

# Transcript of 'The EU, Sustainability Regulations, and the Green Deal'

## Season 3, Episode 23, Transforming Tomorrow

[Theme music]

**Paul:** Hello and welcome to Transforming Tomorrow from the Pentland Centre for Sustainability in Business. I'm Paul Turner.

**Jan:** And I'm Professor Jan Bebbington.

**Paul:** We're all aboard the European Omnibus this week. What's impact is all the change in how EU businesses report on sustainability having on climate goals, investor confidence, and on businesses themselves?

[Theme music]

**Paul:** Can regulation ever be a good thing, Jan?

**Jan:** Of course it can. And decent businesses like and need decent regulation.

For one thing, regulation deals with public goods, so things that that won't, can't be generated in any other way. But also it gives a standard set of expectations so everyone can adhere to those expectations and then compete on, on other aspects of it.

But of course, regulation is contested as well. Lots of people would like less, um, and...

**Paul:** ...is it not just red tape and hoops for you to jump through as an organisation and lots of problems stopping you doing what you'd like to be doing?

**Jan:** Well, given that you've not been harmed at work, [Paul laughs softly] or not been harmed when you've consumed products, then...

**Paul:** ...mentally every week for one hour, I am harmed. [Jan laughs] But I don't think there's anything that HR can do about that.

**Jan:** No, there, there isn't. So, so I think when people say they don't like regulation, they don't realise how much of it keeps them safe at work, keeps them safe on transport, keeps them safe when they buy products, et cetera.

**Paul:** It is a common gripe, isn't it? When you hear people say, oh, there's just too much red tape to go through, and governments get blamed and previously in this country, the EU got blamed, and anyone and everyone will get blamed for imposing rules that you view as pointless.

But you're saying maybe they actually stop us getting run over by a bus every Tuesday.

**Jan:** [laughing] Yes. But there's also the cases that sometimes regulation is poorly designed and needs to be worked on and developed and taken forward.

So in that respect, it's, you know, it's not a yes or no, but it's, uh, I suppose I, I don't live in the camp that we need loads more, I don't live in the camp that we need none.

And it's that, that Goldilocks zone which is really hard to get right, which is the right amount for the right targets, implemented in a way that's, that's, you know, effective.

**Paul:** I'd like to see that version of Goldilocks [Jan laughs] where after trying the porridge and going on the seats and lying down in the bed, Goldilocks tries to find just the right amount of regulation.

**Jan:** I can feel a, something coming up. [laughs] A new film!

**Paul:** [laughs] A new film? Yeah, I, I don't think it's gonna make much money at the box office...

**Jan:** ...not it's not...

**Paul:** ...but if that's where you want to go, that's fine.

So, we're talking about this today, because we're joined by a guest who is going to be discussing with us various examples of regulation, corporate governance, how it ties in with sustainability, how it ties in with the EU, which...

**Jan:** ...yes, indeed...

**Paul:** ...is, is that, and how it ties in with politics as well.

**Jan:** Excellent. So who have we got?

**Paul:** We're joined today by Professor Andreas Rasche, who is from the Copenhagen Business School Centre for Sustainability. Sounds like a nice organisation, Jan.

**Jan:** It's a fabulous one. I know, I know the Centre well, and I know Andreas and some of his colleagues well. They're a really smart crew. They're doing good stuff...

**Paul:** ...course you're gonna say that, [Jan laughs] he's sat on the end of the line waiting to speak to us. You're not gonna say, I know them well, and they're horrible.

**Jan:** [laughing] No, of course...

**Paul:** ...that's, that's true...

**Jan:** ...but I'm also telling the truth, so you...

**Paul:** ...no, no that's fine...

**Jan:** [joking] ...leave me alone.

**Paul:** Andreas, welcome to the show.

**Andreas:** Thank you very much indeed. It's a big pleasure to be with both of you here.

**Paul:** Can you tell us a little bit to start with Andreas, about yourself and how your work touches on issues of sustainability?

**Andreas:** So, I mean, as, as you just mentioned, I'm a Professor at, at, Copenhagen Business School. I'm a native German, I must say. I'm, I'm not a Dane.

