BUSINESS FOR A BETTER TOMORROW

Delivering the Green Deal and Beyond: Building an inclusive, fair and green economy for Europe

Business for a Better Tomorrow's Manifesto for the 2024 European Elections

Our manifesto

Transform or collapse: this is the dilemma facing society and businesses because of climate change, biodiversity loss and rising inequalities.

For several years, the European Union (EU) has sought to address this existential dilemma. It has implemented initiatives to require companies operating in the internal market to be more innovative and responsible, notably in the framework of the Green Deal. The aim behind this is to tackle the fundamental social and environmental problems being worsened by the prevailing extractive economic paradigm. However, it is clear that these measures have been and continue to be insufficient and do not adequately meet the challenge of transforming our economy.

We, as business and business networks' leaders from all over Europe, believe that it is time for a paradigm shift to move from an economy of responsibility to an economy of positive contribution.

Across Europe, tens of thousands of pioneering companies are already contributing positively to the environmental and social transition. However, these companies do not benefit today from any specific European legal framework. On the contrary, they suffer complex and differing rules depending on where in Europe they operate, a lack of understanding from policy makers and the public alike and they face unfair competition with traditional companies who only seek to maximise profits without considering their environmental or social impact. The rules of the game are primarily defined by economic principles, often conflicting with environmental and social performance.

Through having awareness of the limits and obsolescence of the current framework, we consider the European elections of 2024 to constitute a major strategic opportunity to put forward our proposals to enable the emergence of a European green and social economy heard by political and financial decision-makers.

Convinced of the strength of the 'European model' that relies on the sovereignty of Member States and their unity in diversity, but also by the need to ensure EU strategic autonomy, we have collectively drafted this proposal, brought together by a common vision for a better Europe for today and tomorrow where doing good and doing business go hand in hand. In confronting these major challenges of our time, we aim to provide the European Institutions (and pertinent national authorities) with concrete resources and expertise to accelerate the development of this new green and social economy.

This manifesto has been developed through the joint efforts of 15 networks of forward-looking companies and is the result of a collective work carried out over several months.

About us

ASSOBENEFIT

assobenefit

Assobenefit was founded in 2018 in Italy, the first country in Europe to adopt the revolutionary model of Benefit Companies, with the mission to promote its adoption at a national level. Assobenefit supports benefit companies in their choice to place the achievement of common good on the same level as the traditional aim of making profit. The association offers a space to exchange information, good practices and access research. It undertakes lobbying and advocacy activities, so that this drive for change can gain momentum and strength.

B.A.U.M. NETWORK FOR SUSTAINABLE BUSINESS

B.A.U.M e.V - Network for Sustainable Business

As a network, B.A.U.M. is committed to advancing the central issue: a future worth living through sustainable business within planetary boundaries. Founded in 1984, the association today has almost 800 members and is a voice of sustainably operating companies at national and European level as well as a driving force for the social-ecological market economy.
B.A.U.M. supports companies willing to transform in the establishment and further development of sustainability strategies and connects actors from business, politics, science, media and associations. Members and strategic partners benefit from the platform for practice-oriented exchange of information and experience, know-how and impulses. The United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change are the guiding principles for action.

B LAB EUROPE

We mobilise the B Corp movement in Europe and are committed to transforming the global economy to benefit all people, communities, and the planet through economic systems change. B Lab creates standards, policies, and tools for business, and we certify companies - known as B Corps - who meet high standards of social and environmental performance, accountability, and transparency. B Lab's vision is for an inclusive, equitable, and regenerative economic system, which we believe anticipated and today aligns with the objectives of the EU, particularly after the adoption of the European Green Deal.

COMMUNAUTÉ DES ENTREPRISES À MISSION

The Communauté des Entreprises à Mission is a general interest association created in 2018 born of the conviction that companies have an essential role to play in meeting the social and environmental challenges of the 21st century. Its ambition is to make the mission-driven company a benchmark corporate model in France and Europe.

The association brings together more than 350 members, managers of companies of all sizes, companies with a mission or on the way, and researchers, to share, enrich and raise awareness of the mission-driven company model.

A genuine framework for progress, a lever for commitment, innovation and triple performance - economic, social and environmental - recognized by the PACTE law in 2019, France now boasts 1,400 mission-driven companies of all sizes, sectors and legal forms.

They have written their raison d'être and social and environmental objectives into their bylaws, set up a new governance with a mission committee, report annually and are subject to external control (by an independent third-party organisation).

ENTREPRENDRE VERT

Since 2005, Entreprendre Vert has been working to promote the green economy by facilitating dialogue between those involved in public life and the business world. Positioned between the political and economic spheres, the association is both a network and a forum for reflection, enabling players in the green economy to pool their experiences and make their voices heard in the public debate.

ECOPRENEUR.EU

Ecopreneur.eu is the European Sustainable Business Federation of currently seven national associations representing about 3500 sustainable companies - mostly SMEs. We show best practice examples, bring concrete experience from our companies into the political debate and represent their needs. Ecopreneur.eu is the only cross-sectoral EU business organisation advocating ambitious measures, rules and regulations to create a new framework for a sustainable economy.

