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# NFU Position Paper: Sustainability and Competitiveness in 2025

## Introduction

This NFU position paper reacts to the "New Competitiveness Act," which the European Commission President Ursula von der Leyen recently presented and is scheduled for publication in late February 2025. Since this position paper is written specifically with the upcoming omnibus directive in mind. Already in advance of the publication of these proposals, NFU aims to highlight key concerns and perspectives that should be considered in shaping regulatory reforms.

This omnibus directive aims to streamline reporting and due diligence requirements across three key EU Green Deal laws: the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD). These frameworks establish classification systems, reporting obligations, and due diligence requirements that collectively contribute to environmental and social sustainability objectives.

The EU Competitiveness Compass (29 January 2025) highlighted the need for a regulatory framework that aligns with investor needs while balancing sustainability commitments. While regulatory simplification is welcome, NFU stresses that **competitiveness must not come at the expense of workers' rights, social dialogue, or corporate sustainability obligations**.

## State of Play – Current Status of the Legislative Procedure

The **EU Taxonomy**, in force since 2020, provides a framework for classifying environmentally sustainable business activities. It establishes screening criteria for companies to assess their contribution to environmental objectives while ensuring compliance with minimum social safeguards.

The **CSRD**, effective from January 2023, mandates that companies report on material impacts, risks, and opportunities under the **European Sustainability Reporting Standards (ESRS)**. The largest in-scope companies will start reporting under this framework from 2025. The **CSDDD**, enforced from 2024, requires companies to conduct due diligence on human rights and environmental impacts, develop climate transition plans, and disclose adverse impacts. While it does not introduce additional reporting obligations, companies are expected to integrate these requirements into their existing CSRD management reports.

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The **Competitiveness Compass** aims to align data requirements with investor needs while ensuring a coherent and proportionate regulatory framework. However, concerns have been raised by business leaders, financial employees, and trade unions regarding potential revisions that may weaken key sustainability obligations and increase regulatory fragmentation across different European markets.

## **NFU Position**

NFU opposes any attempt to use the Competitiveness Compass to weaken the **rights of information and consultation of employee representatives**. Nevertheless, NFU supports simplification of sustainability regulations, as excessive reporting requirements create inefficiencies for both companies and employees. However, regulatory simplification must be carefully assessed to ensure that it does not undermine the **fundamental objectives of EU sustainability** laws developed during the last decade. Our members strongly favour simplification and policy coherence, which must include the Sustainable Financial Data Regulation (SFDR) as this regulation is also set to be reviewed later in 2025, according to the Commission Work Programme of 2025. If reporting requirements are being streamlined, reporting requirements of the SFDR must be aligned with the information disclosed through the CSRD and Taxonomy Regulation. Addressing identified inconsistencies would reduce administrative burdens while improving transparency. NFU also strongly advocates for harmonising wording and guidelines on transition plans.

NFU recognizes the crucial role of the finance sector in supporting a sustainable transition, which encompasses also broader social and governance issues, including workers' rights, labour conditions, and corporate accountability.

We remain committed to meaningful reporting and due diligence obligations. NFU, along with its trade union members from all five Nordic countries, has advocated for EU legislation that promotes sustainable finance to strengthen our economies' social and environmental transitions. We are therefore concerned by the prospect of a substantial weakening of Environment Social Governance lawmaking. Sustainability reporting must cover the entire value chain. Companies should not be allowed to claim sustainability credentials while outsourcing environmental and labor risks to other jurisdictions. NFU supports simplified yet comprehensive reporting requirements that ensure accountability across global supply chains.

Financial lawmaking on the EU level includes stakeholders' consultations and input by practitioners, especially after the first level of law-making. Level 1 entails the negotiation and adoption of the regulation by the European Parliament and the Council and normally sets out the framework principles reflecting the key political decisions and contains different delegations to flesh out the technical implementing details in level 2 of the regulatory process, based on the advice of the European Supervisory Authorities. This is why NFU

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supports, in principle, legislative efforts that ensure coherence between sustainability frameworks while avoiding contradictions between different regulatory requirements. It remains, however, essential to minimise disruptions to financial institutions, given the substantial investments already made in compliance infrastructure and substantial contribution efforts during level 2 of the regulatory procedure. NFU contests that delegated acts save time and lead to more evidence-based regulatory results, when they regulate a key political element of EU sustainability policy, such as the European Sustainability Reporting standards and are intended “to close the gap between users’ information needs and the sustainability information provided by firms” (Directive 2022/2464, recital 14). While stakeholder dialogue and political debate may have taken longer to define environmental, social, and governance (ESG) data points, they may have also harvested more understanding and trust by investors, companies and social society actors, such as trade unions.

Rather than introducing changes after many companies have already invested a lot of money to comply with the current rules, NFU remains committed to minimising disruptions to ongoing compliance efforts and to assessments of Green Deal laws to evaluate their effectiveness post-facto. Any modifications should be limited and precise, ensuring that they address specific challenges without undermining the broader sustainability framework. NFU also encourages the European Commission to issue necessary guidelines that provide greater clarity and improve the practicality of existing measures: 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 the 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. EFRAG bears a strong responsibility in this process to keep the requirements within the transition plans short and to align with the CSRD as much as possible.

NFU stays committed to engage in the revision of the CSDDD within two years of implementation, while 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

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by a robust impact assessment, could address this gap. The Omnibus package can only serve to emphasize the need for explicit, harmonized due diligence obligations for financial institutions, fostering legal certainty and coherent requirements

#### **NFU Position in short**

- **NFU opposes** any weakening of sustainability obligations under the Competitiveness Compass.
- **NFU supports** regulatory simplification but insists it must not undermine EU sustainability laws.
- **NFU believes** that regulatory short-cuts that neglect democratic procedure and stakeholder dialogue, as observed under the European Sustainability Reporting Standards (ESRS) contribute to excessive red tape. Even though the legislative process may take longer, it is essential for balancing the complex interplay of economic, social, and environmental factors. **NFU advocates** for aligning SFDR reporting with CSRD and Taxonomy Regulation to reduce administrative burdens.
- **NFU supports** interoperability while cautioning against reopening financial legislation too soon.
- **NFU insists** on comprehensive sustainability reporting covering the entire global value chain.
- **NFU endorses** SFDR and Taxonomy Regulation to prevent greenwashing and clarify sustainability standards.
- **NFU supports** coherence in sustainability frameworks while minimizing disruptions to compliance efforts.
- **NFU urges** clear and practical transition plan guidelines under CSRD and CSDDD.
- **NFU calls** for explicit, harmonized due diligence obligations for financial institutions.