THE EUROPEAN CSO NETWORK
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Better regulation for stronger implementation

Chief Sustainability Officers' actionable recommendations for a workable Omnibus to support corporate sustainability

2025

A view from practitioners

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Disclaimer: These recommendations are the result of extensive collaboration involving contributions, dialogues, and consultations among the companies that have engaged in the European CSO Network (see page 1). The content does not purport to represent the individual positions or views of each of the members of the European CSO Network. None of them is expected to endorse every recommendation or view included in this text.

About the European CSO Network

The European CSO Network is an incubator for learning and collaboration between enterprises and EU policy makers. Powered by CSR Europe and supported by our knowledge partner SB+CO, this initiative materialises President Von der Leyen's priority to align EU regulation with ground experience of EU enterprises and other stakeholders.

Executive summary

The role sustainability will play in the future of the European economy hinges on some key decisions the EU will make in 2025. The launch of the Competitiveness Compass and the Omnibus packages present a unique opportunity for a more balanced and actionable EU policy approach that links corporate sustainability and competitiveness.
This paper sets out practical recommendations from the European CSO Network to:

- Support the European Commission's revision of key sustainability regulations under the Omnibus I Package
- Connect sustainability and competitiveness
- Create conditions to drive sustainable innovation

The European CSO Network members that have contributed to this paper

Creating the conditions for EU competitiveness

The role of simplified sustainability regulation in boosting EU competitiveness on the global stage

Navigating the complex landscape of European (EU) sustainability regulations has presented a significant challenge for businesses over the last two years. In practice, we have ended up with distinct but overlapping regulations – including the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy Regulation, the EU Deforestation Regulation (EUDR), the Green Claims Directive, and more – that result in a substantial administrative burden for businesses. In responding to these, businesses are diverting crucial resources away from operational programmes and innovation.

> It will be crucial to reduce the regulatory burden on companies. Regulation is seen as an obstacle to investment by more than 60% of EU companies."
>
> **Mario Draghi**[1]

In support of key simplification proposals in the EU's 'Omnibus' package, this paper advocates for a fundamental shift towards a more streamlined, and incentive-based model of engaging EU businesses on sustainability and competitiveness. By leveraging well-designed policy and market mechanisms, and a less patronising approach, the EU can drive the **necessary progress on key sustainability issues** while at the same time creating genuine **routes to value creation through sustainability for both businesses and the EU economy.**

> Regulatory overload is preventing us from engaging our business on much beyond compliance currently."
>
> **CSO Network member**

Early adopters on the benefits of implementation

It is important to acknowledge that, alongside the challenges experienced, early adopters have also reflected on the positive impacts their preparation for compliance with EU regulations has had on their business' understanding of, and action on, material sustainability issues.

Early adopters of CSRD in particular report a more structured and strategic lens to the implementation of sustainability reporting activity within their business, an improved understanding of sustainability-related risks and opportunities[2] and more effective integration of the management of sustainability-related risks and opportunities into the core business.

> The CSRD process has forced us to recontextualise sustainability in a more strategic way."
>
> **CSO Network member**

Some early adopters found the process resulted in better consolidation of sustainability data, much improved data collection processes, and greater confidence in providing transparent sustainability information to stakeholders. It is important to practitioners that these benefits remain the result of a simplified set of sustainability regulations now being considered by EU policymakers.

The process of preparing for CSRD has confirmed we're on the right path with our existing work on sustainability; we now need the tools to build on that impact."

CSO Network member

We put a lot of effort and investment into producing a good CSRD report. Our Board has asked us what the impact is and who is really using this information? We haven't received any questions from investors or NGOs, it's a difficult question to answer."

CSO Network member

Business priorities for effective sustainability regulation

2025 is a pivotal moment to define the role sustainability will play in the future of the EU economy. The ambition of the EU Green Deal, the launch of the Competitiveness Compass, and the Omnibus packages being proposed, together present a unique opportunity for a more balanced and actionable EU policy approach that links corporate responsibility, sustainability, and competitiveness.

What is the real monetary incentive if I deliver on the EU's sustainability regulatory exercise well? Does that mean I then get access to funding opportunities? For Sustainability to be commercial, we must be able to concretely answer this question."

CSO Network member

Within the context of this drive for regulatory simplification with emphasis on EU competitiveness, members of the CSO Network urge the European Commission to incorporate the following **five overarching steps** into its policymaking:

1 SIMPLIFY

Reduce complexity of regulation to lower the burden of compliance for companies and ensure focus is directed to high-priority areas.