ESLIDER

The Associação Portuguesa para a Inovação Social - ESLIDER is the portuguese association for social innovation responsible for including social innovation in the national political agenda, promoting the exchange of knowledge and cooperation between the various actors of Portuguese social innovation sector and providing visibility to Portuguese social innovation and reinforcing the international presence of Portuguese organisations.

EUCLID NETWORK

Euclid Network (EN) is the European Social Enterprise Network, representing national associations for social entrepreneurship and impact driven organisations. Over the past 16 years, EN has been working to build a strong European ecosystem to support social entrepreneurship built upon local and national actors who support social innovators to start and scale their entrepreneurial undertakings. Through close partnerships with the European Commission, international institutions and the private sector, EN brings influences research, policy and funding development, working together with our members to build the European economy and society of today and tomorrow.

KAYA - BELGIAN COALITION OF ECOPRENEURS

Kaya brings the 'game changers' acting for the green transition of the economy together. Faced with social and environmental challenges, companies can no longer measure themselves solely by their financial performance. Ecopreneurs aim to sustainably contribute to human flourishing and preservation of nature. We favour collaboration with fair trade associations, academics, and non-governmental organisations and together call for a paradigm shift in the political and economic world, to make the economy compatible with planetary boundaries.

LITHUANIAN SOCIAL BUSINESS ASSOCIATION

Lithuanian Social Business Association (LiSBA) is a national umbrella organisation uniting social enterprise organisations in Lithuania. It was established in 2018 to create an environment favourable for social business, increase the awareness of social business and promote the implementation of international best practices. This is achieved through advocacy, capacity building and ecosystem development activities.

MOUVEMENT IMPACT FRANCE

Mouvement Impact France is the French movement of green and social impact companies. Established in 2020 from the merger of Mouves ('Mouvement des entrepreneurs sociaux') and Tech For Good France, Mouvement Impact France represents today over 15.000 French impact companies and conducts numerous advocacy activities to accelerate the green and just transition of the economy in France and Europe.

SANNAS

The Association SANNAS, was created in 2015 with the purpose to join all the companies, organisations and entities those who share the vision of the Triple Bottom Line (balance between the economic profit, environmental and social benefit). SANNAS is a multi-sectoral and interdisciplinary network of green companies which contribute in the achievement of the Sustainable Development Goals. We collaborate with the public in order to create alliances for the legislative recognition of the Triple Bottom Line Economy at regional, national and European level.

SOCIAL ENTERPRISE NL

Social Enterprise NL represents, connects and supports the growing community of social enterprises in The Netherlands and is working towards a better ecosystem. We represent a network of over 450 Dutch social enterprises for whom we provide support, facilitate a favourable business environment, and inspire social and entrepreneurial action. Our mission is to realise radical system improvement to lead politics, industry and society towards a new economy which puts impact and social value first.

SOCIAL ENTREPRENEURSHIP ASSOCIATION OF LATVIA

Social Entrepreneurship Association of Latvia (SEAL) is a non-governmental membership organisation with an aim to promote the development of social entrepreneurship in Latvia. SEAL is responsible for the overall development and promotion of the social entrepreneurship ecosystem in Latvia, the representation of social entrepreneurship interests and capacity building of member organisations, the promotion of knowledge, skills and public information on social entrepreneurship.

BE IMPACT

Be Impact is a support hub that brings together an entire community of impact initiatives. It serves as a centralised point of contact for all Belgian impact-boosting initiatives and as a toolbox for strengthening mission-driven companies. It aims to catalyse the players in a world in transition and to put them in the spotlight so that their models can spread even further throughout the economy.

Summary of the key priority areas for EU intervention

1 Ensuring the ambitious implementation of the Green Deal

2 Promoting the recognition and visibility of companies committed to the environmental and social transition

- Strengthen transparency on the impact of companies: create ambitious and accessible sustainability performance scores for companies

3 Promoting businesses that actively contribute to the common good: fostering the development of purpose-driven companies in Europe

4 Encouraging the transformation of business models: favouring the emergence and development of environmental and social enterprises

- Making public procurement a powerful tool for common good
- VAT for change: ensuring that EU rules allow Member States to implement a 'Green VAT'
- Supporting a taxation shift from labour to natural resources to help an inclusive and circular economy emerge
- Making companies agents of change: corporate transition plans as accelerators of transformation
- Carbon Pricing: putting a true price on greenhouse gas emissions
- On the road to more responsible marketing: putting an end to greenwashing
- Phasing out fossil fuels to ensure a liveable and business-friendly world
- Strengthening the EU taxonomy: directing investments towards truly green and social activities
- Building a fairer global economy: towards the implementation of an EU Fair Border Tax
- Directors as guardians for the transition: sustainability oriented incentives in the remuneration of companies' executives
- Setting-up Circularity Hubs in all EU regions: accelerating the transition to a circular economy