Um, and I moved actually to, to Denmark from England. I was at Warwick Business School, um, before. And my work, uh, is quite a bit on, on sustainability regulations. I used to do quite a bit of work on voluntary standards, um, kind of, you know, these things that you sign up to, because you want to enter into voluntary commitments, like the UN Global Compact, for instance, or certification initiatives.

And then recently I, I switched more towards the hard law, kind of the legally binding side of things, because this has been an area where we see more and more, um, action by, by governments in particular, of course, um, the EU.

**Jan:** And a lot of our conversation is going to be about the EU today, which I really like, 'cause the EU has been quite an innovator, um, particularly in, uh, corporate regulation and around sustainability.

But also it's been a site of contestation over the last, you know, sort of 12, 18 months as well. So maybe if we could start out with you explaining to our listeners, how does the EU regulate corporate activity with regard to sustainability outcomes

**Andreas:** That's a really good question to start, Jan, because I mean, the, the EU does a lot of things when it comes to sustainability regulation, and sometimes it's perceived as being too much, as, as you rightly say. So it's good to kind of start with what, what is the logic behind?

Um, of course the, the logic behind it is to try to level the playing field, right? You, you also said it in the beginning, trying to provide a consistency throughout, um, the Union.

You need to recall, we have 27 different, um, countries here. They all are very different. They need to be somehow aligned in order also to function as a single market, because that is the underlying idea of the EU.

So this is the, the basic, um, the, the basic ambition. Um, the EU has different tools for that. The listeners might be familiar with the words, 'directives' and 'regulations'. It's important to distinguish between both.

Directives are kind of when the EU sets a framework and basically leaves then implementation to the different member states. Regulations would be if the EU directly regulates whatever is happening in the member states.

So these are two different tools. In the sustainability domain we see both of them being used. Um, and I think it is important to, to distinguish between them.

I think a lot of the regulatory efforts around sustainability, they, they started actually quite early. Probably earlier than, than in, in a lot of the other regions. I would say 2013, 2014 was a year, um, a quite important year. This was when the so-called, um, Non-financial Reporting Directive. So this was a directive

that came into force that was the first, um, that was the first legislation around sustainability reporting by the EU.

And then in 2019, couple of years later, Ursula von der Leyen came into office, um, and she announced the Green Deal. And the Green Deal in 2019 was a, was a really big thing for the, um, for the EU because it was the first time that they really put out a strategic framework, kind of an umbrella, for different regulations around sustainability with the overarching goal to make Europe climate neutral by 2050.

So this is how the EU approaches it, and this is the umbrella under which all of this is happening.

**Paul:** I'm not saying we're fitting into stereotypes here, but I think even those who don't like the EU very much, and they'd probably use this as an example in fact, would say that the EU is very good when it comes to directives, frameworks, and regulations. And that that's where Europe leads the way for regulating, uh, things.

So it shouldn't really be a big surprise, therefore, that the EU has got a lot of structures in this way.

**Jan:** And I, I think that single market point becomes really important as well. 'Cause if you want a market to operate well, you, you need common standards. And um, then that diversity of approaches, um, also has to then somehow be, be brought into the frame.

**Jan:** Because one of the things that really strikes me, and this might come out in the later conversation, is that if we are, say, thinking about due diligence in corporate supply chains, member states have rules about that.

And what the EU might want to do is to try to standardise those rules. So it's the same rules if you are, say you're a US company and you're operating in Denmark and um, you in, in Norway, which is associated with some of the rules, and in Sweden and in Germany, that you're facing the same rules.

So there's also, this rulemaking also has an efficiency element to it and a commonality of standards for people who are outside of the bloc, but wanting to operate in that market.

**Paul:** I'm having some kind of nightmarish flashback to 10, 11 years ago when all of these discussions were going on, um, during the Brexit talks and...