How: Remove excessive and duplicative disclosure requirements, improve alignment and consistency across regulations and focus on risk-based due diligence efforts on the most material areas.

2 ALIGN

Harmonise requirements of different EU sustainability regulations and improve interoperability with international reporting and due diligence frameworks.

How: Streamline overlapping requirements across different EU regulations and design for interoperability with ISSB, international taxonomies and due diligence requirements.

3 ENGAGE

Establish a transparent route for practitioners to engage policymakers on ongoing proposals and changes to regulation.

How: Establish mechanisms for practitioner-policymaker engagement and make greater use of existing mechanisms like implementation dialogues or contribution to advisory bodies.

4 INCENTIVISE

Create market incentives for the adoption of progressive sustainability practices and commitments.

How: Establish investment frameworks that reward long-term sustainability commitments and direct mechanisms that reward customers and consumers who select more sustainable businesses or products.

5 ENABLE

Invest in capacity building to upskill key actors within businesses on sustainability.

How: Expand EU-wide cross-sector training programmes and sector alliances to upskill companies and support collaborative action that accelerates impact-led activity. Making sustainability regulation more accessible will ensure practitioners can easily establish their obligations under each regulation.

What this paper covers

This paper sets out practical recommendations - developed by members of the European CSO Network with further inputs from CSR Europe's National Partner Organisations (NPOs) - to support the European Commission's revision of key sustainability regulations under the Omnibus I package, published in February 2025.

The recommendations are organised as follows:

Part 1:	Omnibus proposals
Part 2:	Connecting sustainability and competitiveness
Part 3:	Creating conditions to drive sustainable innovation

For each Regulation, the paper sets out the specific challenges and considerations that policymakers and standard setters should integrate into revised and incoming sustainability regulations and standards.

Part 3 sets out additional recommendations on how EU policymakers can support investment in, and demand for, sustainable products.

Part 1 : Omnibus proposals

Actionable recommendations from practitioners on the implementation of the Omnibus proposals and use of other market levers

CSRD

Practitioner perspectives on EU sustainability reporting requirements

Reflections on early adoption of CSRD

The introduction of CSRD marked a decisive step toward placing sustainability performance on equal footing with financial reporting, signalling a clear shift toward greater accountability for corporate sustainability. The regulation's scale, breadth, and reach have made CSRD the most ambitious piece of sustainability-related regulation globally.

Perspectives from businesses and a wider market analysis suggest that the spirit and intention of CSRD is sound in principle. However, significant challenges have occurred in the detail of the implementation.

Consultation with CSO Network members and a review of Wave 1 CSRD reports, have highlighted the following challenges within the implementation process:

- Businesses are biased towards identifying topics as material where they have the greatest maturity. This means materiality assessments do not reflect the true picture of impacts, risks, and opportunities (IROs) in less mature topics, e.g. biodiversity and affected communities.
- CSRD disclosures of similar businesses are not comparable, with significant variation in material topics, number of IROs, and scope of disclosures.

> The overall implementation of the ESRS proved challenging, but the results were genuinely insightful."
>
> **CSO Network member**

For example, two airline companies with comparable value chains and business models identified very different numbers of material IROs. 99 IROs across 7 topics and 25 IROs across 5 topics, respectively. This means investors and other stakeholders are not currently able to make informed decisions, undermining a core part of the initial intent of the Directive.

- The volume of disclosure requirements and the complexity of their presentation – for example the integration of ESRS 2 MDR disclosures into some, but not all sub-topic disclosures – has made the standards difficult to navigate and apply. The process of establishing which data points are material based on the IROs identified is also not well defined and causing confusion.
- ESG Rating agencies are asking preparers to provide additional information outside of their published ESRS-aligned sustainability statement, suggesting that CSRD disclosures are not yet providing the 'one-stop shop' reports promised. This creates significant additional burden for preparers.
- CSRD does not provide sufficient provisions for companies to omit disclosure points to protect proprietary and competition sensitive information. This means that some businesses have found themselves making a choice between non-compliance and exposure of information that impacts competitiveness.
- Assurance providers have noted significant levels of measurement uncertainty on key quantitative metrics reported. And they have noted significant variations in the approaches taken to double materiality (processes) assessments.[3]
- EU companies are disclosing significantly more sustainability information than non-EU competitors. And this 'information asymmetry' is impacting the competitiveness of some EU businesses operating in global markets.

