

Simplification and policy coherence

How to reap the benefits of the EU
'Omnibus Simplification Package'

THE AUTHORS

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Executive summary

The goals of the European Green Deal are currently facing the risk of dilution under the EU's new competitiveness and simplification agenda. The president of the European Commission recently announced a so-called *Omnibus Simplification Package*, expected for February 2025 and aimed at streamlining the reporting requirements of the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Regulation and the Corporate Sustainability Due Diligence Directive (CSDDD). While simplification and more coherence of EU legislation is extremely important, it should not come at the expense of Europe's global sustainability leadership.

This policy brief argues that simplification and policy coherence can coexist without compromising environmental and social standards. An Omnibus Simplification Package should be used as an opportunity to transform the EU's legislative framework into an enabling toolbox for businesses transitioning toward competitive sustainability. It offers evidence-based recommendations to support EU policymakers in leveraging the proposed Omnibus Simplification Package as a tool for impactful and streamlined sustainability measures. By developing, for example, one set of unified sector guidelines to align disclosure and due diligence requirements with consistent implementation timelines, the EU would enhance these measures' usability and effectiveness.

1. Introduction and context

The environmental ambition of the European Green Deal is at risk. The chances of this risk materialising depend on how 'simplification' is defined by the European Commission, European Parliament, Council of the EU, Member State governments, financial and non-financial corporates, and industry associations in the coming weeks and months. Poorly implemented, the simplification of regulatory requirements could trigger information asymmetry, resulting in market confusion and diminished trust of stakeholders along global value chains. Consistency, clarity and confidence are key to the successful implementation of the sustainable finance framework to ensure that early adopters and first-movers are not penalised.

The resilience of value chains rests on two pillars: transparency and sustainability. The EU's welcome push for simplification needs to be used as an *opportunity* to safeguard these pillars through a coherent, simplified and sufficiently ambitious sustainability-related regulatory framework. Hence, this policy brief provides an evidence-based contribution to the current simplification debate, laying the ground for more in-depth discussions.

Competitiveness and simplification have emerged as central themes in the EU's evolving policy agenda. This shift is emphasised in a few key documents: Enrico Letta's report on the EU's Single Market,¹ European Commission President Ursula von der Leyen's policy guidelines for the European Commission (2024-2029),² the recent report led by former European Central Bank Chair Mario Draghi³ and the mission letters to the EU Commissioners-designate,⁴ as well as the most recent written answers of the Commissioners-designate to the European Parliament.⁵ One objective outlined in these documents is the reduction of businesses' regulatory reporting burden by at least 25%.

President von der Leyen reaffirmed this commitment on 8 November 2024, by announcing a potential 'Omnibus legislation' aimed at reducing bureaucracy for EU companies. This legislative approach aims to streamline reporting requirements under the Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy Regulation and the Corporate Sustainability Due Diligence Directive (CSDDD). A 'Simplification Package' is expected to be unveiled on 26 February 2025, although its specific content remains undisclosed.

- 1 Enrico Letta (2024), Much More than a Market, <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>
- 2 Ursula von der Leyen (2024), Europe's Choice – Policy Guidelines for the next European Commission 2024-2029, https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf
- 3 Mario Draghi (2024), The Future of European Competitiveness – A Competitiveness Strategy for Europe, https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf
- 4 Ursula von der Leyen (2024), Mission Letters to the EU Commissioners-designate, https://commission.europa.eu/about/commission-2024-2029/commissioners-designate-2024-2029_en
- 5 Commissioners-designate (2024), Written Answers of the Commissioners-designate to the European Parliament, <https://elections.europa.eu/european-commission/en/>

While an Omnibus Simplification Package could enhance regulatory coherence and ease administrative burdens, it also poses significant risks. Such an approach may reopen and dilute fundamental achievements of these critical pillars of the EU's sustainability regulation, including the scope of companies covered, the nature of their obligations and the level of ambition for environmental and social standards.