**Jan:** ...oh, I thought we were gonna not mention Brexit in this...

**Paul:** ...I don't think you can really talk, have a whole episode about the EU without talking about Brexit. [Jan laughs] Because a lot of the points that those who were in favour of Brexit were making is the fact that yes, the EU does want to standardise and impose, as they would phrase it, rules upon nations within it, removing their sovereignty as a result.

**Jan:** Yeah. Although you can regulate whatever you like, but there might also be super...

**Paul:** ...Yes, yeah, that's, but that then their point would be, but then what's the point of us being able to do it if they're gonna have super rules above it, that...

**Jan:** ...yeah, I don't think we need to rerun their conversation... [laughs]

**Paul:** ...we, we can have a whole 10 year long discussion about it, but yes, it's, there's a lot there and there's a lot, a lot of interesting points that you're making about how this might work and the, the benefits and the, yeah, you say the 27 member states that are there and how this affects each and every one of them.

**Jan:** Yeah. So, so let's leave Brexit aside, Andreas. [everyone laughs] And so please, please be gentle with us, we're still scarred.

Can you tell us then something about the formulation of the EU sustainability regulations? Um, and, you know, particularly looking after the Green Deal, so we know that we've got the non-financial reporting director from 2013, 2019, the Green Deal. What happened next in this area?

**Andreas:** That's, that is indeed a very, very good question. I mean, the EU really put out big ambitions with a, with the Green Deal. Um, I remember that, um, Ursula von der Leyen, in her speech, um, she kind of called it the Europe's 'man on the moon moment' because she said, uh, this, these are ambitions here that we are having, and, and, and, um, in, in that sense, she framed it that way.

Um, it was, um, a number of different regulations that came out. And I think maybe before I start to, to kind of briefly introducing them, I should say, um, one of the reasons that a lot of the corporate sustainability regulations came out was that the EU needed to raise money.

They needed to raise money for the Green Deal because when the Green Deal came out, and you know, when, when they said, we wanna be climate neutral by 2050, this of course, it's not for free, right? I mean, somebody needs to pay for it.

And EU government said, well, you know, we cannot put the bill on ourselves, so we need, um, we, we need private, private actors to actually reallocate capital into clean sectors.

What you need for that is you need investors, you need transparency on markets, you need comparability of information, and all of this required a different system.

So in 2020, the first regulation come, came out. This was, um, the so-called taxonomy, the environmental taxonomy. This is basically a classification system for environmental activities, which tells investors, you know, how many other companies' activities are, kind of, sustainable or not sustainable.

Then in '21, actually the so-called SFDR, the Sustainable Finance Disclosure Regulation came, because the EU said if we want, um, people like you and me, if we want them to buy, um, sustainable funds, to invest their money into sustainable funds, the people have a right to know what's in these funds.

Because up to this point there was admittedly quite a bit of greenwashing out there. You were buying ESG funds and you know, you had, um, big oil and gas companies listed in these funds. So there was a lack of transparency, there was greenwashing there.

So the EU said through the SFDR, we tried to provide transparency, and in order for people really to understand what is in these, um, what is in these, um, financial product.

And then in '22 came the successor regulation, for the NFRD. So on the reporting side, again, the so-called CSRD, and I know it's a lot of abbreviation and I don't blame anyone for not kind of getting [laughs]...

**Paul:** ...you'll be tested on this at the end.

**Jan:** Yeah. Well, I also, I'll put it in the show notes as well, what these abbreviations are, um, so that, that people can follow along. But yeah, CSRD, what? It just rolls off the tongue.

**Paul:** Oh, you say so...

**Andreas:** It rolls off the tongue. Indeed, indeed.

Yeah, so it, it's, it stands for Corporate Sustainability Reporting Directive. Um, and as indicated, this is the successor to the NFRD, and that was Europe's first attempt really to, to standardise, um, sustainability reporting.

Also in the sense that they put out a common standard, um, with indicators, um, behind them. And the standard is called ESRS, sorry, another abbreviation, [Jan laughs] the European Sustainability Reporting Standards, ESRS.

And they are regulated under the CSRD. So in that sense, what Europe hoped to do was, let's standardise sustainability reporting, and let's do it on a pretty large scale.