Practitioner recommendations on CSRD amendments

The following recommendations outline CSO Network members' proposed revisions to the CSRD, implementation guidance, and some additional practical considerations.

1.1 Improve the quality and usability of the ESRS

1.1.1 **Deliver a swift reduction of ESRS data points,** including refining mandatory data points through a lens of 'business-useful' data.

1.1.2 **Consider additional phase-in options for disclosure requirements on less mature areas.** This should apply particularly to disclosure points where measurement methodologies are less mature – for example the quantification of anticipated financial effects – or where data collection is not feasible in the first few years of implementation.

1.1.3 **Update definitions in Annex 2 to provide clarification on 'qualifying terms' used throughout the standards.** One example is to define 'severe' in the context of human rights incidents. Another is to provide clarity on how preparers should navigate different legal definitions of key terms in different geographies.

1.1.4 **Harmonise disclosure requirements with existing regulation on specific material topics.** On matters like substances of concern and waste, many companies are reporting a similar but distinct set of metrics in order to comply with existing regulations. This is inefficient for both preparers and users of sustainability data.

1.1.5 **Provide clear and timely guidance on how companies should translate their conclusions on material IROs** into decisions regarding which disclosure requirements and data points are material. Particularly when concluding that a disclosure requirement/data point is non-material despite the related sub-topic or sub-sub-topic being material.

1.1.6 **Establish a definitive view on the use of actual vs estimated data, and where omissions are appropriate.** A proportionate approach would acknowledge that if preparers are not confident in the quality of estimated data, it would be better to leave it out than to report on potentially inaccurate or misleading information. Introducing a 'comply or explain approach' for metrics would support implementation.

1.1.7 **Make incorporation by reference more straightforward to support integrated reporting.** The aim here is to reduce duplication and avoid potential contradictions of information between financial and sustainability statements.

> We had real difficulty establishing which data points were material or not relevant on the basis of our material IROs… we're still unsure if we needed to publish all the data points we ended up disclosing."
>
> **CSO Network member**

1.2 Make guidance more directive, comprehensive, and practical

Materiality guidance

1.2.1 Clarify the requirement to assess IROs on a gross basis. The materiality guidance should clearly define which actions should be classified as mitigating actions versus 'business as usual' actions to ensure the concepts of gross risks and impact are consistently applied. This is currently creating huge variation in IRO definition and disclosures from company to company. More specifically, the reference point should be the reporting year. Measures already successfully implemented before the reporting year should be considered in the analysis of IROs.

1.2.2 Provide explicit and timely guidance to support companies in the process of setting impact and financial materiality thresholds. This must also clarify to what degree the financial materiality threshold should align with existing enterprise risk management framework thresholds, noting the potential for discrepancy created by the requirement that companies consider gross risk in the assessment of sustainability topics.

1.2.3 Provide explicit and timely guidance on the expected approach to value chain definition. Some practitioners suggest that the value chain should be restricted to the activities that companies have direct influence over, which for most companies is their Tier 1 suppliers.

> The value chain should be defined based on what a company can reasonably influence, no one within our business will accept responsibility for reporting on issues outside of our control."
>
> **CSO Network member**

1.2.4 Provide sector-specific baselines to improve the efficiency of materiality assessments and comparability of conclusions. Some companies argue that it is far more efficient for peers within the same sector to start their assessments from a common foundation, and then focus their efforts on identifying meaningful deviations. This approach should be accompanied with tailored sector-specific disclosure examples to support first-time reporters with their implementation.

1.2.5 Establish interoperability with ISSB as a design principle for revised materiality guidance. This should also involve explicitly identifying points of difference with the IFRS Sustainability Standards (S1 and S2).

> As long as materiality requirements are open to interpretation, assurance providers will push for more information than is practical or justified."
>
> **CSO Network member**

> We recommend focusing on residual impact, so disclosures represent actual risks and the effectiveness of existing actions on sustainability... this would differentiate companies based on their efforts and provide a more accurate picture of performance."
>
> **CSO Network member**

1.2 Make guidance more directive, comprehensive, and practical *continued*

Assurance guidance

1.2.6 Publish CSRD-specific assurance guidance at least six months before assurance engagement begins for the current financial year for Wave 1 reporters. Preparers and assurers need ample time to digest the guidance in order to align on the scope of the assurance process.[4]

1.2.7 Provide clarification on the role of auditors in delivering limited assurance processes for CSRD disclosures. In some cases, assurance of Wave 1 disclosures has gone well beyond the scope of a financial limited assurance exercise as providers attempt to limit their own risk exposure in the absence of assurance guidelines.

