

Memo

Recent European Developments in the Environmental, Social and Governance (ESG) matters

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1. On February 28, 2024

The proposed EU Directive on Corporate Sustainability Due Diligence encounters a significant setback

The European Council has failed to endorse the [proposed](#) Corporate Sustainability Due Diligence Directive (CSDDD) after years of extensive 'trilogue' negotiations between the European institutions and EU member states. During the vote held on February 28, 2024, the CSDDD fell short of obtaining the necessary votes for approval. The European Council had postponed its decision on the CSDDD multiple times in February, amid [reports](#) indicating dwindling support for the final draft, particularly after [Germany signaled its intention to abstain from voting](#). German political leaders continue to express worries about the EU's recent imposition of sustainability regulations, arguing that they impose excessive burdens on small and medium-sized enterprises. Following the unsuccessful vote, the current Belgian Presidency of the Council issued a [statement](#), highlighting the need to assess the situation and explore avenues to address member states' concerns in collaboration with the European Parliament. The European Parliament and Council had previously reached a tentative [agreement](#) on the CSDDD text in December 2023. If a final vote on the CSDDD isn't secured by April 2024, all EU legislative processes, including those related to the CSDDD, will be discontinued due to the European elections scheduled for June 2024. Consequently, the new European Commission to be formed following these elections would need to introduce a new initiative with a new proposal, which would have to navigate through the concerns of EU member states and potential scrutiny from a possibly more ESG-focused European Parliament.

For more information visit the official website of the European Parliament, to read the relevant [press conference](#).

2. On February 20, 2024

The European Parliament's final green light for the new Directive on Empowering Consumers against corporate greenwashing

The [European Council formally adopted](#) the Greenwashing Directive on February 20, following the European Parliament endorsement to the provisional agreement on January 17, 2024. This directive, as [proposed](#) by the European Commission in March 2022, amends Directive 2005/29 and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and better information. It seeks to support the EU's transition to a greener economy by providing reliable sustainability information about products and traders

to consumers, while curbing misleading claims about product sustainability, commonly referred to as "greenwashing". The Directive is designed to complement the [proposed Green Claims Directive](#), which focuses on substantiating and communicating explicit environmental claims. Both directives aim to ensure transparency and accuracy in sustainability-related information provided to consumers and traders. Moreover, it expands the EU's list of prohibited commercial practices to include the unjustified utilization of vague sustainability and durability labels. These labels encompass terms such as 'environmentally friendly,' 'natural,' 'biodegradable,' 'climate neutral,' 'eco,' or assertions regarding a product's lifespan or repairability when unsubstantiated. Moreover, the directive prohibits claims suggesting that a product has a neutral, reduced, or positive environmental impact based on emissions-offsetting schemes. Under the new law, only sustainability labels backed by official certification schemes or established by public authorities will be permitted. The new law is now anticipated to come into effect by late March. Following its implementation, EU Member States will be granted a 24-month period to integrate the updates into their national legislation, with the changes taking effect 30 months after the directive's enactment.

For more information visit the official website of the European Parliament, to read the relevant [press release](#).

3. On February 7, 2024

A Political Agreement for a two-year delay in the publication of sector-specific & non-EU companies sustainability reporting standards

The European Parliament and Council have jointly decided to postpone the release of sector-specific non-EU companies sustainability reporting standards by two years. This decision was made on February 7, wherein they reached a provisional agreement to extend the deadline for adopting specific European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD) from June 30, 2024, to June 30, 2026 (read [our previous Article](#), for more information). This extension primarily concerns two areas: (1) sector-specific ESRS and (2) standards outlining reporting obligations for certain large non-EU companies operating within the EU. The rationale behind this extension is to provide companies with sufficient time to concentrate on implementing the initial batch of general sector-specific ESRS, which received [approval](#) from the European Commission in July 2023.

For more information visit the official website of the European Council, to read the relevant [press release](#).

Disclaimer: The information contained in this article is meant to offer a broad overview of the topic. For advice tailored to your individual circumstances, it is advisable to consult with a specialist.

