EU Sustainability Policy Landscape

From regulation to reality: Accelerating the transition to a sustainable economy

March 2024

Jordisk.

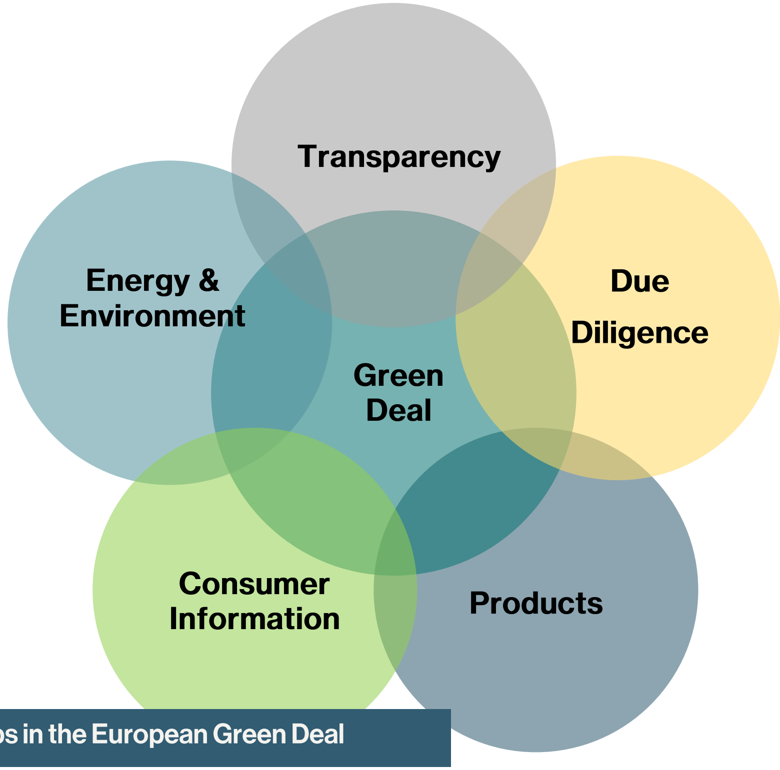
Contents

Introduction

Across Europe, the shift toward a low-carbon and sustainable society is reshaping the economic landscape, opening fresh opportunities, and influencing the cost dynamics of business operations. For companies, the stakes are high. Neglecting sustainability efforts leaves them increasingly exposed to potential revenue loss, reputational damage, and legal repercussions.

Regulatory frameworks play a pivotal role in driving these transformative shifts. The EU recognises this perhaps more than most and the imperative to transition is driving a strong response. Companies must carefully consider how to fulfil the commitments they've made to transition their operations.

As sustainability regulations evolve, businesses are recognising the importance of integrating a robust sustainability strategy into their core operations. This not only ensures compliance but also positions companies to take advantage of new opportunities in a green economy. A clear strategy can improve resource efficiency, enhance brand reputation, and drive innovation, ultimately contributing to long-term profitability and success in a rapidly changing market landscape.



Key Policy Groups in the European Green Deal

The European Green Deal

This comprehensive set of policy initiatives is aimed at transforming the EU into a modern, resource-efficient, and competitive economy. The ultimate goal is to achieve climate neutrality by 2050.

Read more in our Knowledge Hub

About this report

Since its inception the EU has built a reputation as an institution that knows how to use regulation to drive lasting change.

2024 marks the end of a Parliamentary term in the EU, with many sustainability initiatives being finalised. The outcome of June's Parliament elections will set the tone and ambition for the next phase of legislation, making it a pivotal moment for the future direction of the market.

In this report we share our view on the EU's evolving legislative landscape, examining how relationships between national, intra-national and international instruments increase complexity and how many of the bloc's current cross-sector policies will develop more specific versions as time goes on. We will also untangle some of that complexity, giving companies a more pragmatic understanding of which policies affect them and what they need to do about it over the coming year.

Much of the upcoming regulatory activity comes in the context of **The European Green Deal**[1]. This is a strategic legislative undertaking, one that builds out a comprehensive set of policy initiatives to make the EU's economy sustainable and climate neutral by 2050. The Deal encompasses various strategies, including increasing renewable energy use, promoting energy efficiency, enhancing biodiversity and transitioning to a circular economy.