1.2.8 Clarify how companies can voluntarily disclose additional data points that are 'non-material' but reflect the activity of the business, and therefore remain relevant to other stakeholders, like Raters. Clarity is also needed on how this information should be displayed to distinguish it from material disclosures and ensure fair presentation. Reporting on additional 'non-material' data points was prevented by some assurance providers in Wave 1 reporting, which meant some companies had to produce additional reports outside the sustainability statement to meet the needs of other stakeholders.

1.2.9 Consider alignment with financial assurance processes and identify opportunities for efficiencies. A good example of this is the 'connectivity considerations' set out in the IFRS educational material on ISSB-aligned materiality assessments.

I know that a lot of the problems we had with the assurance process were a direct result of the complexity of the ESRS."

CSO Network member

Fundamentally, the process we went through was much closer to reasonable assurance."

CSO Network member

Reporting on additional **'non-material' data points** was prevented by some assurance providers in Wave 1 reporting.

1.3 Additional practical implementation considerations

1.3.1 **Harmonise transposition across Member States during the postponement period** (i.e. before 2028) to ensure smooth implementation for Wave 2 and Wave 3 reporters.

1.3.2 **Reinforce sensitive information protection for all reporters,** ensuring disclosure obligations for CSRD are subject to the same standard of protection for market-sensitive information as financial statements.

1.3.3 **Delay the digitalisation requirements for disclosures** until good practice has been established.[5]

1.3.4 **Invest in EU-wide audit training and national-level technical support hubs** to ensure that regulators, auditors, and consultants are equipped to support implementation and assurance of CSRD at scale.

1.3.5 **Support the development of digital solutions** such as AI-assisted data collection, natural language processing for ESG narratives, and blockchain-based traceability — to reduce manual effort and improve data quality across compliance workflows.

1.3.6 **Develop a unified interpretative guide comparing requirements across CSRD, CSDDD, and the EU Taxonomy.** This would reduce confusion, bridge implementation gaps, and establish where synergies and distinctions exist across the frameworks.

1.4 Consider CRD6 and SFDR in tandem with the Omnibus proposals

It is crucial that simplification of regulatory obligations placed on the Financial Services sector is considered in tandem with the Omnibus proposals.

Specifically, the European Banking Authorities' Capital Requirements Directive (CRD6), requires banks to incorporate ESG factors into governance and risk management practices for funds, which includes reporting and disclosure on ESG risks.

The postponement of CSRD reporting for Wave 2 and 3 companies for two years means that banks will have much less information to work with in assessing ESG risks within funds. The Omnibus proposals will not offer significant relief to banks, if amendments to other regulations that require the collection of significant amounts of ESG data are not revised or delayed in tandem.

Further, the upcoming review of SFDR later this year risks misaligning with the final Omnibus amendments as it is being conducted as a separate process.

CSDDD

Practitioner perspectives on EU sustainability due diligence requirements

Reflections on CSDDD

The implementation of CSDDD was one step behind its sister regulation, the CSRD. As such, there are more limited reflections on early steps taken towards alignment with the requirements. Therefore, the following reflections from CSO Network members are based on early planning efforts and experience delivering due diligence activities in line with other frameworks.

- There is a challenging paradox between the need to engage SMEs in the value chain to deliver a robust due diligence exercise and to understand risks and actual incidence of social harms and environmental damage in the value chain. The burden that a regulation like CSDDD will place on smaller businesses in terms of monitoring and data collection could be significant.
- The original requirement to track and monitor social and environmental harms on an annual basis would be almost impossible for any businesses with value chains that rely on primary materials, e.g. agriculture and resource extraction.
- There was significant pressure placed on companies by the civil liability created by CSDDD. This was problematic because the information on the legal ramifications of being found liable for non-compliance was lacking in specificity. Parallels can be drawn to the EUDR, which threatened significant fines well in advance of publishing implementation guidelines, leaving companies unsure on some aspects of implementation and nervous of falling foul of punitive legal requirements, despite several rounds of implementation guidance and FAQs.
- Companies headquartered in Europe with entities located outside the EU are grappling with the obligation to apply the requirements of CSDDD to all entities, irrespective of each entity's obligations under relevant national laws (e.g. UK and USA). The obligation is particularly challenging where a holding company cannot enforce EU legislation in non-EU jurisdictions, but remains exposed to EU law if environmental or human rights violations were to occur in those regions.