So under the original CSRD in 2022, you had roughly 47,000 European companies, plus another 10,000 non-European companies being in scope. Because the EU said, if you sell on our markets and if you sell to a significant extent on our markets, you will also need to report according to this framework.

Then in 2024, um, came the last corporate sustainability regulation, the so-called, CS Triple D, last abbreviation for today. And this stands for the Corporate Sustainability Due Diligence Directive. And this actually has not much to do with reporting.

It basically asked companies to identify risks. Identify human rights risks, identify environmental rights risks in their own operations and along their value chains.

So that was kind of the thinking. That, um, if we want companies to, to improve their practices, we cannot just rely on reporting, they also really need to improve substantively their practices. And in order for this to happen, they need to identify the risk.

So these four, the taxonomy, the SFDR, the CSRD, and the CS triple D, I would say they form a system. And the system evolved since 2019 when the Green Deal was, um, was announced.

**Jan:** And we were all, as academic researchers, looking at this, seeking to understand it, and then the world blew up and we got some political pushback.

So can you talk us through that process and, um, ultimately where we end up from that? And, um, here, here we're gonna use 'omnibus', that'll come into, to...

**Paul:** ...the Number 25 from Trafalgar Square to, uh, Hyde Park...

[Jan and Andreas laugh]

**Jan:** ...and uh, it's an omni, omni shambles as well. So, so this, this became politically contentious, all of a sudden.

**Andreas:** It became, all of a sudden, politically contentious indeed. Um, and that was actually not that much of a surprise. We, we saw the first signs of, of political parties discussing potential rollback of these regulations in late 2023.

And then we had European elections in 2024. Um, the Parliament was swinging more towards the conservative side. Ursula von der Leyen, she got her second term, um, as the, uh, Commission President.

And right after, um, she was voted into, into office, actually, she announced that there will be a big simplification move. And the EU, I must say, uses the word 'simplification', um, in this context, and simplification we may, uh, means here the reduction of burden. Burden defined as compliance costs. And the reduction of complexity of the underlying regulations.

So this in itself, I think you discussed it in the beginning, is, is actually quite good, right? I mean, who can disagree with, uh, um, reducing burden or, or who doesn't want to reduce compliance costs?

So this agenda in the beginning actually was also perceived as, as quite a good thing actually. Unfortunately, the Commission, the European Commission, they never really defined what they mean by simplification, precisely. So it left kind of the, the, um, politicians with quite a bit of, um, freedom to, to define precise initiatives, um, under this umbrella.

In the end, you said it, Jan, they define so-called Omnibus packages. And let me say something about the word omnibus here because, um, an omnibus, obviously it's not a bus, [Jan laughs] um, is, um, a legal vehicle. It's a legal vehicle to amend multiple regulations at the same time, and this is done for efficiency reasons.

You don't need to open up each trial individually. You basically bundle them into a process, and hence you, kind of, yeah, let them all step on an omnibus, so to say, uh, kind of metaphorically speaking.

And what we will be discussing in a moment, what's the so-called Omnibus One? Which simplified the reporting legislation, the CSRD, the Due Diligence Regulation, the CS triple D, the taxonomy, and also the um European Carbon Border Adjustment Mechanism. So all of this was bundled into Omnibus One, and until today the, European Commission has actually put out 10 different Omnibus packages in very different areas, sustainability is just one of them.

Agriculture, defence, um, chemicals, um, and, and so on. So this is the background for everything that has happened, um, mostly in 2025.

**Paul:** I don't know if the Carbon Border Adjustment Mechanism has an acronym, but it should because CBAM...

**Jan:** ...CBAM... [laughs]

**Paul:** ...that's good, that's a good acronym. It, it seems that for an organisation that creates acronyms like the European Commission and the EU do, uh, um, at a rate of knots, that that definitely one they should have gone for.

**Jan:** It is indeed.

So rather than, uh, you know, looking at it blow by blow, 'cause uh, 'cause certainly, uh, we are following it on the media, you know, blow by blow, in general terms, what has the Omnibus resulted in with regard to these, um, regulations and directives that we've been talking about?

