

# ESG COMPLIANCE JUNGLE

ADDITIONAL NOTES ON THE MATRIX  
OCTOBER 2024

## CURRENT SITUATION

The Green Deal and the associated initiatives of the EU Commission are changing Europe's economic framework and the conditions on how to operate as a business. These measures aim to set the EU on a sustainable and climate-neutral path; however, the disjointed and uncoordinated implementation of initiatives like CBAM, CSDDD, EUDR, and CSRD severely hampers their overall impact.

The lack of coordination and excessive reporting requirements will likely lead to significant administrative hurdles, affecting companies and Europe's competitiveness. At the same time, legal uncertainties will emerge for our trading partners, as many provisions and reporting obligations are currently impossible to implement in practice.

### **A) Duplicative Reporting Obligations (e.g. CSDDD & conflict minerals regulation, ban on forced labour)**

The various regulations and directives were initiated by different Directorates-General (DGs) without considering each other's obligations or coordinating with each other. This design flaw leads to numerous inefficient overlaps that make implementation and correct compliance with the regulations considerably more difficult.

In the future, companies will, therefore, need to look at their supply chains from different perspectives. Risk assessment systems, activity reports, and due diligence obligations on environmental, social, and labour issues exist in parallel in various forms. For example, the EU regulation on conflict minerals is not being replaced by the more comprehensive CSDDD, although both deal with extracting raw materials in compliance with human rights. There is also a lack of empirical data on the extent to which reports on one topic, e.g., the CSDDD, can also be used for other requirements (prohibition of forced labour).

### **B) Missing databases and problematic IT requirements (e.g. EUDR)**

The currently envisaged obligations of the EUDR and their consequences are not feasible for domestic SMEs. Even if there is a simplified procedure for companies of this size, the bureaucratic effort of registering the goods in the (still non-functioning) EU database and issuing the necessary exemption certificates is de facto

a considerable administrative burden for each consignment. The implementation of this provision, as proposed by the Commission on 3 October 2024, must be urgently suspended.

Due to the still non-functioning online system for due diligence declarations, which is supposed to generate the reference numbers, as well as the non-existent benchmarking, which is supposed to categorize countries in terms of their risk of deforestation, there are considerable complications (costs, organization, supply chain disruptions) for all companies concerned.

### C) Problems with data collection (e.g. CBAM)

Until 31 July 2024, i.e. for the entire CBAM report Q2/2024, default values for emissions could be used (see Art. 4 para. 3 CBAM Implementing Regulation). However, the new EU calculation methods are now required to be utilized, which means that CBAM reporting entities are heavily reliant on their suppliers.

To fulfill their reporting obligations, importers must request extensive data sets from their suppliers, whose quality and accuracy they have little influence over. Nevertheless, importers remain responsible according to CBAM regulations and are liable themselves in case of doubt.

The required accurate data is often unavailable, as many partners from third countries either do not collect their data in the required EU format or refuse to provide it. However, European companies often do not have the necessary market power to persuade their suppliers to carry out costly and bureaucratic emissions surveys - especially for small, specialized parts for which there is usually only one supplier. Furthermore, companies in third countries typically engage multiple suppliers, each offering varying emissions data rather than relying on a single source. Consequently, importing companies bear the responsibility for the accuracy of their suppliers' information and must diligently and meticulously verify this data, which can be a time-consuming process.

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