> CSDDD is the equivalent of 'turning all the due diligence faucets on' at the same time."
>
> **CSO Network member**

Practitioner recommendations on CSDDD amendments

The following recommendations outline CSO Network members' proposed revisions to CSDDD, implementation guidance, and some additional practical considerations.

1.5 Introduce mechanisms that support incremental implementation of CSDDD requirements

1.5.1 **Focus due diligence requirements under CSDDD to Tier 1 suppliers.**

1.5.2 **Adopt a risk-based approach starting with Tier 1.** If a specific trigger requires a company to extend due diligence beyond Tier 1 suppliers, this assessment should be confined to the specific risk and partner identified only. (See below point in Section 2 on plausible information).

1.5.3 **Pair regulations with more comprehensive multi-stakeholder and sector initiatives on due diligence.** This is crucial in enabling gradual adaptation, quality data sharing, and collaborative action on the most high-risk areas.

1.5.4 **Guidance developed by the European Commission should incorporate best practice from Member States and collaborative platforms,** for example from the German Supply Chain Due Diligence Act (LkSG), and at European and international level (e.g. Drive Sustainability).

> We are accountable for the contracts we have with our suppliers and can use those contracts as levers for due diligence. Anything beyond this is not based on the reality of business practice."
>
> **CSO Network member**

1.6 Clarify key definitions and obligations

1.6.1 **Provide a clear definition of 'Tier 1' suppliers,** accounting for the full range of business models and supply chains of companies subject to the Directive.

1.6.2 **Develop explicit guidance on companies' due diligence obligations at every level of the value chain.** This should also be designed to support verification by third parties and more clearly address where non-compliance with the Directive exposes companies to potential punitive action, including penalties or liability.

1.6.3 **Provide clarity on the explicit obligations of companies to reactively monitor activities in their supply chain,** beyond their Tier 1 suppliers. For example, how far companies must go in investigating credible reports related to potential human rights issues among Tier 2 and Tier 3 suppliers. Replacing reference to vague concepts like 'plausible information' with the definitions used in the EU's Forced Labour Regulation (FLR) (e.g. 'substantiated concern') would help clarify these obligations.

1.6.4 **In general, there should be more explicit alignment with the other connected regulations like the EU's FLR.** FLR guidelines should be defined earlier or at the same time as CSDDD, and enforcement of both regulations should start at the same time.

> We have to be mindful of unintended consequences when regulatory requirements are not clear… In our case it's the legal and finance teams who decide which human rights KPIs we report on, not the SMEs."
>
> **CSO Network member**

1.6.5 **Clarify what it means to forgo the requirement to put Transition Plans 'into effect'.** Expectations around transition planning are less clear because of the amendments proposed in the Omnibus I Package. Some – but not all – companies have suggested that the requirement should be removed entirely. Others propose that the Transition Plan requirement should be amended from "alignment with 1.5°C" to "alignment with the Paris Agreement", in order to ensure consistency between obligations of public and private actors at EU level. This means requiring alignment with all provisions of the Paris agreement, not just the 1.5°C degree temperature goal.

1.7 Support consistent implementation across different Member States, sectors and business models

> There shouldn't be a toxic cocktail of different regulations that override and contradict each other."

CSO Network member

1.7.1 Recognise sector-specific needs in the development of guidance and engage industry associations and business alliances throughout the drafting process.

1.7.2 Consider additional mechanisms to ensure consistent application of the CSDDD across EU Member States. The maximum harmonisation provisions should be strengthened and expanded to cover all core steps of the due diligence process, as well as requirements on the climate transition plan.

1.7.3 Reintroduce the EU-wide civil liability regime as its removal could distort competition in the internal market by exposing companies to divergent civil liability regimes across Member States. It would also increase the risk of legal claims for harms beyond companies' control. At a minimum, the scope of civil liability (original art. 29(1)) should be preserved, including the obligation on member states to limit civil liability to harms caused by a company's own failure to comply with specific obligations to implement measures to prevent or mitigate potential adverse impacts (art. 10) and to end or minimise actual adverse impacts (art. 11).