5 Making social enterprises pillars of tomorrow's economy

- Facilitating access to financing for social enterprises
- Breaking down barriers: helping social enterprises to thrive

General overview

In the face of urgent climatic, environmental and social challenges, Business for a Better Tomorrow, representing the voice of tens of thousands of committed entrepreneurs across the continent, puts forward a set of proposals for the forthcoming European elections **to accelerate the transition of the economy and guarantee the development of a regulatory framework favourable to companies making a positive contribution to green and social transition.**

First and foremost, we are convinced that the prerequisite for any progress in this direction remains the **implementation** by national and regional authorities of the legislation adopted by the EU in recent years as part of the **Green Deal**. These are the **first building blocks in the transition to a low-carbon, environmentally-friendly and more inclusive economy (1).**

However, while it is clear that the Green Deal will help to make the players in the European economy more responsible, we consider that the measures adopted remain insufficient and do not adequately meet the challenges of transforming our economy. To align the European economy with the major objectives set by the EU, we propose 4 priority areas for EU intervention and 21 concrete proposals.

As a first step, we believe that the road to an inclusive, fair and green economy will involve **greater transparency of the impact of companies in the eyes of public authorities, investors and consumers.** Through making available the level of commitment of companies to the public will enable the distinction between companies truly committed to the transition from poorer performers. This will help to offset the competitive disadvantage suffered by economic players who make a positive contribution to the transition (2).

We consider it essential to encourage the transition of European companies to more regenerative models hence we believe that **the 'mission-driven company' models**, already adopted in several Member States, has been and **can further be a lever for accelerating the transition to a more sustainable and inclusive economy** We therefore call for its development at European level (3).

Accelerating the transition of the economy will understandably also require a change in the way companies conduct their activities and therefore concrete **initiatives and incentives for business models to transform and address environmental and social challenges of our times.** To this end, we are putting forward 11 concrete proposals to accelerate the movement and encourage the acceleration of the green and social transformation of European companies (4).

Finally, we are delighted that social enterprises have been enjoying growing recognition in Europe and internationally for several years now. It is now clear that these organisations with alternative business models, despite the many obstacles they face, contribute to a fair and inclusive society and to an inclusive green and digital transition. In light of the Commission's adoption of the EU Action for Social Economy in December 2021, we are putting forward several proposals to accelerate this mainstreaming of social entrepreneurship and **make social enterprises pillars of tomorrow's economy (5).**

The environmental and social transition can not happen without businesses playing their role in this fundamental transformation.

We are convinced that impact companies, operating across the continent under different but complementary forms and statutes, are and will be the cutting edge of the environmental and social transition, and must serve as models to guide the entire European economy towards progress.

We, the Coalition who have developed this manifesto 'Business for a Better Tomorrow', therefore call on European policy makers to continue the efforts initiated in recent years and go further throughout the next European Parliament and Commission. This includes building on actions within the framework of the Green Deal to support the establishment of favourable frameworks to support businesses committed to accelerate the transition of the economy.

1 Ensuring the ambitious implementation of the Green Deal

The European Commission's 2019-2024 term of office was marked by the advent of a far-reaching strategy, the Green Deal. This policy aimed at ensuring a decarbonised economy, protecting the environment against the major challenges of our time and making the EU the world leader in green growth throughout a 'just transition'. Composed of numerous regulations and directives adopted in recent years by the co-legislators, the roadmap aims to make the EU the first climate-neutral continent by 2050 with already ambitious targets for 2030 in terms of energy efficiency, development of renewable energies and reduction of greenhouse gas emissions.

We can only welcome the many advances made in recent years, which should enable us to make significant progress in integrating climate, environmental and social issues at the heart of the economy. This will foster accountability and responsible behaviour by businesses, encouraging them to act while being mindful of their impact on people and the planet in all industries. The Green Deal will contribute to a more sustainable economy in Europe.

However, the adoption of the various Green Deal initiatives is not the end of the road: to achieve the ambitious targets set by the EU, the various instruments and regulations proposed and adopted in recent years need to be implemented by European, national and local authorities as well as all concerned stakeholders, in a serious and rigorous manner. **Implementing the Green Deal must therefore be the first step towards accelerating the transition to a sustainable economy that is desirable for all. And a prerequisite for imagining and moving towards a more inclusive, fairer and greener economy.**

2 Promoting the recognition and visibility of companies committed to the environmental and social transition

Today, it is still difficult, if not impossible in certain situations, to distinguish a traditional company from one that makes a positive contribution to the green and just transition. At a time when the latter are already facing unfair competition from traditional companies on the European market, the lack of awareness around and promotion of impact-driven businesses is a threat to their proliferation, prosperity and development. Enhanced visibility would grant these businesses greater recognition from consumers, as well as from public and private investors.

In this respect, we are putting forward the following proposal to strengthen the recognition and visibility of companies with a positive environmental and social impact in Europe.