**Andreas:** I mean, there was, um, quite a bit of changes, uh, significant changes, and I think that's why it also has been so much in the media. Um, and before I briefly outlined the changes, let, let me maybe say, I mean, there was a lot of back and forth. Um, a lot of back and forth, a lot of pushback also, um, not just from within the EU, you know, I mean, of course political parties significantly disagreed.

The conservatives like, kind of, the simplification. The other political blocs, particularly the social Democrats and the Greens, um, they, they kind of challenge that. But a lot of pushback also came from outside. It was the US, the Trump administration that pushed, put heavy pressure on the EU in the trade negotiations to actually scale down these regulations.

And I think that's something that often goes unnoted. But the US um, actually was, was the key actor here. So what did they do in the end? Um, well, one of the key changes was that the scope both the Reporting Directive, so the CSRD, and the Due Diligence Directive was reduced very significantly.

So the scope of the, um, Reporting Directive was reduced by 90%, nine zero. In other words, they, um, exempted 42,000 companies in Europe, uh, from sustainability reporting. And of course that got people really angry. Because people said, I mean, come on, we, we just actually adopted this directive. Um, and now you're telling us, um, you know, that, that, um, that we need to, that we need to redo things.

And for many that sent the message, okay, sustainability, now suddenly it's only something for the giant firms, for the really big companies because they remained in scope. So, the mid-size firms were out, um, mostly firms below 1000 employees, um, on the reporting side, and below 5,000 employees on the, um, due diligence side, they were kind of put out.

What also was very contested was, um, that the Omnibus, uh, led to, um, deleted the so-called climate transition plans under the Due Diligence Directive. So under the Due Diligence Directive, companies actually had an obligation to implement climate transition plans. This was completely deleted.

However, what the legislators retained was that companies still need to report on these plans. So now also lots of legal scholars are saying, hold on, we are supposed to report on something for which we don't have an obligation to implement it anymore.

So strictly speaking, that opens up a significant, um, area or, or significant space for greenwashing risk. Because, um, companies don't have these kind of implementation obligation, um, anymore. So this is quite, um, a lot being discussed, uh, um, these days.

And then the third quite important, um, change was that they introduced so-called 'value chain caps'. The EU was quite concerned with the fact that, um, small companies might face a lot of disclosure requests by their bigger kind of, uh, um, buyer companies.

And I must say rightly so, right? I mean, this is a problem and, and if you are a small company and you continuously receive, um, information requests that

can become quite burdensome. So they limited that, um, on both the, um, due diligence and the reporting side.

So I think these were probably the main, um, the main issues, um, that were discussed and that were agreed upon just before Christmas.

**Paul:** So, Andreas, if you've got 42,000 companies that have been excluded, if you've got regulations which require you to report on your transitions, but not to actually do anything with regards to transitions. And if you've got small firms not included in order to not burden them with too many requirements in it, are these revised approaches gonna be fit for purpose? Are they gonna be effective?

**Andreas:** Paul, depends on what you, or how you define purpose, I would say [laughs]

So, I think, um, if the purpose is, you know, to, to keep these things on the agenda, I think these regulations are still fit for purpose, right? They keep these things on the agenda. The legal obligation is still there. And let's remember before the Due Diligence Directive, we had no legal obligation at all.

So now we have it in a very reduced way, so, in the sense that that's something, that's something good. Um, so I would not claim, and I do not kind of support, um, those who kind of say, you know, the Green Deal is dead, and the green deal has been, um, has been abandoned.

I think the green deal has been weakened, um, in, in some, uh, selected parts. And it also has been reframed a lot. The EU these days talks a lot about competitiveness and, and, uh, ensuring that companies are competitive. So in that sense, in that sense, I think we, we need to, we need to accept, you know, that, that the purpose of these, um, of these, uh, regulations might still exist if we define the purpose on a, on a very basic level.

But of course, you do not have scale anymore. And that's, I think, the biggest challenge.