1.7.4 Align the proposed limits on the information requests companies can make to suppliers under CSRD and CSDDD. Consider adopting the scope proposed for the CSRD (value chain cap), which would limit information requests from companies with fewer than 1,000 employees across both Directives. Consistent thresholds across both regulations would remove uncertainty.

1.7.5 Clarify how CSRD materiality outcomes can be used to inform CSDDD due diligence action plans. Many companies propose establishing a clearer path to leveraging the double materiality assessments required under CSRD to identify and prioritise key impacts, risks, and opportunities.

> Consider adopting the scope proposed for the CSRD which would limit information requests from companies with fewer than **1,000 employees** across both Directives.

EU Taxonomy

Practitioner perspectives on EU Taxonomy regulation

The Omnibus I proposals also set out key changes to the EU Taxonomy including the option of reporting on partial Taxonomy-alignment, the simplification of reporting templates and reduction of the reporting scope. The Taxonomy has presented significant practical challenges due to its complexity, technicality, and potential for divergent interpretations.

Practitioner recommendations on the proposed amendments to the EU Taxonomy

1.8 Refine the EU taxonomy to be more practical for business

1.8.1 **Revisit the "do no significant harm" (DNSH) reporting criteria (Annex C) to provide more flexibility to reflect industry-specific needs.** Preparers have found that the criteria in the Appendix go well beyond the already very strict regulatory requirements and don't consider the context of specific industries and in doing so have made it unworkable. The review should apply to all DNSH criteria and focus on making them simpler, more usable and more aligned with other relevant EU legislation.

1.8.2 **Revisit the 10% materiality threshold proposed the draft legal text.** The introduction of the threshold is welcome, but practitioners suggest that this threshold should be applied individually for each EU taxonomy activity, rather than cumulatively across all eligible activities of a non-financial undertaking.

1.8.3 **Revisit key definitions to improve alignment with financial reporting definitions.** Some practitioners advocate for the complete removal of the OPEX KPI or the option to report it voluntarily on the basis that it is less decision-useful information.

"

The Taxonomy's OPEX KPI is useless at this stage, nobody is using it."

CSO Network member

"

The Taxonomy was originally designed to drive the strategy of companies… this is a very good objective, but it currently doesn't allow companies to provide a realistic view of their activity."

CSO Network member

Part 2 : Connecting sustainability and competitiveness

Actionable recommendations on the application of the Carbon Border Adjustment Mechanism (CBAM), the Green Claims and Public Procurement Directives

The incoming Green Claims Directive is expected to play a crucial role in driving consumer demand for more sustainable products.

By design, this should provide clarity, transparency, and trust on the sustainability credentials of products and services for consumers.

The Carbon Border Adjustment Mechanism (CBAM) should indirectly encourage the consumption of more sustainable products by creating market conditions where goods with lower embedded carbon become cheaper. Similarly, proposed revisions to the EU Public Procurement Directives which include 'non-price' criteria, have the potential to establish large-scale public sector contracts as levers for reshaping the demand for affordable products and services.

In practice, some of these mechanisms are presenting practical challenges for EU businesses. In the case of CBAM, it is through its potential to disadvantage EU producers of some products and services.

This section sets out a short set of practical recommendations developed by CSO Network members, to support the European Commission's revision of components of CBAM, as well as considerations for the Green Claims and Public Procurement Directives. All with the intention of ensuring these mechanisms are designed to genuinely increase investment in, and demand for, sustainable goods in the EU.

> "Demand creation is what we need support on, that's where European policy should be focusing its attention."
>
> **CSO Network member**

Practitioner recommendations on the implementation of CBAM, the Green Claims Directive, and updates to the EU Public Procurement Directives

2.1 Leverage CBAM to create a level playing field for sustainable products and services

2.1.1 Introduce a targeted free allowance to mitigate Carbon Leakage in export-oriented sectors specifically linked to the embedded emissions of goods exported from the EU. This mechanism should be designed to prevent carbon leakage by ensuring that EU producers are not disadvantaged in international markets where carbon pricing is less stringent, or absent. This will maintain the competitiveness of key export industries while encouraging global decarbonisation efforts.

2.1.2 Explore opportunities to extend CBAM to new sectors and intermediate products through engagement with Chief Sustainability Officers and industry federations.