STRENGTHENING TRANSPARENCY ON THE IMPACT OF COMPANIES: CREATE AMBITIOUS AND ACCESSIBLE SUSTAINABILITY PERFORMANCE SCORES FOR COMPANIES

The *Corporate Sustainable Reporting Directive* (CSRD), which came into force in 2024, aims to make companies more responsible by requiring them to disclose their negative impacts, risks and opportunities on people and the planet. However, while the *regulation establishing a single European access point* (ESAP Regulation) will provide centralised access to information published by companies concerned by the CSRD, the latter makes it complex for investors, and even more so for consumers, to appreciate the real performance of the companies concerned. Companies, who are mobilising substantial human and financial resources to meet the new European standards, are thus unable to see the competitive advantages that the implementation of the directive could give them.

To remedy this situation and converge towards an economy capable of addressing the environmental and social challenges of our time, we propose to:

- **Work towards the creation of an accessible tool, using the data collected as part of the implementation of the CSRD, making it possible to increase the visibility of companies' ESG performances to investors and consumers through the use of the scoring method.** The **'Sustainability Performance Score'** would be based on a base of relevant data from the reporting set up by the CSRD and accessible on the newly created platform as part of the implementation of the ESAP regulation.

- **Work on the development of a tool similar to the Sustainability Performance Score dedicated to SMEs** (who are not included in the scope of the CSRD) **and enable companies on a voluntary basis to measure and make visible their sustainability performance through the use of this scoring method.** To make this **'SMEs Sustainability Performance Score'** truly functional and adapted to the realities of SMEs, the Sustainability Performance Score could be based on the EU Sustainability Reporting Standards for SMEs and inspired by existing indicator frameworks, such as the Impact Score in France, the Sustainable Development Performance Indicators (SDPI) or the B Impact Assessment (used notably by B Corps) for instance.

The aim of these proposals is to enhance the transparency of the impact of a business' activities to consumers and investors alike and ultimately to improve the recognition and visibility of companies that have a real positive impact on the green and just transition. Such a tool could also be used by public authorities to facilitate the deployment of economic support schemes towards the most environmentally and socially responsible companies. It could also be used by private investors to direct financial flows towards the latter. Its implementation would make it possible to turn the sustainability performance of companies into a genuine competitive advantage, helping to accelerate the transition of the economic fabric and achieve the objectives set by the Paris Agreement.

3 Promoting businesses that actively contribute to the common good: fostering the development of purpose-driven companies in Europe

While several Member States have already created legal statutes (*'Société à mission'* in France, *'Società Benefit'* in Italy, *'Sociedad de Beneficio de Interés Común'* in Spain) and others are considering to do so (Belgium, Sweden), no EU regulatory framework has yet emerged. However, purpose-driven companies represent a lever for accelerating the transformation of the European economy and a mechanism for consolidating the European vision of an economy that is conducive to sustainability and positive for the people and the planet.

In this respect, **we call on the EU institutions to consider adopting a Directive on Purpose-Driven Companies, which would define a common base for purpose-driven companies**, taking into account planetary boundaries and respect for living beings, for all countries of the EU. Such a legislative initiative would make it possible to embed a company's commitment to social and environmental objectives in its status over the long term and in a legally enforceable manner, thereby ensuring recognition of this purpose by shareholders and engaging the responsibility of management.

To be effective, this directive should incorporate the following key principles:

- **A legal framework**, to which companies commit voluntarily and proactively as soon as they are founded or on a path of transformation, whatever their legal form, size or sector of activity;

- **The inclusion of a company's social and environmental commitments for the common good in its bylaws** to anchor them in the long run and guarantee its contribution to a European economy with positive impact. These should include a purpose (*'raison d'être'*) and specific statutory commitments in accordance to the company's main purpose;

- **An external control** : the provisions of which are defined by each Member State (e.g. public control authority, independent third-party auditing body, etc.), including an obligation of transparency (publication of an annual report and the opinion of the verification body on the company's website) and a sanction mechanism.

- **An internal control mechanism** including at least one employee representative for SMEs. In the case of larger companies, as part of the company's governance, a committee dedicated exclusively to monitoring commitments, independent from the Board of Directors including at least one employee with a strong recommendation to integrate involving stakeholders - customers, partners, suppliers, local players, shareholders, NGOs, experts, academics etc.

- **The possibility of extending the concept of fiduciary responsibility and protection of directors**, who must be guarantors not only of the company's good economic results, but also of its respect for its societal objective and its contribution to creating a positive impact on society.

The framework of the European Purpose-driven company must be seen as complementary to the EU taxonomy for sustainable activities and the CSRD. Thus, mission commitments should align with one or more of the 6 environmental objectives of the EU green taxonomy or the Sustainable Development Goals (SDGs). In this approach, the company's mission is unique and transformative, and may involve a pivot in the business model. The company's raison d'être and mission commitments must be defined in direct relation to the company's sectoral and material impacts, risks and opportunities, its value proposition, its value chain and its wider ecosystem. This integration at the heart of the company's strategy, governance and business model is aligned with the CSRD.

