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# LUNCHBREAK



Federal Ministry  
for Economic Cooperation  
and Development

6 December 2024, 12 – 1 pm

# **A Smart Mix of Voluntary and Regulatory: The roles of Sustainability Systems in the Green Claims Directive and Beyond**

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December 2024

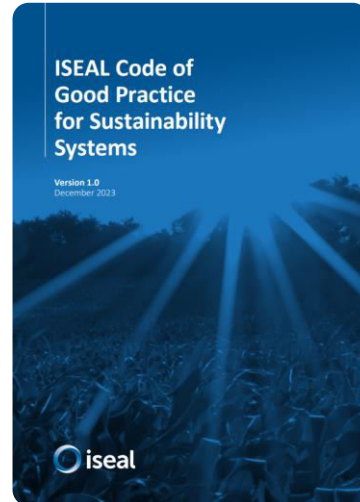
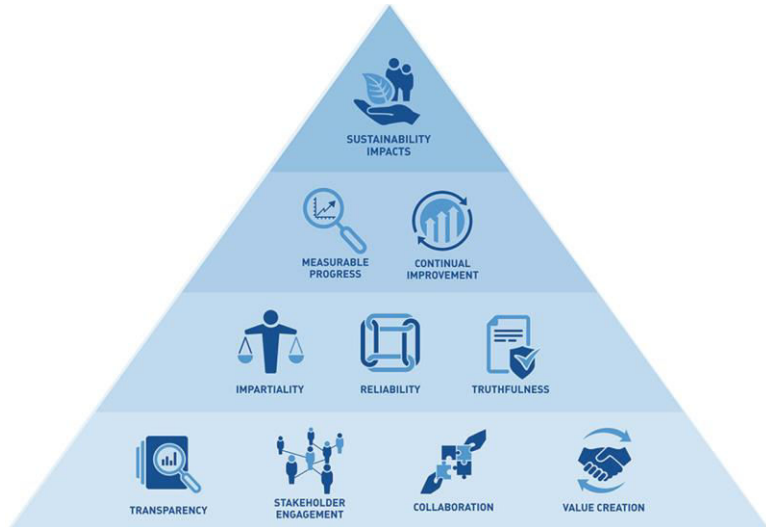


# Roles of sustainability standards and similar systems



# About ISEAL

ISEAL is the membership organisation for ambitious, collaborative, and transparent sustainability systems. Our Community currently comprises 49 leading voluntary sustainability schemes, including global and national standards.



# Evolving history of regulation and voluntary action

- Certification and voluntary standards emerged out of regulatory and market failure
- Governments stepping up to raise the minimum floor on responsible business practices is welcome and needed
- Voluntary tools will continue to raise the bar and to drive sustainability impact
- Working with credible systems can support with regulatory compliance and reduce costs

Four major domains of sustainability regulation



# Key EU regulations of interest

## Due diligence

- EU Deforestation Regulation
- EU Corporate Sustainability Due Diligence Directive
- EU Forced Labour Regulation

## Claims and greenwashing

- EU Green Claims Directive
- EU Empowering Consumers for the Green Transition Directive

## Reporting and Disclosure

- EU Corporate Sustainability Reporting Directive
- EU Taxonomy

# Requirements in new regulations and how credible systems can support

- **Go above and beyond mandatory minimum** to drive more ambitious and holistic sustainability impacts
- **Provide reliable and actionable data and information** about risks, mitigation processes, and remediation
- **Creating sector-wide consistency and transparency** in how sustainability risks and impacts are identified and addressed
- **Enable collective action** and drive implementation partnerships through meaningful stakeholder dialogue
- **Evidence claims** that they are their partners can make

What are new sustainability regulations asking from businesses?

- › Risk assessment
- › Data and evidence
- › Reporting
- › Transparency
- › Traceability
- › Stakeholder engagement
- › Legality
- › Good governance
- › Good claims management

## First Q&A





FORBES > BUSINESS > RETAIL

# H&M Case Shows How Greenwashing Breaks Brand Promise

**Matthew Stern** Former Contributor

**RetailWire** Contributor Group ©



Jul 13, 2022 12:03pm EDT

## Vanguard Investments Fined for Greenwashing as Australia Eyes ESG Claims

By Amy Bainbridge | September 25, 2024



### Dutch airline KLM misled customers with vague green claims, court rules

● This article is more than 3 months old

### World's top banks 'greenwashing their role in destruction of the Amazon'

Institutions alleged to have given billions of dollars to oil and gas companies involved in projects that are harming the rainforests



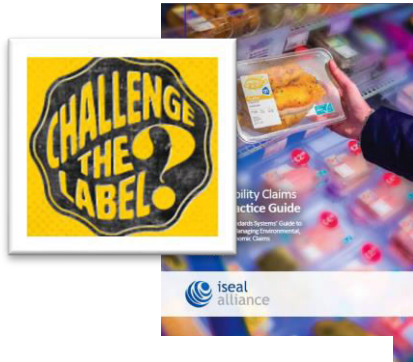
related to any environmental benefit. Photograph: c/o Client Earth

The Dutch airline KLM has misled customers with vague environmental claims and painted "an overly rosy picture" of its sustainable aviation fuel, a court has found.