2.1.3 Consider the potential role of Export Adjustment Certificates or similar tools to preserve export competitiveness as free allocations are phased out. Practitioners also caution that any exemptions or allowances under CBAM should be performance-based and contingent on verifiable emissions reductions, to safeguard the mechanism's climate integrity.

> “CBAM has so much promise if the focus is on usability and spotting unintended consequences early… we must avoid repeating what happened with the Taxonomy.”
>
> **CSO Network member**

2.2 Streamline the implementation of the Green Claims Directive

As companies increasingly invest in sustainable product and production innovation, communicating these advancements effectively to customers becomes critical.

Transparency empowers consumers in their purchasing decisions and fuels business competitiveness, which are key to accelerating the green transition. Corporate collaboration with EU policymakers can help shape a practical framework for green claims. Recommendations from the CSO Network include:

2.2.1 Align the core content and application deadline of the upcoming Green Claims Directive and the existing Empower Consumers Directive[6] to ensure they are communicated and implemented in a way that acknowledges their interdependence. These directives have been designed to be complementary, but there is a risk will not be realised in implementation, based on current plans.

2.2.2 Ensure the implementation of the Directive and any supporting guidance considers the suite of existing sector-specific regulations that prescribe specific action on end-of-life and energy efficiency of products, for example on batteries. There is a risk that the Green Claims Directive adds an additional layer of complexity if synergies with other regulations are not considered.

2.2.3 Support businesses in empowering consumers to make informed choices through the development of best practice implementation and by unlocking the full potential of the Green Claims Directive. Helpful formats might include the setup of a "Business Claims Community" to support sustainable innovation, develop capacity building and share tools for enterprises, using the Green Claims Directive and the Empower consumers Directive as one driver to create new market opportunities.

2.2.4 Establish very clear requirements for third-party certifications, ensuring the key features of this documentation are explicitly set out to ensure consistency and usability.

Corporate collaboration with EU policymakers can help shape a **practical framework** for green claims.

2.3 Tailor the EU Public Procurement Directive revisions to raise market demand for sustainable products and services

Public procurement accounts for nearly 15% of Europe's GDP[7], yet its potential to accelerate sustainable innovation is vastly underused. These recommendations are designed to ensure it becomes a direct driver of sustainable innovation and increased demand for affordable products and services across Europe.

2.3.1 **Embed clear strategic objectives for sustainability and resilience into Public Procurement requirements.** This should provide clarity to the market on 'what' sustainable characteristics will be considered and rewarded in decision-making.

2.3.2 **Meaningfully integrate a range of 'beyond purchase price' factors into the requirements for public sector contracting.** This means considering key sustainability parameters including, biodiversity, climate change, circularity and social impact, in the scoring of supplier bids for public sector contracts. And doing so across the entire product or service lifecycle (production, use, disposal).

2.3.3 **Ensure any data requirements are aligned with EU sustainability regulations** including CSRD, CSDDD, Forced Labour Regulation and the Green Claims Directive.

2.3.4 **Support capacity building both for public sector procurement professionals and for the private sector,** by providing comprehensive training programmes, practical tools and resources to unlock the full potential of public procurement for innovation, sustainability and competitiveness.

Public procurement accounts for nearly **15% of Europe's GDP**

Part 3: Creating conditions to drive sustainable innovation

Beyond regulation

Sustainability as a driver of innovation, economic performance and responsible action in European businesses

3.1 Additional recommendations to increase investment in and demand for sustainable products in the EU.

As part of the dialogue and consultation with CSO Network members on the role of regulation in creating the right market conditions for progress on sustainability, practitioners offered some more general recommendations on routes to increasing uptake of sustainable products and services by consumers and businesses.

3.1.1 **Establish mechanisms that incentivise businesses to invest in the development and delivery of more sustainable products and services.** Making the Taxonomy work in practice would facilitate the development of associated incentives. This could include establishing a harmonised green VAT across Member States linked to EU taxonomy definitions and supporting the development of public procurement policies across Member States that reward companies' sustainability efforts. The EU's next Multi-Annual Financial Framework should support innovation to address both competitiveness and sustainability objectives.

3.1.2 **Support businesses to build capacity and knowledge on sustainability in key operational functions.** This could include investing in programmes with business networks and associations designed to upskill key functions beyond sustainability including product development, sales and procurement.

3.1.3 **Invest in consumer education to encourage uptake of sustainable products.** This could be achieved through establishing better cross-border recognition of eco-labels and delivering direct consumer engagement campaigns on how to make informed purchasing decisions.