The adoption of such a framework would be an opportunity to step up the pace and build a new sustainable economy, a new model for society and business, and new, exciting and inspiring narratives to meet the aspirations of European citizens and beyond.

4 Encouraging the transformation of business models: favouring the emergence and development of green and social enterprises

One of the pitfalls of the current economic system is that it often favours companies with the worst climate, environmental and social performance, to the detriment of companies that make a positive contribution to solving the major challenges of our time. In the face of a growing number of crises, we believe that these rules are now obsolete, and that it is time to move on from a system of perverse incentives to a new ambitious framework where businesses become a force for good. To accelerate the shift towards a fairer, more resilient and sustainable economy, we need to promote best-in-class companies and encourage those lagging behind to transform.

In this respect, we are putting forward 11 proposals to accelerate the green and social transition of the European economy.

MAKING PUBLIC PROCUREMENT A POWERFUL TOOL FOR THE COMMON GOOD

Public procurement is a considerable lever for promoting a greener and more inclusive economy. However, the allocation of public aid to companies that pollute or lay off employees in order to relocate part of their production does not serve the purpose of fostering this transition.
In this perspective, the 2014 overhaul of the EU public procurement rules, by providing the impetus for more environmentally and socially responsible markets, appeared to be a step towards a more sustainable economy in Europe and opened up new opportunities for green and social companies. However, ten years after the adoption of the legislation, the use of environmental and social criteria in public procurement varies greatly from one Member State to another.

To remedy this situation, we propose:

- To encourage exchanges of best practices between national authorities, so that all public buyers can make greater use of these clauses in public procurement.
- **To include social and sustainable criteria in all public procurement, unless the contracting authority has good reason not to do so.** The burden of proof is thus reversed.
- **To include compliance and control of social and sustainability criteria and selection.** By making all public tenders transparent, market parties and contracting authorities can control each other and this will stimulate a 'learning cycle'.

The implementation of these measures will help to accelerate the movement towards more sustainable public procurement and make environmental and social criteria more effective vehicles for economic transition.

Notwithstanding these proposed changes, there is no guarantee today that environmental or social criteria will carry decisive weight in the final choice of a public buyer, insofar as the buyer remains relatively free to choose the scoring method for the award criteria. We therefore need to ensure that a public buyer is no longer in a position to give positive consideration to a less expensive bid, in spite of its negative environmental and social impact.

We therefore propose to ***give priority in public procurement*** no longer to the 'economically most advantageous' tender (i.e the 'MEAT' criterion) but ***to the 'environmentally, socially and economically most advantageous' one.***

To be fully effective, this new system will have to be adapted to the realities of all businesses, particularly SMEs.

VAT FOR CHANGE: ENSURING THAT EU RULES ALLOW MEMBER STATES TO IMPLEMENT A 'GREEN VAT'

It is no longer possible to subject the same tax rules to companies that aggravate the environmental crisis and those that do their part in trying to solve it. It is urgent to encourage citizens to turn collectively to green and socially responsible products and services by making them identifiable and accessible to all.

While the latest revision of the directive on reduced VAT rates recognises that *'Member States should have the possibility to contribute to a green and climate-neutral economy by applying reduced rates to environmentally friendly supplies of goods and services'* [1], **we call for a new revision of this directive in order to allow national governments to apply a reduced VAT rate to all sustainable products and services.**

[1] Council Directive (EU) 2022/542 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 on the common system of value added tax with regard to the adjustment of value added tax rates, consideration 4.

This common-sense measure would relieve the wallets of households and encourage companies contributing to the green and just transition. Offering more attractive prices for these highly-responsible products and services will thus enable consumers to commit fully to more sustainable and responsible consumption, open up consumption of these goods and services to new, less affluent consumers and thus encourage the transition of businesses towards more sustainable models.

SUPPORTING A TAXATION SHIFT FROM LABOUR TO NATURAL RESOURCES TO HELP AN INCLUSIVE AND CIRCULAR ECONOMY EMERGE

High taxes on labour can encourage businesses to minimise their labour force. Natural resources, however, tend to be untaxed or taxed little, the use of fossil fuels is even heavily subsidised. This system, that can incentivises over-consumption, pollution and unemployment, could be replaced by one that instead encourages a more sustainable and circular economy.

In this respect, we propose to tax the use of natural resources and pollution ('environmental taxation') and use the revenues to lower the tax burden on labour. The total tax revenue should stay the same. This transfer of taxation from labour to natural resources has been documented for several years by many economists, and especially the foundation *The Ex'Tax Project*, and should make it possible to preserve resources and nature but also to encourage job creation and the integration of vulnerable people.
Consumers would have more money to spend due to the lower labour taxes and be nudged to sustainable choices because they would become cheaper – not more expensive, but less.