The Green Deal is at imminent risk of losing its transformative powers: the implementation of the EU Deforestation Regulation (EUDR) has been delayed, CSRD sector standards are on hold and the CSDDD has been watered down, even *after* a compromise had already been agreed among co-legislators – and now the proposal for an Omnibus simplification package. Any significant weakening of these frameworks would remove the much-needed policy certainty for businesses, punish frontrunners, undermine the EU's sustainability leadership and threaten the European Green Deal's core objectives. The European Commission can enhance coherence, clarity and simplification of its regulatory framework through comprehensive sector-specific guidelines. It is thus not necessary to amend the text of the legislative measures.⁶

This policy brief formulates conceptual ideas about how to strike the right balance between simplification and preserving environmental ambition. The ongoing discourse is twofold: (1) enhancing the simplification and harmonisation of reporting requirements across regulatory frameworks to facilitate implementation, and (2) eliminating certain reporting obligations to reduce the overall number of standards and data points. While we encourage measures that support businesses and financial institutions in complying with EU regulations, we firmly oppose any measures that would compromise sustainability ambitions in the process.

2. Policy coherence and simplification: history of the debate

The drive to enhance the coherence and simplicity of EU regulatory measures has been a persistent challenge. As early as 2000, the Lisbon Agenda set ambitious goals for the EU to become 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion',⁷ while ensuring environmental sustainability. Central to this vision was

⁶ Simplification and alignment could occur across three different levels of regulatory measures: Level 1 legislation, which includes Regulations or Directives; Level 2 measures, such as delegated acts, implementing acts, regulatory technical standards (RTS) or implementing technical standards (ITS); and Level 3 measures, which consist of non-binding guidelines and other measures to support consistent implementation. Level 3 would not require changes to the underlying regulations and directives.

⁷ Presidency Conclusions (2000), Lisbon European Council of 23 and 24 March 2000, https://www.europarl.europa.eu/summits/lis1_en.htm

a commitment to improving and simplifying the EU's regulatory framework, particularly for businesses.⁸

Policy coherence and reducing administrative burdens were subsequently embedded as critical factors in the impact assessments required for all new legislative proposals. The launch of the Regulatory Fitness and Performance (REFIT)⁹ programme in 2012 was a crucial step in this regard. REFIT sought to streamline EU legislation, reduce regulatory complexity and improve consistency across policy areas. It underlined the need to balance simplification with the complexities of sustainability challenges. Despite these efforts, significant gaps remain, particularly in overcoming fragmented policymaking processes.

Policy measures are often developed in isolation, since Directorate-Generals (DGs) have their own objectives and priorities. This fragmentation creates challenges for businesses in terms of policy coherence, particularly in cross-cutting areas such as sustainability. Effective implementation demands that co-legislators maintain a comprehensive understanding of diverse sustainability measures, including market access, due diligence, disclosure requirements and taxonomy frameworks.

The transition to a sustainable economy (i.e. an economy that supports the prosperity of our nations while preserving the necessary conditions for human life on Earth) requires time, resources and substantial effort, and is frequently perceived by businesses as a threat to their international competitiveness. Current complexities in environmental legislation create significant challenges not only for companies in EU Member States but also for stakeholders along the EU's global supply chains indirectly affected by these requirements. However, the EU's progress in this area presents a unique opportunity to drive international regulatory cooperation, moving toward a global level playing field by encouraging both consumer and producer countries to align with higher environmental standards. By fostering a coherent and practical regulatory framework, the EU's environmental ambitions can position its companies as global leaders in building resilient and competitive value chains.

8 European Parliament (2009), Briefing note for the meeting of the EMPL Committee 5 October 2009 regarding the exchange of views on the Lisbon Strategy and the EU cooperation in the field of social inclusion, https://www.europarl.europa.eu/meetdocs/2009_2014/documents/empl/dv/lisbonstrategybn_/lisbonstrategybn_.en.pdf

9 European Commission: REFIT – making EU law simpler, less costly and future proof, https://commission.europa.eu/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-less-costly-and-future-proof_en

3. The problem in a nutshell

A reopening of sustainability-related regulatory measures could dilute the ambition of the environmental and social safeguards of the Green Deal. Such outcomes would undermine the overarching objectives of the European Green Deal and compromise the EU's ability to meet its climate and sustainability targets. While simplification and coherence are necessary for regulatory success, they must not come at the expense of environmental integrity or ambition. The EU can do both: making its legislative frameworks easier to navigate for all stakeholders – domestic and international – while safeguarding its commitments to planetary and social protection.

By ensuring greater alignment and reducing fragmentation without undermining global sustainability leadership, the EU has the opportunity to build a regulatory framework that is both impactful and implementable.