# ISEAL work on credible claims

2015

Sustainability  
Claims Good  
Practice Guide



2016

Impact Claims and  
Communications  
Guidance



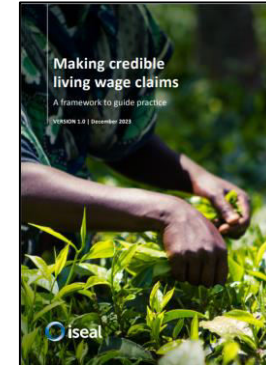
2020-2023

Jurisdictional and  
landscape action  
claims



2023

Credible living  
wage claims  
guidance



# EU efforts to clamp down on greenwashing



53%

53% of green claims give vague, misleading or unfounded information



40%

40% of claims have no supporting evidence



1/2

Half of all green labels offer weak or non-existent verification



230

There are 230 sustainability labels and 100 green energy labels in the EU, with vastly different levels of transparency

## Two New Pieces of Legislation: “the beginning of the end to greenwashing in Europe”

### EU Directive 2024/825 on Empowering Consumers for the Green Transition (ECGT)

- › **Origin:** Amends existing directives (UCPD & CRD)
- › **Scope:** Applies to all goods in the EU



### EU Green Claims Directive (GCD)

- Origin:** New/ supplement ECGT
- Scope:** Applies to voluntary environmental labels and explicit environmental claims of a product or a service.

### Common Objectives:

- Protect consumers from misleading ‘green’ claims
- Increase the level of environmental protection

# What's in the new regulations?

## EMPOWERING CONSUMERS FOR THE GREEN TRANSITION DIRECTIVE (ECD)

- Already passed, guidance in 2025, transposition in 2026
- Focus on consumer information at point of sale on reparability, durability
- Business are obliged to provide evidence for their claims (such third-party certifications).
- Recognises certification schemes as a mechanism to ensure transparency and credibility. The ECD directly prohibits the display of sustainability labels not based on a certification scheme or established through public authorities.

## GREEN CLAIMS DIRECTIVE (GCD)

- Currently under negotiation within the EU, likely to come through in Q2 2025
- Requires businesses / traders and sustainability schemes to verify explicit environmental claims linked to products and activities
- Means business not only has to provide evidence (such as in the ECD) but also that such evidence needs to be verified in line with recognised scientific methodologies
- Also applies to third-party labelling schemes

# What do these laws mean for business?

- › Substantiation of claims
- › Verification of claims
- › Rules around product comparison and improvement claims
- › Restriction on carbon offset claims
- › Regulation of labelling schemes and use of labels
- › Clarity and specificity of language
- › Registration of new labels entering the EU
- › Penalties for non-compliance

# Looking ahead, the big question...to claim or not to claim?



Middle ground?

Adopting Good Practice

Working with credible schemes as partners



# What is still missing in the GCD

- › **Clarity and details** on approval procedures and requirements for green claims verifiers, e.g., to ensure harmonisation
- › **Alignment** of GCD and ECD, e.g. on criteria for labelling schemes & simplified procedures
- › **Strengthening the implementation bodies** in member states to ensure that they can support and have the necessary capacity
- › **Consideration to continuous improvement**

# ISEAL Resources

- › **Technical Submission on the GCD:** Illustration of ISEAL's perspectives and suggested amendments on the proposed text ([here](#)).
- › Sign up to the [ISEAL Newsletter](#)
- › Subscribe to [ISEAL Insight](#)
- › Learn more about impacts evidence at [Evidensia.eco](#)

## Second Q&A



**Thank you for inviting us  
and feel free to get in touch**



**Sign up to ISEAL's Newsletter**





Federal Ministry  
for Economic Cooperation  
and Development

Implemented by



Deutsche Gesellschaft  
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Zusammenarbeit (GIZ) GmbH

# Thank you for joining !

See you at our next Lunchbreak in February 2025.  
The topic will be shared soon.