sanctions framework applicable to sustainability reporting under the Corporate Sustainability Reporting Directive complies with the EU-law requirement that penalties be effective, proportionate and dissuasive. The analysis has proceeded through a doctrinal examination of the Directive's enforcement logic, a systematic reconstruction of the Finnish implementation model, and a structural evaluation of the enforcement architecture as a whole. The conclusions presented here synthesise those findings and respond directly to the research questions set out in Chapter 1.

The first research question concerned how Finland has transposed the CSRD enforcement requirement into national law. The thesis demonstrates that Finland has implemented the Directive through integration rather than institutional innovation. Sustainability reporting obligations have been embedded within the existing accounting law framework, and enforcement mechanisms have been attached to structures already governing financial reporting. This choice reflects a legislative preference for continuity, administrative efficiency and systemic coherence. In formal terms, the transposition satisfies the requirements of EU law. Penalties are laid down in national legislation, and sustainability reporting is legally binding. The Finnish model therefore meets the structural threshold imposed by Article 51 of the CSRD.

The second research question addressed the nature of the sanctioning mechanisms available in cases of non-compliance. The Finnish framework is primarily administrative in character. Late-filing fees and registration-based consequences administered by the Patent and Registration Office constitute the most immediate and practically relevant enforcement tool. For listed companies, supervisory powers of the Financial Supervisory Authority supplement this administrative track, particularly in the context of securities markets. Civil liability arises under general corporate and tort principles where inaccurate or misleading reporting causes damage. Criminal liability remains possible under general accounting and securities market offences, yet there are no sustainability-specific criminal provisions. The enforcement architecture is therefore layered but asymmetrical. Administrative measures dominate, civil liability operates reactively and conditionally, and criminal law remains residual and indirect.

The third research question examined the institutional allocation of supervisory responsibilities. The Finnish system reveals a differentiated supervisory landscape. Listed undertakings fall within the oversight of the Financial Supervisory Authority, whereas large unlisted entities are not subject to an equivalent authority systematically reviewing the substantive content of sustainability reports. This institutional design enhances administrative coherence but produces uneven oversight intensity. It also shifts significant responsibility for substantive quality control to sustainability assurance providers and to market-based transparency mechanisms. The system thus secures procedural compliance through administrative certainty while relying on professional and reputational actors to safeguard substantive reliability. This allocation of supervisory responsibilities reflects a regulatory philosophy that views sustainability reporting as an extension of financial disclosure rather than as a distinct environmental enforcement domain.

The fourth research question required an assessment of whether, taken as a whole, the Finnish framework satisfies the EU-law criteria of effectiveness, proportionality and dissuasiveness.

In terms of effectiveness, the Finnish model performs convincingly at the procedural level. The automatic nature of late-filing fees creates clear incentives for timely reporting. The integration of sustainability reporting into established accounting supervision structures ensures administrative familiarity and predictability. From the perspective of ensuring that a report is filed and publicly available, the system functions efficiently. However, effectiveness in EU law also concerns the capacity to ensure substantive compliance and to preserve the practical effect of the Directive. Here, the system reveals structural limitations. The supervisory asymmetry between listed and unlisted companies reduces uniform detection capacity. The modest scale of administrative penalties limits coercive leverage. Consequently, the framework secures formal compliance reliably but depends on external mechanisms to ensure the substantive reliability and credibility of sustainability disclosures. Effectiveness is therefore realised procedurally but remains partially contingent substantively.

With regard to proportionality, the Finnish framework demonstrates restraint. It avoids criminalising sustainability-specific reporting failures and relies on moderate administrative sanctions. Considering the qualitative, forward-looking and partly evaluative nature of sustainability data, this cautious approach is defensible. The decision not to attach automatic criminal stigma to sustainability reporting reflects an awareness of the principle of ultima ratio in criminal law. At the same time, proportionality in EU law requires not only avoidance

of excess but also adequate calibration to achieve regulatory objectives. The flat nominal structure of administrative late-filing fees does not scale with the economic capacity of undertakings subject to the CSRD. For large multinational corporations, the financial impact of these penalties is minimal. Thus, while the system is proportionate in avoiding excessive severity, it may approach the lower boundary of proportional intensity. Proportionality, understood as a balance between necessity and sufficiency, is respected in form but cautious in substance.

The most critical findings concern dissuasiveness. EU law requires that sanctions deter both individual infringers and potential offenders more generally. The administrative late-filing fees available under Finnish law are modest in absolute and relative terms. For large undertakings, they are unlikely to constitute a meaningful deterrent. The absence of sustainability-specific criminal provisions further limits the punitive signalling of the regime. Criminal liability remains confined to adjacent contexts requiring high thresholds of intent or gross negligence. The Finnish system therefore does not embed strong punitive escalation within the sustainability reporting framework itself. Instead, deterrence relies heavily on reputational risk, investor scrutiny and public transparency. The transparency architecture of the CSRD presupposes that markets and stakeholders will discipline undertakings through reputational consequences. While such mechanisms may be effective in practice, they operate indirectly and depend on external engagement. The dissuasive force of the Finnish framework is therefore structurally moderate in terms of dissuasiveness.

Taken together, these findings allow a qualified response to the central research question. The Finnish sanctions framework fulfils the EU-law requirement of effectiveness, proportionality and dissuasiveness at a formal and structural level. It establishes enforceable obligations, identifiable sanctions and institutional competences. It ensures procedural compliance efficiently and avoids disproportionate penalisation. However, its dissuasive intensity and its capacity to guarantee substantive reliability remain comparatively restrained. The model prioritises integration, administrative efficiency and compliance correction over strong punitive deterrence.

The broader regulatory context must also be considered. The CSRD is part of a rapidly evolving EU sustainability framework. Ongoing discussions at EU level, including proposals for omnibus simplification and potential recalibration of reporting burdens, may alter the scope and intensity of sustainability reporting obligations. If future legislative developments

reduce reporting requirements or modify supervisory expectations, the balance between compliance burdens and enforcement intensity may shift. Conversely, if the EU strengthens centralised oversight or introduces harmonised sanctioning models, national systems such as Finland's may require recalibration to maintain compliance with evolving standards. The future trajectory of the Directive therefore has implications for the adequacy of current enforcement architectures.

This evolving regulatory environment also underscores the need for further research. First, empirical research into supervisory practice and sanctioning frequency in Finland would be necessary to evaluate how the framework operates in practice beyond its formal design. Second, comparative analysis across Member States could illuminate whether Finland's restrained model is typical or exceptional within the Union. Third, research into the interaction between sustainability assurance, reputational enforcement and formal state sanctions would contribute to a more comprehensive understanding of information-based environmental regulation. Finally, the long-term relationship between sustainability reporting and environmental performance outcomes remains an open question requiring interdisciplinary study.

In conclusion, the Finnish sanctions framework reflects a cautious and institutionally integrated approach to enforcing sustainability reporting. It satisfies the minimum structural requirements imposed by EU law and secures procedural compliance effectively. However, its coercive intensity and dissuasive capacity are moderate, and its ability to ensure substantive reliability depends significantly on supervisory practice and reputational accountability. The credibility of the CSRD in the Finnish context therefore rests not solely on the existence of sanctions but on the dynamic interaction between legal enforcement, professional assurance and market scrutiny. Whether this calibration proves sufficient to safeguard the practical effectiveness of EU sustainability regulation will become clearer as the Directive matures and its implementation experience deepens.