4. Simplification opportunities for Disclosure, Doing no Significant harm and due diligence requirements

This section focuses on how the CSRD, Taxonomy Regulation and CSDDD work together to advance EU sustainability goals. It uses a simple comparison of biodiversity-related criteria across all three regulatory measures to identify coherency gaps and suggest potential areas for simplification. This exemplification acknowledges that the CSRD, Taxonomy Regulation and CSDDD serve distinct yet interconnected purposes under the current paradigm of sustainable competitiveness. Simplification should focus on optimising usability across multiple policies without compromising environmental and social standards.

Table 1 describes the three types of sustainability requirements and criteria, as well as their purposes. The complementarity of their purposes is simple but could be clarified and enhanced for all stakeholders, who are currently rather confused about their interactions.¹⁰ The CSRD demands sustainability disclosure through a set of European Sustainability Reporting Standards (ESRS), the Taxonomy defines what qualifies as sustainable and the CSDDD ensure that companies are held accountable for their actions.¹¹

10 European Commission (2024), Summary Report of the Open and Targeted Consultations on the SFDR assessment, https://finance.ec.europa.eu/document/download/0f2cfde1-12b0-4860-b548-0393ac5b592b_en?filename=2023-sfdr-implementation-summary-of-responses_en.pdf

11 The authors acknowledge that this simplification overlooks the complexity of aligning standards, and the interplay between financial and non-financial disclosures, but suggest keeping the discussion at this level to not infuse others layers of complexity yet.

Table 1 : Comparison of disclosure requirements, taxonomy criteria and due diligence requirements

	Disclosure requirements	Technical screening criteria	Due diligence requirements
Policy	CSRD	Taxonomy	CSDDD
Scope	Entity & value chain	Economic activity	Value chains
Objective	Transparency	Classification	Impact mitigation

Note: This table compares key aspects of three sustainability-related regulations: the CSRD (focused on entity-level transparency in disclosure), the Taxonomy (classifying activities based on environmental performance) and the Corporate Due Diligence Directive (ensuring accountability along the entity and value chain).

Although these files are complementary, the bridges between them could be strengthened. To illustrate this, this policy brief presents a biodiversity-specific example of disclosure requirements, taxonomy criteria and due diligence requirements in sequence. Each of these regulatory measures requires an assessment of whether a site is in or near biodiversity-sensitive areas and may necessitate mitigation measures where necessary, as shown in **Table 2**. This comparison helps to shed light on opportunities for simplification that could be scaled up to other environmental and social impacts.

Table 2 : Biodiversity-specific requirements of the CSRD, Taxonomy Regulation and CSDDD

Regulatory measure	Requirements related to biodiversity-sensitive areas
<p>Transparency – Disclosure requirement related to biodiversity-sensitive areas and mitigation.</p> <p>European Sustainability Reporting Standards (ESRS) 2 IRO-1:¹² Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities (19a & b).</p>	<p>‘The undertaking shall specifically disclose:</p> <p>(a) whether or not it has sites located in or near biodiversity-sensitive areas¹³ and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated.</p> <p>(b) whether it has been concluded that it is necessary to implement biodiversity mitigation measures, such as those identified in: Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council (76) on the assessment of the effects of certain public and private projects on the environment; and for activities located in third countries, in accordance with equivalent national provisions or international standards, such as the International Finance Corporation (IFC) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.</p>

12 Commission Delegated Regulation (EU) 2023/2772: ESRS E4 – Biodiversity and Ecosystems, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302772

13 As defined in Annex II, Table 2: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (‘KBAs’), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139).

Regulatory measure	Requirements related to biodiversity-sensitive areas
<p>Classification – Generic criteria for Do no significant harm (DNSH) for protection and restoration of biodiversity and ecosystems.</p> <p><i>Taxonomy Environmental Delegated Act.</i>¹⁴</p>	<p>‘For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures¹⁵ are implemented.’</p>
<p>Impact Mitigation – Obligations regarding impacts on biological diversity.</p> <p><i>CSDDD – Annex, Part II on ‘Prohibitions and Obligations Included in Environmental Instruments’.</i>¹⁶</p>	<p>‘1. The obligation to avoid or minimise adverse impacts on biological diversity, interpreted in line with Article 10, point (b) of the 1992 Convention on Biological Diversity and applicable law in the relevant jurisdiction, including the obligations of the Cartagena Protocol on the development, handling, transport, use, transfer and release of living modified organisms and of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity of 12 October 2014.’</p>

This example shows that while these frameworks are complementary, there are potential gaps and overlaps that could benefit from greater alignment for simplification. Each regulation serves a distinct purpose, but the current way these distinctions are explained sometimes creates confusion, which could easily be clarified through **harmonised sector guidelines**. Sector guidelines help firms to tackle the reporting challenge by providing them with useful guidance, increasing not only the feasibility but also the effectiveness of sustainability reporting. Without coherent sector-specific guidelines, reporting is subject to too much variation in methodologies and discretion, leading to inconsistent conclusions on material topics within the same sector. This creates challenges for users to compare performance within the relevant reference group. Agreeing on a common language in a sector is much easier than tackling reporting alignment across all industries.