**Jan:** I've got a, a couple of questions which are very much aligned to what Paul just asked. For some companies who are out of scope now, but were in scope before and had done the work in order to be able to provide information on, on these elements. Are some of those companies carrying on anyway, even though it's not now a, a formal regulation?

And I know from your background looking at voluntary things, you know, some voluntary things are actually quite well adhered to. So are we seeing firms doing this that don't have to?

**Andreas:** Definitely we do. Um, I think we will see a new, um, a new paradigm emerging. And I would call this smart compliance. Compliance that is not legal compliance, but compliance that is also not purely voluntary, but that kind of response to changing market expectations. Because a lot of these 42,000 companies that have been exempted, of course, they cannot simply stop reporting.

And, and they, they have to provide data because their banks are asking for this information. Their investors are asking for this information. Their business partners are asking for this information. So in a sense, these changing market realities, um, they push companies into voluntary reporting.

The big challenge, Jan, that I'm seeing is that we might see a more fragmented reporting approach. Because obviously if you report voluntarily, it's up to you to choose a standard. Um, and, uh, the companies might not choose the European standards, um, but they're free to choose any other standard as well. As well, they could also go, for instance, to the Global Reporting Initiative and report according to, to their standards. So that will be a challenge in the future.

**Jan:** And, and you, you've answered at least part of my second question, which is, which is, uh, the capital allocation question. Because people aren't, well, they might be reporting for, you know, making sense and being accountable to themselves, or they might be reporting so people might start to admire them as responsible companies, et cetera.

But at the core of this reporting is to inform capital market participants as to what they would like to buy, and what kind of risk they're buying. And if you're a bank, who would you like to lend money to and what risk is associated with it.

So I'm gonna circle around to the sustainable, um, [Andreas laughs] to the SFDR, which is where there was requirement that if you say you are investing in sustainability, you still have to provide, you have to provide information about that.

Has that survived the Omnibus and will that capital allocation with banks and investors still keep some of these expectations alive?

**Andreas:** Yes, I think that has survived the Omnibus. The SFDR, um, is being simplified at the moment, um, outside of the Omnibus. So this is a separate process. But here I must say, actually, the process is really more constructive. Um, the, the legislator there, they really try to improve the system, make it more workable.

Um, and definitely, I mean, you, you have of course still a situation where, at least in Europe, the demand for sustainable investing product is high. Um, if you look at all sustainable fund assets in the world, 85% of them are in Europe. A lot of people don't know this. A lot of people always think this is an American agenda. It's not. Um, it's not at all. Um, particularly not since, um, um, Mr. Trump came into office last, last January.

So in, in that sense, um, this is something where Europe still needs a good deal of legislation. Also to build up trust, um, trust on the client side, that those people who buy these funds really can be sure that sustainability also is in the fund, right? And it's not just an empty promise.

**Jan:** And I, I think also, especially given our, our previous guest, that while the US has no intention of following this framework, other parts of the world are, and particularly, um, ASEAN countries, you know, Thailand, Malaysia, et cetera.

So, if you like, the carryover of, you know, the institutional innovation and doing it this way is aimed at, is coming to the fore in different parts of the world, I'd say. I don't know if that's a, an accurate thing to say, but you'll know better than me.

**Andreas:** No, it's, it's definitely accurate. I mean, I think last time, um, I counted, I counted around, um, 40 different countries in the world that have sustainability taxonomies. That's a lot. You know, I mean, we, we often see this as a European agenda. We kinda say, oh, Europe is just doing an isolated thing. No, no, no. I mean, this is also, other countries are acting on this.

Um, China in particular, they have released their reporting standards earlier this month, um, this month. So in, in that sense, a lot is happening also in other parts of the world. Markets are changing, and I think Europe needs to be careful to not, kind of, change from being a rule maker to becoming a rule taker.

And, and you know, what I'm trying to say is, European companies might at some point, uh, basically accept the rules that are written elsewhere in the world...

**Jan:** ...yeah...

**Andreas:** ...um, but they are used to a reality where Europe was writing these rules and, and, um, there is nice literature which basically calls this the Brussels effect, right? So the effect that Brussels regulates beyond just Europe. Um, and, and with all the simplification debate, we, we might be losing at least some of this.