3.2 Foster a culture of shared learning between policymakers and businesses.

To better align policies, regulations, and implementation with real-world business experiences, public administrations and EU institutions should actively engage with companies beyond traditional consultations, institutional dialogues, advisory committees, etc. We propose regularly engaging in practical experiences such as:

3.2.1 Factory or Business Site Visits: Observe operations firsthand to understand production processes, supply chain dynamics, and the impact of regulations on daily activities.

3.2.2 "Day in the Life" Programmes: Officials shadow employees and managers in private companies to gain a nuanced understanding of day-to-day realities, pain points, and innovative solutions within different industries.

3.2.3 Collaborative Initiatives and Partnerships: Engage in specific initiatives where mutual learning is a key component, leading to better policy design.

3.2.4 Innovation Hubs and Regulatory Sandboxes: Companies can test new products, services, or business models in controlled environments with relaxed regulations, providing real-time feedback to policymakers.

By employing diverse strategies, public administrations and EU institutions will be better equipped to create policies that are not only well-intentioned but also practical, effective, and responsive to the dynamic realities of the business world, truly supporting inclusive prosperity.

Conclusion

The Green Deal was an incredibly ambitious premise on which to develop key pieces of EU sustainability regulation. CSO Network members remain supportive of this overarching ambition, but believe greater focus on aligning a simplified regulatory package is of critical importance.

A more focused regulatory baseline will uphold the emphasis on responsible action while providing a solid foundation for businesses to invest in sustainable innovation and value creation.

CSO Network members therefore advocate for an overarching shift in mindset. From the current responsibility-based model of driving sustainability action to an incentive-based model that recognises the potential for sustainability to act as a driver of EU competitiveness.

To achieve this outcome, policymakers **must establish a simplified suite of regulatory frameworks** that maintain ambition but improve usability, reduce bureaucracy. Using this streamlined regulatory package as the foundation, they must also establish a much more explicit focus on:

- Creating fiscal incentives for early adopters of sustainable practices.
- Supporting businesses to build capacity and knowledge in the key functions needed to drive development and uptake of more sustainable products and services.
- Improving consumer knowledge to increase uptake of more sustainable products and services.
- Employing public procurement as a tool to incentivise sustainable innovation and increase demand for affordable products.

We need to create some headspace for businesses and policymakers to focus on the role of sustainability in driving innovation and, in time competitiveness."

CSO Network member

We've seen much more outreach from this new Commission – we do feel like they are listening and changing."

CSO Network member

CSR Europe Network

Corporate members

Associated members
of the European CSO Network

National partner organisations (NPOs*)

Footnotes

1 The Draghi Report: A competitiveness strategy for Europe (Part A), 2024 [online.
2 Sustainability transformation monitor (in German): Analysis of practitioner perspectives following year 1 of CSRD implementation.
3 Ibid.
4 Noting that the Committee of European Auditing Oversight Bodies (CEAOB) has been invited by the European Commission to develop non-binding guidelines for limited assurance on sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD). These guidelines aim to provide clarity on assurance procedures until the European Commission adopts official limited assurance standards by October 1, 2026.
5 Noting there is a separate Delegated Act currently under development by ESMA on digital tagging.
6 For more information: https://energy.ec.europa.eu/news/new-eu-rules-empower-consumers-green-transition-enter-force-2024-03-27_en.
7 European Commission: https://single-market-scoreboard.ec.europa.eu/business-framework-conditions/public-procurement_en.

About us

About CSR Europe:

Founded by former President Jacques Delors and CEOs, CSR Europe is the leading European business network for Corporate Sustainability and Responsibility. With our corporate members, National Partner Organisations (NPOs), and Associated Partners, we unite, inspire & support over 10,000 enterprises at local, European and global levels. We support businesses & industry sectors in their transformation and collaboration towards practical solutions and sustainable growth. We are for systemic change.

About SB+CO:

We are a sustainability strategy and communications consultancy applying decades of expertise in sustainable business to help companies navigate the rapid change going on around them. We work with companies of all sizes, from fast-growing private equity-backed businesses through to some of the most established FTSE 100s and Fortune 500s. We are proud to put our expertise to use helping some of the world's largest corporations and iconic brands navigate the increasingly complicated regulatory environment and pivot their business towards a more sustainable, equitable, and successful future.

Please get in touch for more information:

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