14 Commission Delegated Regulation (EU) 2023/2486: Environmental Delegated Act, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2486>

15 As defined in the footnote: In accordance with Directives 2009/147/EC and 92/43/EEC. For activities located in third countries, in accordance with equivalent applicable national law or international standards, that aim at the conservation of natural habitats, wild fauna and wild flora, and that require to carry out (1) a screening procedure to determine whether, for a given activity, an appropriate assessment of the possible impacts on protected habitats and species is needed; (2) such an appropriate assessment where the screening determines that it is needed, for example IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

16 Commission Delegated Regulation (EU) 2023/2486: Environmental Delegated Act, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2486>

From this example, we can extract a few elements that could be harmonised in sector guidelines:

- **Clarity on usability of data points across each policy measure**, clearly stating which reporting requirements are overlapping; this can thus be used to comply with the CSRD, Taxonomy Regulation and CSDDD.
- **Clarity on the level of impact mitigation measures expected to be met** under the Taxonomy Regulation and CSDDD. Levels might differ (e.g. 'DNSH' under the Taxonomy Regulation versus 'ceasing impact' under the CSDDD), but a clarification of thresholds to be met under each policy measure would help companies understand what is expected of them and where. This is important to clarify on a sector basis as biodiversity impacts vary significantly by industry.
- **Provision of guidance on definitions**, such as those relating to biodiversity-sensitive areas. Such a guidance could provide a concise summary of the definitions of biodiversity-sensitive areas and biodiversity mitigation, drawing from the three relevant frameworks. It could demonstrate how aligning with the definitions from the Taxonomy supports compliance with the ESRS Standards, while also clarifying the procedural differences between the frameworks to facilitate the coordinated application. Finally, the guidance could elaborate on how businesses can leverage this information to comply with the CSDDD by avoiding or minimising adverse impacts on biological diversity (e.g. interpreted in line with Article 10, point (b) of the 1992 Convention on Biological Diversity).

5. Recommendations

The simplification and competitiveness agenda of the EU needs to be taken as an opportunity to make the EU regulatory framework an enabling toolbox for financial and non-financial companies throughout value chains to transition to a sustainable economy. To transform this moment into a force for positive change for our planet and its people, EU policymakers would have to quickly implement those feasible and pragmatic adjustments to the policy frameworks that make the life of businesses easier, without compromising sustainability ambitions. Focusing on sector implementation guidelines, without revising the text of the individual laws, would provide the needed coherence and simplification while avoiding the risk of re-opening and diluting the ambition of these crucial pieces of legislation.

For this purpose, we have four recommendations that we encourage EU policymakers to consider when designing the Simplification Package:

1) Develop unified sector guidelines covering the CSRD, Taxonomy and CSDDD requirements.

Integrating these sector guidelines would streamline the implementation of both pieces of legislation, align with current timelines and unlock significant simplification opportunities through this sector-specific approach.

- a. It would guide companies in leveraging relevant sector-specific sustainability disclosures from the CSRD to meet due diligence requirements under the CSDDD and potential thresholds under the Taxonomy, and report measures taken accordingly. Aligning these processes would streamline compliance and enhance clarity for businesses.
- b. It would help companies under the CSRD (especially in high-impact sectors) to prioritise risks and impacts, and facilitate meaningful steps towards mitigation (on a voluntary basis if they are not subject to CSDDD requirements) that are relevant to their sector.
- c. It would simplify materiality assessments by providing sector-specific data points.
- d. It could provide proportionality, as smaller firms (with less financial resources) could even profit from a simplified set of sector guidelines.
- e. It could increase the usability of reporting information for financial institutions, as they drive economic decision-making, and thus the practices of their clients and investees companies. Sector-specific reporting guidelines would be beneficial for their own disclosure requirements. Non-financial companies are particularly interested in reporting sustainability metrics that will facilitate their refinancing.
- f. They should be developed in collaboration with companies and stakeholders in the sector through platforms or forums. This would encourage the sharing of best practices and leverage the expertise of first movers in their sectors, who already have established internal process that others in their sectors can learn from. This would also ensure that these first movers are rewarded for their ambition. These platforms or forums need to be established urgently to allow for a sectoral exchange for simplification.