To simplify things, this report groups business relevant policies into five major themes. While not exhaustive, these themes relate to general areas that are already emerging as part of the EU's transition plans under the European Green Deal. They also interlock across the policy landscape, creating more tightly controlled conditions for businesses to operate within.

Many may see these policies as bureaucratic, but smarter and more nimble companies will recognise the inherent opportunity that comes along with them. New and improved regulations will motivate people to act on their transition plans, leading to benefits like reduced climate-related risks, improved long-term value creation opportunities, and ultimately a more sustainable business.

Transparency

One of the EU's main objectives with its new regulations is to create more transparency within the market. The idea is that by providing clear, accurate and more consistent information to both investors and consumers, those stakeholders can make more sustainability-driven choices.

The Corporate Sustainability Reporting Directive

Spearheading this effort is the **Corporate Sustainability Reporting Directive (CSRD)[2],** which came into effect for the first group of businesses at the start of 2024. Its aim is clear: to compel companies to be more transparent. While it is tempting to look at CSRD through a compliance lens (for example, by focussing on creating a detailed integrated annual report) this risks overlooking the more practical objective: elevating the position of sustainability management within a company to an equal footing with financial management.

In the context of the Green Deal, rather than fixating on compliance companies should instead look at CSRD as an information index. Introduced within CSRD are The **European Sustainability Reporting Standards (ESRS)[3],** which provide a comprehensive blueprint to report against. They also include detailed information requirements which reflect the focus of other sustainability-related legislations.

The scope of reporting under CSRD is significant and will challenge even the most advanced businesses. Against the backdrop of a company's business model and value chain, the ESRS disaggregates environmental, social and governance topics. For each material topic, companies must report their impacts, risks, and opportunities. For each material topic, they must describe their strategy, what targets they have set and their performance, each of which needs to be independently audited with limited assurance initially, increasing to reasonable assurance over the coming years..

The EU Taxonomy

Running parallel to CSRD, the **EU Taxonomy**[4] will continue to play a key role in providing market transparency through a classification system. Designed to help allocate capital to transition activities, the EU Taxonomy provides a common language for environmentally sustainable economic activities. There are 13 sectors directly in scope for the taxonomy, focused on those with significant relationships with environmental issues. Some notable sectors such as agriculture are excluded. Other sectors which are not explicitly in scope, are still obliged to report aligned to the taxonomy if they have investments in activities defined within it.

Across both the CSRD and EU Taxonomy, companies must share significant amounts of information. Their disclosures must make clear what the company is doing to transition towards a more sustainable model (or not) and the standardisation of requirements will improve comparability, empowering stakeholders to make clear decisions and encouraging performance improvements from companies.

Other similar disclosure standards are being developed globally, most notably the **International Sustainability Standards Board (ISSB)[5].** The EU is working closely with these and other standard setters to enable interoperability, resulting in businesses satisfying their obligations by aligning to one, rather than many.

Key Themes

By compelling companies to disclose information on certain topics, the management of those topics inevitably improves.

With CSRD, the EU has introduced the most expansive and comprehensive approach to mandatory disclosure yet. Its aim is clear: to ensure businesses are managing ESG-related matters carefully and competently. While the disclosures serve several purposes and many audiences, the approach taken by the EU is quietly revolutionary: it makes stakeholders, not shareholders, the target audience.

Like many ESG-related disclosures, the bulk of the work lies in providing investors with clear risk-related information. Without mitigating actions, climate change will negatively impact most businesses, so CSRD mandates businesses to describe their transition plan aligned with the 2015 Paris Agreement[6].

Across CSRD and the EU Taxonomy, three themes are evident:

1. **Mandating companies to manage their impacts, risks and opportunities related to ESG.**
2. **Compelling companies to define and execute their transition plan.**
3. **Standardising how ESG information is described and used.**

Cross Cutting Standards	Environmental Standards	Social Standards	Governance Standards
ESRS 1 General Requirements	ESRS E1 Climate Change	ESRS S1 Own workforce	ESRS G1 Business Conduct
ESRS 2 General Disclosures	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water & Marine Resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity & Ecosystems	ESRS S4 Consumers and end users	
	ESRS E5 Resource use & Circular economy		

European Sustainability Reporting Standards

Actions for 2024

Transparency

Establish a CSRD structure

Successfully delivering an annual CSRD-aligned report requires a coordinated approach. Companies should first identify a leader within the business to own the program of work (our experience suggests this is best suited to a compliance or finance officer, rather than head of sustainability) and then create a holistic structure that considers the requirement to work across all business units and subsidiaries.

