BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

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BETTER FINANCE Raises Concerns Over Proposed 'Simplifications' to EU Sustainability Legislation

BETTER FINANCE, the representative of EU citizens as savers and investors, is concerned about the European Commission's proposals to amend the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD). These revisions threaten to weaken critical sustainability framework by reducing the scope of reporting and due diligence of EU-domiciled businesses, ultimately leading to less transparency and increased risks for individual investors.

BETTER FINANCE acknowledges that the EU's push to ease sustainability rules stems from its goal to address declining competitiveness against the US and Asia (which is rightly a key priority). Some of the heavy regulations, not just related to sustainability, put EU businesses at a disadvantage, with many already replaced by imports from lower-standard regions like China. However, sustainability reporting and due diligence can bring long-term value to companies, and sustainability rules should support, not weaken, business viability, particularly for listed SMEs. Weakening sustainability rules may not bring the desired outcome and instead risks harming investor confidence due to greenwashing. In fact, as the Commission itself rightly points out, "due to the proposed changes, companies might be less able to carry out a structured risk analysis and proper risk management".[1].

A Sudden Shift in Sustainability Legislation

The rushed nature of the process has left little room for proper debate or review and is particularly concerning given the complexity and far-reaching consequences of the amendments. The proposals risk undermining the credibility of policies designed to protect both the environment and citizens, particularly investors who rely on these regulations to make informed decisions. The rushed nature of these changes also risks a significant loss of transparency in EU corporate governance, undermining years of effort to ensure that companies disclose their sustainability risks and major impacts in a clear and consistent manner.

Significant Reductions in Reporting Scope: A Step Back for Investors

The proposed amendments to the CSRD significantly narrow the scope of corporate sustainability reporting, reducing by 80% the number of companies required to disclose their sustainability practices. This represents a drastic reduction in the number of companies providing information on their sustainability efforts, leaving individual investors without the relevant and comparable data needed to make informed decisions.

[1] European Commission, *Staff Working Document* on the Omnibus Regulation, SWD(2025) 80 final, 26 Feb. 2025, p. 36.

Contact
Arnaud Houdmont, Director of Communications
houdmont@betterfinance.eu
+32 (0)2 514 37 77
www.betterfinance.eu

The scaling back of reporting requirements goes beyond simplification, resulting in a loss of key insights into corporate risks. Under the current proposal, fewer companies will report on sustainability than before the EU Green Deal was announced, despite our study clearly showing that European citizens value climate awareness, especially in the context of the net-zero transition.[2]

In CSDDD: Weakening Due Diligence and Allowing Greenwashing

The proposed revisions to the CSDDD are equally concerning, as they weaken companies' due diligence and transition planning obligations. As a result, rather than becoming a strategic tool to manage climate-related risks, transition plans will remain a mere "paper" exercise, offering no real substance to decarbonisation efforts. This change risks exacerbating greenwashing, allowing companies to claim sustainability efforts without taking concrete steps to address their environmental impact. BETTER FINANCE believes that, at the very least, large EU companies should report and implement a transition plan to provide investors with transparency on their long-term climate strategies.

The proposals threaten to strip away much of this corporate accountability for high-risk large companies by reducing the scope of responsibility to only a company's direct suppliers, leaving global supply chains unchecked and further sidelining risks related to environmental damage and human rights abuses.

Moreover, the proposals also remove the review clause that would have extended sustainability due diligence to financial undertakings such as banks, credit institutions, and investment funds.

The Need for Clarity, Not Confusion

Aleksandra Mączyńska, Managing Director of BETTER FINANCE, stated: " *While we support the need for clarity, guidance, and simplification in EU regulations, and the need to improve the EU economy's competitiveness, we are concerned about the unintended consequences of the current proposals. Rather than simplifying the system, the revisions risk creating confusion, eroding transparency, and ultimately penalising investors who rely on consistent, reliable data to manage risks and make informed decisions.*

For instance, we fail to understand how removing the obligation to put into effect transition plans aligns with the Green Deal's objectives, or how it would help individual investors distinguish genuinely sustainable companies from those engaging in greenwashing, who may use transition plans as mere marketing tools."

A Call for Reconsideration

BETTER FINANCE urges the co-legislators to reconsider the proposed revisions, including their unintended consequences. As representatives of EU citizens, we advocate for a clear sustainability framework that empowers individual investors to make well-informed investment decisions.

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[2] https://betterfinance.eu/wp-content/uploads/BF_Position-Paper_Retail-investors-knowledge-and-preferences_EU.pdf

Striking the right balance between competitiveness and sustainability is essential to ensuring that EU businesses remain viable while maintaining transparency and accountability for investors.

Sustainability reporting and due diligence can bring long-term value to companies, and it is critical that the EU has robust reporting requirements to ensure that the transition to a sustainable future is both transparent and effective. Without these safeguards, the credibility of EU sustainability policies will be undermined, to the detriment of both investors and the environment.