2) Adhere to clear and consistent timelines, which is essential for maintaining confidence and avoiding confusion.

Companies have already put a lot of time and effort into collecting data and starting to comply with disclosure and due diligence requirements. Any delays of obligations would undermine these efforts and would increase the costs of shifting their efforts. The timelines should be explicitly communicated and aligned across the CSRD, EU Taxonomy and CSDDD to ensure coherence and streamline implementation processes for all stakeholders.

3) Include the SFDR in discussions on streamlining of reporting requirements.

We and others have already analysed¹⁷ a few coherence issues and room for improvement that could be resolved by ensuring that the SFDR requirements are aligned with the information disclosed through the CSRD and Taxonomy Regulation. Addressing identified inconsistencies would reduce administrative burdens while improving transparency.

4) Harmonise wording and guidelines on transition plans.

Both the CSRD and CSDDD have specific obligations regarding climate transition plans. While the CSRD focuses on the reporting of these plans, the CSDDD requires companies to adopt and put into effect a transition plan for climate change mitigation that is in line with the Paris Agreement. The CSDDD foresees the publication of practical guidance on the transition plans, and European Financial Reporting Advisory Group (EFRAG) is proposing transition plan guidance to the EU Commission. These guidance documents issued under the CSDDD and the CSRD should be aligned to guarantee that reported plans meet compliance standards under both regulatory measures.¹⁸

For none of the four recommendations above would Level 1 amendments be necessary. However, an additional important contribution to making the life of financial and non-financial companies easier would be to increase policy coherence on sustainability due diligence obligations for the financial sector, which could most efficiently be done through the review of the CSDDD.¹⁹ **Our fifth recommendation** is as follows:

- 17 Find out more on our contribution to the public consultation on the SFDR Level 1 (https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation_en) and Level 2 (<https://climateandcompany.org/publications/review-of-the-sfdr-biodiversity-value-chains/>; <https://climateandcompany.org/publications/review-of-the-sfdr-ghg-reduction-targets/>), as well as others' contributions (https://finance.ec.europa.eu/document/download/e911b6a2-19f6-4099-93e6-4383e5c7d18a_en?filename=230704-sustainable-finance-platform-briefing-esas-consultation-sfdr_en.pdf; https://finance.ec.europa.eu/document/download/b29f4421-79bf-4dbc-9732-cf3456c8189f_en?filename=231215-sustainable-finance-platform-response-sfdr-consultation_en.pdf) and our project (<https://climateandcompany.org/projects/eu-sustainable-finance-framework/>) on consistency and ambition of the EU Sustainable Finance Framework.
- 18 Additionally, the revised Capital Requirements Directive (CRD VI) mandates the disclosure and implementation of prudential transition plans from a risk-based approach (outside-in). This creates more complexities as transition plans under the CSDDD and CSRD emphasise climate change *mitigation* (inside-out). European Banking Authority (EBA) guidelines are expected in early 2025 and these should also be taken into account to ensure consistency.
- 19 The CSDDD requires the European Commission to publish a report on value chain due diligence obligations for financial institutions as part of the review process due by July 2026. Climate & Company analysed this issue in length (<https://climateandcompany.org/publications/sustainability-due-diligence-for-financial-institutions>).

5) Clarify and strengthen due diligence obligations for the financial sector.

Although not addressed comprehensively, the financial sector arguably is already required to comply with certain due diligence duties regarding the impact of their financing and investment activities on sustainability matters under the Sustainable Finance Disclosure Regulation (SFDR) and the CSRD, particularly regarding the gathering of information on, and evaluating of, adverse impacts. To comply with these disclosure obligations, sustainability-related due diligence processes and policies must first be in place.

However, as far as the resulting duties of conduct are concerned, existing provisions share one thing in common: they lack the concretisation that could be provided for by the CSDDD, thus leading to legal uncertainty for financial institutions. A review of the CSDDD, supported by a robust impact assessment, could address this gap. The Simplification Package is an opportunity to emphasise the need for explicit, harmonised due diligence obligations for financial institutions, fostering legal certainty and coherent requirements.

Notes

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