**Paul:** Now you've brought up Mr Trump, um...

**Jan:** ...he, he's haunted our podcast all year...

**Paul:** ...yes, he does. Yeah, he, he's here, there and everywhere. Um, a couple months ago in Davos, he, he essentially declared any country that's interested in green energy as losers.

He's uh, described climate change as a con job. Um, Mr Trump has his supporters within the EU. Um, Viktor Orban is one in particular. He has his supporters elsewhere around the world as well. So, we're back to politics here.

And where do you see in the short to medium term, what might happen with regards to political support for all of the sustainability structures that we've been talking about, and with regards to European companies and their action on sustainability.

**Andreas:** I, I think we need to view this in a quite differentiated way. I think political support in the, in the US, um, is weak at the moment. However, if you go to, to, um, to some, some states, for instance, in California, right? You still see things moving. Um, so on the state level, actually in the US um, things are strong.

In Europe, actually, we shouldn't be, we shouldn't be confused by the simplification. Um, Europe still has a lot, um, um, a lot to offer when it comes to regulating sustainability. For instance, they have the so-called Clean Industrial Deal, which is a massive investment programme for circularity. They will have the, um, Industry Accelerator Act, which comes later this year, which will use public procurement to scale, um, kind of clean produce, um, in the construction sector in particular.

So there are still things happening and I think the political support, at least here in Europe, has not completely vanished. What has happened is that the politicians have reframed the debate, and I think this is something that we all need to get used to, that at the moment some of the priorities are shifting and, uh, politicians, um, think more in geopolitical terms, more in competitiveness terms. And those elements of the sustainability agenda that might not be as kind of compatible to, to these debates, they are, of course, under pressure.

**Jan:** So let's draw this, um, to, to a close and, and thank you for, you know, a most illuminating and fascinating conversation. What do you see coming next, both in terms of this political agenda, but also in your own research in this area? 'Cause I'm, I'm sure that you'll be developing insights from, from your academic work and, and bringing it to us in a wider sense.

**Andreas:** I mean, on the political agenda to start with this, I, I simply hope that, that we find a good balance, I must say. Um, that we find a good balance. Um, as, as indicated throughout this podcast, I'm not against simplification, but I think we need to do it smartly. Um, we cannot just completely roll back, uh, um, regulations that we just, um, adopted, um, one or two years ago. So we need a balance and, and, um, we need it, uh, we need it swiftly.

Regarding my own work, um, I think it's, we discussed, um, earlier, what will all those 42,000 firms do? This is what I'm interested in right now through my, through my research, right? I, it's an obvious question to ask for someone who has, uh, kind of been part, um, of this, of this process over the last 12 months.

So I'm actually interested in two questions. What, what will happen to voluntary reporting? Will these companies that were kind of, uh, exempted, um, will they walk away or if they keep on reporting, why do they do it and what kind of standards are they using? So this is what I'm, what I'm interested in.

And then also my second big, um, research stream is around companies' internal sustainability governance. So I'm having a project right now where I'm talking quite a bit to Chief Sustainability Officers post-Omnibus. How does their world look like post-Omnibus? What has changed? What has remained the same? Um, do they collaborate, coordinate more internally? For instance, the role of finance and the finance unit is, is changing quite a bit over the last years and their relationship with sustainability.

So these are questions I'm, I'm looking at, at the moment and I think it's a quite exciting agenda.

**Jan:** I, I look forward to the papers, as does Paul.

**Paul:** Yes. [everyone laughs] Jan will summarise them for me. Or, I'll get AI to do it for me, just...

**Jan:** ...I will summarise them, not AI... [Paul laughs]

**Andreas:** Oh, please get Jan. Please don't get AI. [everyone laughs]

**Paul:** So I, I think Jan knows my thoughts on AI well enough to know, I won't ask AI to summarise it for me.

Andreas, it's been wonderful to have you here explaining some really fascinating issues and really important topics. Thank you very much for joining us.