To lay the foundations for a tax shift from labour to natural resources, we make the following recommendations:

- **Abolish the current national veto right on taxation matters**, which is hampering fiscal progress at the EU level supporting the green and just transition.
- **Set up a Coordinated Action of at least 9 Member States** (including France and Germany) **to simultaneously implement the tax shift in their national fiscal systems**, taking into account the specific characteristics of different economic sectors.

MAKING COMPANIES AGENTS OF CHANGE: CORPORATE TRANSITION PLANS AS ACCELERATORS OF TRANSFORMATION

As part of its Green Deal strategy, the EU has recently passed several pieces of legislation aimed at making Europe's economic fabric more sustainable and triggering a gradual transformation of businesses. These include the CSRD and the Corporate Sustainability Due Diligence Directive (CS3D), which will require large companies to publish and implement climate transition plans, as is already the case in some Member States. These transition plans, which will have to be based on scientific evidence, will have to enable the companies concerned to align their activities with a greenhouse gas emissions reduction trajectory compatible with the Paris Agreement. By having the potential to mobilise the driving forces of companies around a project that matches their capabilities, we consider that transition plans should be the main tools used to steer companies' sustainability policies. As there is still a risk that not all the companies concerned will implement this new obligation without strong incentives to do so, **we call on the national authorities to guarantee the rigorous monitoring and implementation of these new measures incumbent on companies and make them the cornerstone of public policies.**

Aware that it will be necessary to involve the entire economic fabric in the transition if we are to achieve the objectives set by the EU, **we also call on the relevant authorities and stakeholders to work together to put in place specific tools, training and financial and human support to accompany SMEs along the path to environmental and social progress, and enable them to draw up simplified transition plans tailored to their realities.**

Furthermore, while we can only welcome this new reality, which should make it possible to hold companies accountable for their climate-related behaviour, **we regret that these transition plans focus essentially on the fight against global warming, and overlook certain issues that are nonetheless essential to achieving a fair and sustainable transition, such as the protection of biodiversity.** We therefore advocate for the integration of these issues in corporate transition plans.

CARBON PRICING: PUTTING A TRUE PRICE ON GREENHOUSE GAS EMISSIONS

The lack of 'true pricing' of climate impacts, common standards for measuring CO2 and other greenhouse gas (GHG) emissions (CO2), and effective compensation schemes form major impediments for a timely transition to a carbon neutral, fair and truly sustainable economy. According to the EU waste hierarchy, the first priority of all actors in the economy should be avoiding GHG emissions, followed by emission reduction rather than using compensation schemes that are little transparent and little effective.
We therefore call for consistent and fair policy measures, standards, and rules for measuring GHG emissions, using the GHG Protocol and Science-Based-Targets as a reference, **and advocate minimum standards for calculating and compensating these emissions**, including a timeframe to measure impact and promote the implementation of renewable energy projects.
Specifically, we see **the need for 'true pricing' and the internationalisation of 'true cost' of GHG emissions for all products and services** : it is an essential prerequisite for assuring the competitiveness of sustainable companies across all sectors of the EU and the transition to a carbon-neutral economy.

To this end, we advocate the following rules and measures:

- Rapid implementation of the Carbon Border Adjustment Mechanism (CBAM) with progressive expansion to all industry sectors, products and services that cause unfair competition due to carbon leakage,
- Progressive extension of the EU ETS to all products facing international competition,
- Cancellation of free CO2 credits or allowances for specific industries or product groups,
- EU-wide implementation of harmonised eco-modulated Extended Producer Responsibility (EPR) schemes taking into account GHG emissions.

ON THE ROAD TO MORE RESPONSIBLE MARKETING: PUTTING AN END TO GREENWASHING

Thousands of committed businesses still face unfair competition from traditional companies. This unfair competition takes many forms and is reinforced by the deceptive commercial practices of certain companies that do not hesitate to mislead consumers about their climate and environmental impact. The EU has taken up the issue in recent years, notably with the adoption of the *Directive Empowering Consumers to the Green Transition*, which bans generic, vague and misleading environmental claims on consumer products. This is to be complemented by the *Green Claims Directive*, which aims to ban all claims that are not supported by factual and scientific evidence. The fight against greenwashing is one of the major challenges of our time, misleading consumers and penalising the most well-meaning companies: it is therefore essential to continue along this path to make companies' marketing practices more responsible, and to put an end to the deleterious and misleading commercial practices of certain companies.

In this respect, we call on the co-legislators to rapidly adopt an ambitious Green Claims Directive that will effectively contribute to the fight against greenwashing and put an end to non-sourced environmental claims.

We also urge the Member States to rapidly implement this legislation in their national legal systems and to adopt sanction mechanisms that will encourage companies to comply with the rules and to be more responsible in their marketing strategies.

PHASING OUT FOSSIL FUELS TO ENSURE A LIVEABLE AND BUSINESS-FRIENDLY WORLD

Fossil fuels are responsible for 80% of greenhouse gas emissions (International Energy Agency, 2020). As such, they are among the main contributors to the climate crisis threatening humanity. In this perspective, phasing out fossil fuels is not only a priority for ensuring a sustainable future, but also a necessity for achieving the EU's climate transition objectives. Aware that there will be no business without a planet, more and more businesses have put strategies in place to get to net-zero and invest in a sustainable future. However, action by a small section of the economy alone will not solve the problem, and coordinated action is needed to move toward a fossil fuel-free economy.