The resourcing of teams will be a challenge. The skills required to navigate the complexities of CSRD aligned reporting are in high demand, so the support of internal stakeholders will increase chances of success. Much like an annual financial report, a team effort is required, meaning all senior executives need to understand and align their support behind the work to adopt CSRD.

Improve information management

The data required to meet sustainability obligations is generally poorly managed in most companies. A good way to think about it is by comparing with the maturity of financial information management. To address this companies should initially invest in establishing a master data management approach to ESG data, creating a foundation to build good governance on.

Technology platforms can help, but the market for ESG data management is still maturing. Regardless, technological constraints shouldn't stop business leaders from designing a company-wide approach to sustainability master data management which will serve the business well over the long run.

Establish good governance

Much of what is required to be reported on will require increased levels of governance. The obligation of limited independent audit assurance will mean the internal controls related to ESG management need to be matured. Without them, the risk of inaccurate disclosure is significant, presenting everything from reputational risk to full-blown legal consequences.

Implementing governance structures must be accompanied with education for leaders at all levels, including board members. By 2028, the elevation to reasonable assurance will require the whole organisation to be executing consistently against well-defined governance frameworks, giving companies a short period to act.

Policy Horizon

Due Diligence

Much of the negative environmental and social impacts a company makes usually take place across its value chain. This is why, as part of the Green Deal's stated aim of creating a sustainable and fair economy, corporate due diligence will play an increasingly central role.

The landscape of regulations around corporate due diligence is at present fragmented and inconsistent. Within the EU, Germany and France have each implemented national supply chain due diligence legislation, while elsewhere Norway also has its own regulation.

However, for businesses operating across multiple jurisdictions, it is difficult to know which legislation to align with, when to do it, and in what manner. The EU is looking to harmonise these rules through the **Corporate Sustainability Due Diligence Directive (CSDDD)**[7]**.** Alongside general due diligence requirements, it is now targeting specific hotspots. Legislation is coming into effect to ensure products that have been developed through forced labour or which have contributed to deforestation are not brought to market. Due diligence is a global topic and many countries outside the EU are also pursuing regulations to address poor practices and prevent more negative impacts.

People in forced labour
27.6 Million
Global Estimates[8]
3.3 Million
Children in forced labour

US$236Bn

Global profits from forced labour[8]

Key Themes

The two key areas addressed by due diligence are a company's negative environmental and social impacts: tasking them with identifying, eliminating, rectifying and preventing impacts.

As well as general guidance to guide companies towards better corporate responsibility, both areas pose specific concerns that must be addressed. For example, in environmental considerations deforestation is a key issue, and it is already recognised that goods currently sold on the EU market are contributing to this. The **EU Deforestation Regulation**[10] will ban the sale of goods which have contributed to deforestation. Requiring companies to have comprehensive mechanisms in place to verify the source of materials within relevant products.

For social areas human rights are increasingly in focus, particularly the use of forced labour. Alongside the anticipated CSDDD, the EU is adopting a **Forced Labour Regulation (FLR)**[11] to prohibit the sale of products made with forced labour. This regulation will see the creation of a central database of goods of concern known to include forced labour in their production. Companies will need to incorporate this source of information into their due diligence mechanisms.

420m ha

of the worlds forest lost in last 30 years due to deforestation[9]

Of the remaining forests **10%** are fragmented and disconnected[9]

Expectations of companies

Integrate due diligence into policies.

Identify actual or potential adverse human rights and environmental impacts.

Prevent or mitigate potential impacts.

Bring to an end or minimise actual impacts.

Establish and maintain a complaints procedure.

Monitor the effectiveness of the due diligence policy and measures.

Publicly communicate on due diligence.

Due Diligence

Actions for 2024

Map out your value chains

Before taking any other action, companies should map out their value chains and align them with the matrix of national and international due diligence regulations. Establishing a clear outline of which need to be addressed at which points in the value chain will serve companies well.

At a minimum, tier one suppliers must be mapped. For value chains related to products which are identified of being at high risk of adverse impacts, tiers two and beyond should be mapped.

Once mapped, implement processes to capture changes as they occur in your supply chains. This will help to ensure ongoing compliance and prevent regression in value chain insights related to due diligence.