**Andreas:** Thank you very much indeed for the invitation. I really enjoyed the conversation.

**Jan:** No, that, that was brilliant. Thank you.

[Theme music]

**Paul:** I have to be honest, Jan, before this episode, the use of the word 'omnibus' was more common to me in terms of the former BBC documentary series, and the old word for an actual bus. And you know, like I said, the number 25 from Trafalgar Square, that was where omnibus came in. But apparently it's more to do with sustainability regulation nowadays.

**Jan:** And, and also, so I was quite struck that there are 10 different Omnibuses that are going through at the moment. It's, I know it sounds like a traffic jam, but it's not, um, uh, simplifying and changing various regulations.

And, um, what I really liked about the conversation is that it's not like, oh, everything should stop, we should carry on doing what we're doing. But actually, you know, the political realities change, um, uh, regulations in all countries are responsive to political realities. Um, and that, you know, getting a good balance between regulation and simplification is important, which is exactly where we started our conversation around this episode as well.

**Paul:** And I just want to keep you updated. We had five acronyms in there, [Jan laughs] including six Ds, five Ss, four Rs, two Fs, two Cs, an N and an E. And

that's even without including the extra C, B, A and M from the Carbon Border Adjustment Mechanism.

**Jan:** Oh, perhaps we should be playing, I don't know, anagrams. [laughs]

**Paul:** So, there's, yeah, there's a game of Scrabble in there somewhere certainly. I think if, if we carried on through all of the acronyms that there are within the EU, we would've used every letter in the alphabet, I am almost certain...

**Jan:** ...I think that's the case. And so, um, again, I know I said it in the episode, but I'll say it again now, dear listeners, we'll make sure we spell all those out for you.

Because for, I mean, this is, I mean for me, this is my bread and butter. We just use these, these acronyms at, at will, but it's, but that's quite new language to a lot of people, um, understandably.

**Paul:** Yeah, I bet most people are like me and don't like using acronyms every five minutes. Most of us are not accountants who, [Jan laughs] who just find them wonderful...

**Jan:** ...yeah...

**Paul:** ... yeah, the, and yeah, accountants, administrators, politicians, yeah, lots of acronyms in there.

Something that came to my mind as we were talking in there was when Andreas brought up the concept of smart compliance. And it really harked back to me to when we spoke to Carlos Larrinaga, and what he was saying about norms and how things don't have to be regulated, but it becomes a norm. It becomes a way of operating because it makes sense to people to do that. And smart compliance seems to be another way of phrasing that.

And then a clever way of people say, we're not covered by this at the minute, but we might be in the future, and other companies we operate with are covered by these regulations, so let's just do our best to fit within it anyway.

**Jan:** Yes. And the other thing that um, I think came to the fore, which relates to the preceding, um, podcast we had is that, um, particularly the China's development of standards, which is, is going along, if you like, at the same kind of, um, feeling and flow as you get from the EU, um, is, is very relevant.

But also, uh, as we discussed earlier, China was a early innovator in taxonomy terms. And so in that respect, if you like, it's not just the US it's not just, you know, the EU, but there are other actors in the globe that will be keeping these things alive, because it's, it's important for them and their stability of their capital markets.

**Paul:** So where do we take our discussions next week, Jan?

**Jan:** Well, let's, um, let's go back into an organisation and have a wee conversation with somebody who is doing it inside, who may indeed have a view on, um, whether or not they were going to have to report under CSRD and who may no longer have to.

**Paul:** Yes, a company that is affected by Brexit, uh, because they are UK based for their headquarters, but will have operations that touch upon others, so maybe they're doing smart compliance. We'll find out.

**Jan:** We will.

**Paul:** We've got lots of questions to ask along those lines. Yes, we've got Richard Mason from Pentland Brands. Another one of these people I think can get you fired if you don't behave yourself. [Jan laughs]

Um, and we'll see what Richard's got to say, 'cause he'll bring us very much that corporate perspective on operations within sustainability.

**Jan:** Absolutely.

**Paul:** Until then, thank you very much for listening and it's goodbye from me, Paul Turner.

**Jan:** And it's goodbye from me, Jan Bebbington.