In this perspective, we call on the EU to take the following measures:

- ***The adoption of an action plan and schedule to organise the progressive phase out of fossil fuels in Europe.***
- ***The immediate phase out of fossil fuels subsidies.***
- ***The promotion of a phase out of fossil fuels in international negotiations.***
- ***The regulation of advertising that creates the need for products or services intensively using fossil fuels,*** and thereby normalises harmful consumption patterns and enables producers to manipulate public discourse to derail or delay the transition.

STRENGTHENING THE EU TAXONOMY: DIRECTING INVESTMENTS TOWARDS TRULY GREEN AND SOCIAL ACTIVITIES

The EU green taxonomy is a system for classifying economic activities to identify those that are considered environmentally sustainable. As such, it is a formidable assessment tool that financiers and banks are increasingly relying on to determine their green investments. As such, regulation is an interesting lever for the green transition, helping to steer private investment towards 'sustainable' activities that contribute to the objectives of the Green Deal. However, there is still room for improvement in the EU green taxonomy and it needs to be revised to better guide investment towards green activities. At present, there is no section in the regulations that would enable investors to identify activities that are harmful or incompatible with the EU's climate and environmental objectives.

In this respect, we believe it is essential to create new definitions to characterise harmful commercial activities. We therefore call on the EU to introduce greater granularity into the taxonomy by organising it into several levels (green, brown and neutral) to allow greater nuance and finesse in the analysis of environmental performance.

And so, ultimately, to ensure that capital flows are redirected from sectors that are harmful to the environment towards those considered neutral or sustainable.

Finally, when the EU Sustainable Finance Action Plan was elaborated, the taxonomy was expected to focus on both European environmental and social issues. However, while a EU green taxonomy has been adopted and started to be implemented, the Commission has not, for the time being, followed up on the project of a EU social taxonomy. This is however an essential approach in the framework of a just transition.

We therefore ask the future European Commission to resume the social taxonomy project in order to allow investments to channel more effectively towards sectors and activities with positive social impact.

BUILDING A GLOBAL FAIRER ECONOMY: TOWARDS THE IMPLEMENTATION OF AN EU FAIR BORDER TAX

A decade after the Rana Plaza tragedy, many companies in various sectors (textiles, agriculture, electronics, etc.) are still taking advantage of poor regulations to get away with inhumane working conditions and indecent wages on workers in their global supply chains.

To remedy this situation, and in parallel with the implementation of the CS3D, **we propose the introduction of an EU Fair Border Tax.**

Proposed by the European Parliament in its *May 10, 2023 resolution on new EU financial resources (2022/2172(INI))*, this tax would oblige companies importing products into the EU to pay a tax for any worker in their global supply chain who receives a wage below the poverty line. The amount of this tax could correspond to the difference between the workers' wages and the poverty line in the country of origin.

The EU Fair Border Tax is designed to improve the living conditions of the world's poorest workers and to encourage the least ill-intentioned companies to raise the wages of workers in their global value chains. The objective is that consumers do not indirectly contribute to the exploitation of workers outside the EU.

DIRECTORS AS GUARDIANS FOR THE TRANSITION: SUSTAINABILITY ORIENTED INCENTIVE SCHEMES IN THE REMUNERATION OF COMPANIES' EXECUTIVES

Today, business leaders very often focus on the short-term performance of the company, rather than on sustainable development issues. Appropriate incentive systems linked to sustainability objectives could, however, encourage a better balance between profit

and impact. In this respect, we are delighted that CS3D will require companies with more than 1000 employees to index part of the variable remuneration of executive managers to climate objectives linked to the implementation of corporate transition plans. This is an important first step in encouraging the greening of executive bonuses in Europe's major companies. However, this step is not an end in itself.

In order to guarantee the implementation of this provision, **Member States will need to enshrine in their national legislation a minimum percentage of these bonuses that must be linked to the implementation of companies' transition plans.** Eventually, this percentage will have to be enshrined in European law to ensure harmonisation of the provision across Europe.
Also, in order to bring a larger part of the economic fabric on board towards progress, **we are calling for this system to be extended to all companies for which European legislation requires transition plans to be put in place and which have established bonus systems for their managers.**