Engage your suppliers

Due diligence will require a major increase in transparency from suppliers across all tiers. Engaging early with Tier One suppliers will prove critical in establishing a clear understanding of what's required.

Information requirements from your supply chains will also be significant and will need time to develop. Effective due diligence will therefore require collaboration to be effective, setting this as a principle at the start will set the tone going forwards.

Build your internal controls

Modifications to internal policies and procedures will be inevitable. Mapping these, or establishing them if they're not already in place, will help to identify the data through a compliant operating model.

Once mapped, performing a gap analysis using the mapping of legislations to value chains will then establish where resources need to be prioritised and allocated to reach compliance.

Policies and processes need to be focused on the actual and potential risks relevant to the business. Working with external agencies to provide supporting information and verification capabilities to feed into processes will be required.

Policy Horizon

Products

Perhaps the most impactful area of new EU policies companies will need to address are those that directly relate to their products.

The EU is already a global leader in terms of product safety and labelling, but it is building on this foundation to make existing products more sustainable. The bloc has developed a matrix of instruments to accelerate the shift towards more sustainable, durable and circular products. Central in this space is the **Ecodesign for Sustainable Products Regulation (ESPR)**[12]**,** which lays out rules for how new products should be designed.

The EU is also addressing gaps in existing product safety policies, for example the use of forever chemicals[13] and toy safety concerns[14]. There are numerous amendments or replacement regulations to tighten conditions for producers, but the main focus is across the product lifecycle which presents opportunities for companies to reassess their overall approach.

Like many other policy areas, the EU provides both general and sector specific rules. However, some product groups with environmental concerns are being prioritised to make the most impact. Textiles for example, are governed by a rule called the **Extended Producer Responsibilities (EPR)**[15]. This sits under the waste framework directive[16] and is aimed at increasing circularity and reducing waste. This also extends to product packaging in the **Packaging and Packaging Waste Regulation**[17] as It is now recognised that more than a third of waste within the EU comes from packaging waste.

In efforts to reduce the amount and encourage more reuse, the new rules have targets identified as far out as 2040 for specific categories of packaging.

Existing rules on energy efficiency are also being extended. The ESPR builds on existing energy efficiency regulations and details a specific requirement for companies to improve energy efficiency by 36% in line with 2030 targets.

Packaging Waste

⅓

of all waste in the EU is from product packaging[18]

12.6 m tonnes

of textile waste generated annually in the EU....

...but only 22%

is currently re-used or recycled.[19]

Key Themes

In this area the theme is simple: circularity and the circular economy.

Companies are being tasked with using less virgin materials and making it easier to reuse products to extend their effective lifetime. A more circular economy will help in reducing emissions in the market as well as providing consumers with more durable goods and offering improved value for money. In many areas, **Deposit Return Schemes (DRS)**[20] will play an increasingly prominent role within the circular economy and will need to be developed further in every member state. This focus is designed to stimulate the circular economy, therefore creating new opportunities. For example, many materials have well established circular models which will need to scale further. Others will require new models to be developed and capacity built to meet the requirements.

There will also be challenges. Some materials won't be easy to recycle due to complexities in the process, or issues with the quality of the recycled materials produced. Areas such as plastics, textiles and packaging where potential already exists are firmly in the EU's sights. When it comes to reuse, the repairability of products is set to improve through the **Right to Repair Directive**[21]. With a renewed focus on electrical goods, producers will now have to provide cost-effective options for after-market repairs. This will require service capabilities to be implemented and, in many cases, core principles of product design to change to enable repairs to be possible.

Building on current regulations, the EU is also focused on further improving the safety of products in the market. The attention is on the environmental impacts from use of materials such as micro-plastics[22] and hazardous chemicals. There are also measures to improve consumer safety in products such as electrical goods and toys.

Finally, product transparency is another major focus. The EU is introducing **Digital Product Passports (DPP)**[23] for up to thirty different categories of products. These electronic labels will provide consumers with detailed information about the traceability of products and their components. It will also make clear which parts of the product are repairable or suitable for recycling, allowing greater oversight and clarity into their origins.

Digital Product Passport

The Digital Product Passport is a digital representation of a physical product, capturing a wide range of data throughout its lifecycle. It will enhance product transparency and sustainability across industries. It is linked to the product through identifiers like QR codes or NFC tags and can be accessed via smart devices. The DPP records data on sustainability, ownership, and recyclability, among other things. While it's currently focused on sustainability data for EU-targeted markets like textiles and batteries, its use is expanding across various industries for transparency, traceability, and tradability purposes. The DPP collects diverse data categories, including general product information, source materials, environmental footprint, ownership history, and maintenance records, offering a comprehensive view of a product's journey and impact.

Actions for 2024

Assess your Product Portfolio

Companies must evaluate their products and packaging against new regulations to identify non-compliance and improvement areas. This includes checking the recyclability of materials, repairability of products, and presence of any restricted substances. Packaging assessments should consider volume and unused space, with potential redesigns for cost-saving and maintaining quality during delivery.

Additionally, companies should consider their role in deposit return schemes, in particular those in the food and beverage industry. Finally, the accuracy and completeness of product data must be addressed to meet regulatory requirements; a significant challenge in itself.

Rethink your Product Design Principles

A review of the entire design process will be required. As the EU's new regulations change the operating conditions for most companies (in particular relating to circularity) this means a product's core principles will need to be reconsidered too.

Designing products from the start with durability, sustainability, recyclability and repairability in mind must become the norm. Rather than an obligation, this should be viewed as an opportunity for companies to rethink their approach and find new models or efficiencies. Everything should be considered: sourcing of materials, value chain partners, product lifecycle expectations, life expectancy of products, mode of delivery, packaging, end of life.

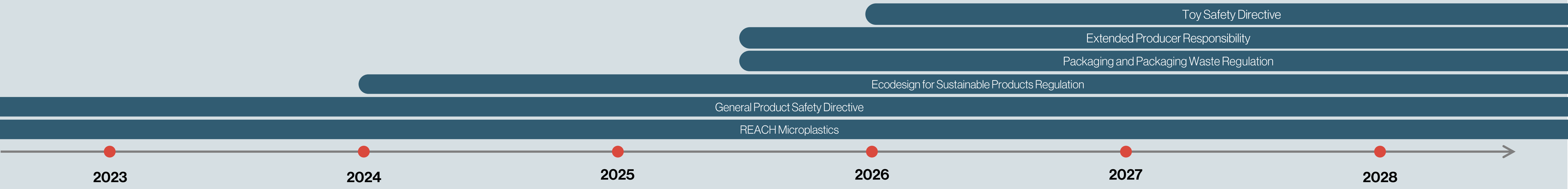
Evaluate potential for collaboration

Many of the new EU regulations will be better served through collaboration. Vertical and horizontal alliances will help deliver the solutions required to meet expectations.

Supply chains will play a vital role, requiring urgent engagement with new and existing partners. To achieve circularity targets, new partners with specialist skills or recycling processes may be required, and competition for their capacity will be high. Joint initiatives may be opportunities to develop systems for your sector.

Companies active in multiple states must grasp local DRS schemes and work with authorities to avoid inconsistencies. Building relationships and advocating for unified systems is crucial.

Policy Horizon



Consumer Information

Consumer preferences for more sustainable products have been ticking ever upwards over the last decade, yet it is still proving very difficult to trust the information presented directly by producers. Misleading claims that suggest a product is 'green,' 'eco-friendly' or 'carbon neutral' can give false confidence, which is why the EU is seeking to empower consumers by providing better, accurate and more trustworthy information.

The objective is to encourage more sustainable purchase decisions, as it is well-acknowledged that consumption patterns within the common market need to change to meet the aims of the Green Deal. The **Empowering Consumers for the Green Transition regulation (ECGT)**[24] and **Green Claims Directive**[25] will mean companies will have to be both clear and specific about claims they make about their products.

Regulations designed to give consumers more buying options to make it easier to make sustainable choices will also come into effect. Systems such as re-fill services for products, to encourage reuse of containers in particular for food and beverages.

Finally, the **Right to Repair**[26] regulation gives consumers options to prolong the life of their purchases, with cost effective services offered by the producer. ECGT also supports the right to repair by informing consumers ahead of purchases on the repairability of a product.

68%

of consumers prefer products with environmental labels[27]

53%

of green claims are vague or misleading

75%

of products in the EU carry a green claim

230

different ecolabels in market today

Key Themes

Central to the EU's new focus on consumers is empowering them with better information. Today's market is riddled with unreliable, unclear or downright misleading information on the sustainability of products, making it hard for consumers to make informed choices. By providing better information, people will be empowered to be drivers of change towards a more sustainable economy. While this critical piece of the puzzle seems simple, it is likely to cause challenges for businesses.

Another theme is to address a number of unfair practices in the market. The EU believes that unfair commercial practices are in operation which intentionally reduce the lifetime of products or intentionally mislead consumers. By regulating the right to repair, the market will be stimulated to abandon practices which design early obsolescence into products. Consumers will be given cost effective options to repair and prolong the life of products, therefore reducing waste and creating a new circular economy and greater consumer value.

Actions for 2024

Improve data governance

A large part of the challenge comes from having poor or inconsistent data (or none at all) to present to consumers. Extending data governance to ESG-related information will therefore be critical to compliance.

The technology market for ESG data is still in its infancy, but many vendors are now offering ‘data lake solutions’ which can serve businesses well. Before making purchase decisions, companies would be well advised to be clear on what their actual data requirements are across the full legislative landscape.

Review marketing strategy

A more refined marketing approach will be critical for many companies and taking stock of what claims are currently made about existing products is an essential first step.

To ensure ongoing compliance, businesses must establish new marketing rules for their current and future products, this will provide their internal teams the clarity they need to operate within new regulatory frameworks.

Establishing relationships with independent verification agencies is also essential. All claims must be substantiated using scientific methods. Establishing these partnerships now will prove beneficial in establishing a new operating model.

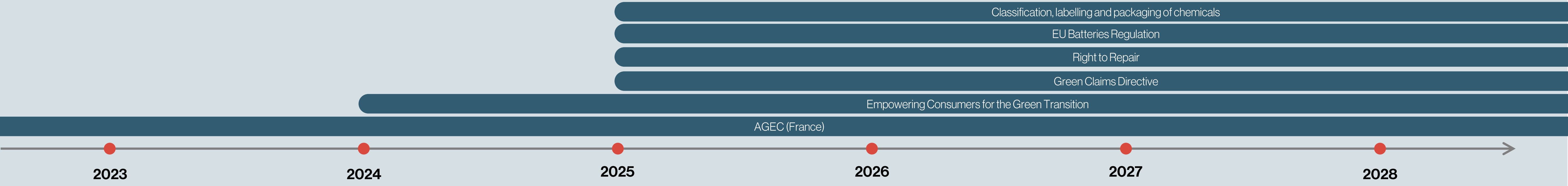
Consider service offerings

With legislation stressing a new focus on improving the repairability of goods, many companies will need to consider what services they can offer to support this.

This could even present an opportunity to scale a capability for the broader market, or lend itself more towards establishing new partnerships to satisfy the direct needs of the business.

The impact of increased repairability requirements will also be felt upstream in value chains. Working with suppliers to ensure they are aligning their capabilities and offerings to this new model will be helpful.

Policy Horizon



Energy & Environment

Underlying a great many of the Green Deal's legislative actions is an inevitable focus on climate change. There are a number of instruments which target the topic directly through focusing on reducing the economy's carbon intensity and addressing the decline in nature.

With 75% of emissions coming directly from energy, the sector's decarbonization is a major factor in the goal to become carbon neutral. This is why the EU is aiming to create clean, affordable and secure energy for the region.

The incoming legislation covers a broad range of topics, but primarily focuses on accelerating a shift towards renewable energy production and reducing the overall amount of energy used through improved energy efficiency. The **Energy Performance of Buildings Directive**[29] for example targets improving the energy efficiency of the built environment across Europe.

The Green Deal has an explicit focus on climate neutrality, but also includes a pillar on restoring nature. Across Europe, nature is in a state of deep decline and in need of urgent attention[30]. Companies have a pivotal role to play. The Biodiversity strategy within the Green Deal has led to a **Nature Restoration Law**[31]. This requires member states to meet restoration obligations across ecosystems on land and at sea.

Businesses rely on healthy natural ecosystems and therefore have an interest in ensuring their preservation and restoration. The risks and costs associated with decline in nature are considerable.

First region to achieve climate neutrality by

2050[1]

By 2030 reduce emissions by

55%[1]

Restore

20%

of natural habitats[31]

Reduce emissions from buildings by

60%[29]

Key Themes

The main objective of the European Green Deal is to achieve carbon neutrality by 2050. It is unsurprising therefore that decarbonisation is a major theme, and many of its energy related policies focus directly on energy generation and consumption.

To accelerate the transition to renewable energy, the EU has focused on introducing incentives to spur innovation, and has balanced this with regulation to ensure each member state is engaging in the transition and hitting the overall renewable energy targets.

Carbon pricing is also being emphasised, a theme which is already applied in the market through the **Emissions Trading Scheme**[32]. The new **Carbon Border Adjustment Mechanism (CBAM)**[33] will come into effect in 2026 for some carbon intensive products in a concerted effort to address climate change by preventing carbon leakage.

Actions for 2024

Develop your nature strategy

The focus of companies on emissions reduction has overshadowed the work required to reduce the impact on the natural environment more broadly. Regulations are working to change this.

For companies who have yet to define their nature strategy, this is the perfect moment to start. Identifying the dependencies, impacts, risks and opportunities will help to establish a clear basis for the strategy.

Companies will also need to disclose their relationship with nature through CSRD and this is likely to be a significant undertaking. Getting ahead of the curve and investing some time, effort and funding will help you down the road. A well-formed strategy for nature will also not only ensure the business contributes positively to its restoration, but also help to mitigate risks..

Tackle value chain emissions

Most businesses have already picked off the low hanging fruit of emissions reduction, meaning they are now facing the more challenging decisions on where their next wave of reductions will come from.

We believe that raw materials, logistics and manufacturing methods should all be the focus of further attention. The increasing scrutiny brought about by CSRD means companies need to do a lot more to engage their value chain to manage their emissions. This may involve direct investment to help Tier One suppliers (and beyond) make the transitions required.

Another growing area of interest is the opportunity to collaborate with peers both within and across sectors. Industry initiatives may need a reinjection of energy to motivate further progress. If these don't exist, now is a perfect time to create them.

Build data governance

As with all sustainability-related areas, consistent and accurate data is in short supply. With this increased regulatory pressure, it is time for companies to invest more deliberately in master data management. It is also a good opportunity for them to engage more meaningfully with their suppliers in order to solve supply chain data scarcity challenges.

Across the regulatory landscape, good governance will rely on good information. Data on energy performance, emissions and in particular scope 3 emissions are now key management data points and should be built into monthly reports.

Environmental data from the interfaces the business has with nature are likely to be new. These require attention now to ensure they are incorporated into the broader ESG data strategy across the business.

Policy Horizon

Joined Up Thinking

Even a cursory glance at the new legislation makes it clear that nearly every company will be affected, either directly or indirectly, by the European Green Deal.

The policy choices have been intentionally designed to impact companies operating both within and outside the market. This creates new operational conditions for everyone involved.

To be effective in this new context, companies should look at the package of policies as a whole rather than on a case-by-case basis. There are connections and interconnections across every policy, meaning that companies must develop a single, overarching strategy for how they plan to adapt to the new rules. The plan also needs to take into consideration every area of the business. Attempting to focus on individual products or business units is likely to create more work than it solves: resulting in duplicated efforts, inconsistencies or inaccuracies. To approach these new market conditions effectively, companies will now require a full redesign of their operating model that embeds sustainability into policies, processes and information systems across their entire business.

Changes like these do not come easily. They will require confident, intentional leadership from the very top. Boards and Chief Executives must recognise the direction of travel in the market and act to align their organisations quickly. Finally, along with physical changes to how the business operates, a new level of sustainability literacy will be required to ensure team members are adequately prepared to operate within the new model.

Looking beyond compliance

Getting trapped in a 'compliance mindset' when approaching the new package of regulations included in the Green Deal is a mistake. Instead, companies should view the upcoming regulations as an opportunity to embed sustainability across the business and get the ball rolling on the changes necessary to achieve its broader sustainability objectives.

Supply chains will also need to be reshaped to adapt to this regulation. Companies should take this opportunity to redefine their relationships with supply chain partners. The regulations also justify incorporating climate risk management more deeply into the corporate governance structure. The transition plan for the business should define most of the mitigating actions to navigate the company forward.

The introduction of audit requirements throughout the regulatory landscape means governance needs to be stepped up. Implementing clear and well-documented internal controls will ensure regulatory boundaries are embedded into the business, preventing costly compliance issues, not to mention valuable audit hours.

For all the latest updates on sustainability regulations, or more detailed insights, visit our Knowledge Hub.

Conclusion

In summary, this is a huge undertaking. Nobody is in any doubt about the scale of the challenge, and companies will need to make considerable investments to comply with these new legislative conditions.

However, this shouldn't be a disincentive towards change. The benefits of transitioning to a more sustainable business model are untold, and the ability to act as a powerful force for positive change should not be underestimated.

Instead of looking at these changes as a hindrance, companies should view the shifting regulatory landscape as an opportunity. The EU has provided the guide rails, now it is on the business world to act: demonstrating innovation, foresight and genuine leadership in moving towards a more sustainable European economy,

Glossary

Abbreviation	Meaning
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
DPP	Digital Product Passport
ECGT	Empowering Consumers for the Green Transition
EFRAG	European Financial Reporting Advisory Group
EPBD	Energy Performance of Buildings Directive
EPR	Extended Producer Responsibility
ESPR	Ecodesign for Sustainable Product Regulation
ESRS	European Sustainability Reporting Standards
ETS	Emissions Trading System
FLR	Forced Labour Regulation
GHG	Greenhouse gases
GRI	Global Resources Institute
ISSB	International Sustainability Standards Board
PPWR	Packaging and Packaging Waste Regulation
RSIBC	Responsible and Sustainable International Business Conduct Act
RED	Renewable Energy Directive
SME	Small and Medium Enterprises

Endnotes

1. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en
2. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
3. https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32023R2772
4. https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en
5. https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/#final-stage
6. https://unfccc.int/process-and-meetings/the-paris-agreement
7. https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en
8. https://www.consilium.europa.eu/en/policies/forced-labour-products/#:~:text=On%205%20March%202024%2C%20the,investigation%20and%20decision%2Dmaking%20process.
9. https://www.europarl.europa.eu/topics/en/article/20221019STO44561/deforestation-causes-and-how-the-eu-is-tackling-it
10. https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en
11. https://data.consilium.europa.eu/doc/document/ST-7542-2024-INIT/en/pdf
12. https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/sustainable-products/ecodesign-sustainable-products-regulation_en
13. https://echa.europa.eu/-/echa-publishes-pfas-restriction-proposal
14. https://single-market-economy.ec.europa.eu/publications/proposal-regulation-safety-toys_en
15. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023PC0420&qid=1707729490112
16. https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en
17. https://environment.ec.europa.eu/publications/proposal-packaging-and-packaging-waste_en
18. https://www.consilium.europa.eu/en/policies/packaging/
19. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3635
20. https://data.consilium.europa.eu/doc/document/ST-7859-2024-INIT/en/pdf
21. https://www.consilium.europa.eu/en/press/press-releases/2024/02/02/circular-economy-council-and-parliament-strike-provisional-deal-on-the-right-to-repair-directive/
22. https://single-market-economy.ec.europa.eu/publications/commission-regulation-eu-amending-reach-regulation-regards-synthetic-polymer-microparticles_en
23. https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/sustainable-products/ecodesign-sustainable-products-regulation_en
24. https://commission.europa.eu/publications/proposal-directive-empowering-consumers-green-transition-and-annex_en
25. https://environment.ec.europa.eu/publications/proposal-directive-green-claims_en
26. https://www.consilium.europa.eu/en/press/press-releases/2024/02/02/circular-economy-council-and-parliament-strike-provisional-deal-on-the-right-to-repair-directive/
27. https://www.oneplanetnetwork.org/sites/default/files/eu_market_for_sustainable_products_report_final.pdf
28. https://www.consilium.europa.eu/en/5-facts-eu-climate-neutrality/
29. https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en
30. https://www.consilium.europa.eu/en/infographics/state-of-eu-nature/
31. https://environment.ec.europa.eu/topics/nature-and-biodiversity/nature-restoration-law_en
32. https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/what-eu-ets_en
33. https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

Contact

Jordisk. | Helping businesses to do better

We help clients to integrate sustainability into their business. Guided by international regulation, we focus on developing the policies, processes and information systems needed to embed environmental and social considerations into everything.

Our services include Policy Horizon Scans, providing companies with clear roadmaps of relevant policies for their business.

To learn more about our work and how we can help your business,
visit https://jordisk.com

hello@jordisk.com