SETTING-UP CIRCULARITY HUBS IN ALL EU REGIONS: ACCELERATING THE TRANSITION TO A CIRCULAR ECONOMY

Representing 99.8% of European companies (EIB, 2022) and contributing significantly to the European economy, SMEs are a major source of innovations. SMEs and start-ups are playing a pivotal role in accelerating the transition to a circular economy. However, their operation, development and up-scaling are hindered by numerous barriers including lack of transparency throughout the value chain, lack of access to funding, collaborative networks and the complexity of circular design.
Most of these barriers can be addressed at the regional or national level. However, this is done only in some of the Member States : there is a huge potential for improvement and alignment. Indeed, 'Circularity Hubs' could accelerate the circular transition by operating as a national or regional public-private partnership and function as one-stop-shops offering SME support in an aligned way. They could promote collaboration and advocacy, offer education, training, information and awareness, provide business tools and support, and facilitate collaboration at the EU level but also make it easier for SMEs accessing private investment to improve their internal circularity processes. **In this respect, transition towards a green and circular economy in Europe can be considerably accelerated by setting-up Circularity Hubs in all EU regions to support SMEs and start-ups with developing and implementing low-carbon models.**

Furthermore, **we also propose to generalise the use of vouchers, that exists in some Member States, for SMEs dedicated to implementing circular and sustainable business models.** To make the Circularity Hubs drivers of SMEs transition, these vouchers could be managed and distributed by them.

5 Making social enterprises pillars of tomorrow's economy

By placing social impact at the heart of their business models and principles, social enterprises already offer viable alternative models to traditional businesses. Through their positive impact, they contribute to a fair and inclusive society, and to the green and digital transition. However, social enterprises do not yet benefit from an ambitious and enabling legal and regulatory framework throughout Europe. These innovative enterprises and entrepreneurs are often still subject to obstacles that prevent them from growing and prospering, limiting the positive impact they can deliver for communities across the EU. As the European Commission published its roadmap for the social economy sector in December 2021 (*i.e. the EU Action Plan for Social Economy*), we believe it is essential to guarantee the development of social enterprises by all means, and in particular through the implementation of all the actions in this ambitious strategy.

In this respect, we are putting forward concrete proposals to make social enterprises a pillar of tomorrow's economy.

FACILITATING ACCESS TO FINANCING FOR SOCIAL ENTERPRISES

One of the main obstacles faced by social enterprises in Europe is access to the right source of financing. Indeed, to varying degrees depending on the Member State in which they operate, social enterprises are struggling to attract the appropriate funding they require at whatever business development stage they are in.This is because they often lack the collateral required by traditional banks, do not meet the criteria or have not the human and financial resources to receive public funding, and are considered too risky by investors looking for high returns in a short period.

In this perspective, we are putting forward four proposals to facilitate access to financing for social enterprises.

1. *Expand EU funding programmes to social enterprises*

Although several EU funding programmes are aimed at social enterprises, we consider that they are still too few and underfunded to enable the development of social enterprises on the continent.

In this respect, **we call the EU institutions to expand EU funding programmes specifically designed to support social enterprises**: this could include (cascading) grants, loans and equity investments, as well as measures to encourage private investment in social enterprises, such as tax-incentives or co-investment schemes.

In this regard, it seems crucial to continue supporting the EaSI guarantee that is very important in supporting new and tailored instruments such as Quasi Equity, but also to make more use of EU structural (i.e. cohesion fund and Recovery and Resilient Facility, etc) and investment funds (InvestEU, etc) to put an emphasis on social impact and social investment, support social entrepreneurship and social procurement.
Finally, it is also essential to ensure the funding of social enterprises intermediary organisations such as national networks is increased since these critical actors play a key role in providing services, animating communities and contributing to upskilling and reskilling of social entrepreneurs.

2. *Make state investment aid schemes more accessible to social enterprises*

The purpose of the General Block Exemption Regulation (GBER) is to allow EU governments to provide public funding without having to seek prior approval from the European Commission: the exemption is designed to reduce the administrative burden on national and local authorities. However, social enterprises do not benefit today from a special recognition under GBER. Rather they are assimilated to SMEs (only when they meet the conditions). Moreover, the aids from which social enterprises may benefit are limited to companies with less than 7 years' seniority and a total amount of €15 million: these criteria are not appropriate for social enterprises since the aid is not justified by the start of their activity but by the structural market failures they face in terms of access to financing, but also because social enterprises' need for support is not cyclical but structural and the cap planned on the lifetime of the enterprises prevents lifelong support that social enterprises require.

In the light of the unsuitability of the SMEs rules for social enterprises, it appears necessary to adapt these rules to make state aid for investment more accessible to social enterprises. **We thus propose to create a specific framework for social enterprises distinct from that applicable to SMEs and in line with the objectives of GBER:**

- **Introduction of a definition of social enterprises in GBER,**
- **Removal of the limit of 7 years of maximum seniority for social enterprises,**
- **Increase the cap of the aid amount for social enterprises.**

In parallel, the European Commission must guarantee training for public officials to improve GBER exemptions understanding and make state aid use more effective for social enterprises.

3. *Make European financing instruments more accessible to social enterprises*

Today, the investment or financing criteria of the financing instruments created by the EU (and the European Investment Bank) are those of so-called traditional enterprises (governance, eligible securities, profit objectives). Thus, they effectively exclude social enterprises, and more broadly social economy enterprises in the diversity of their purpose or status. This discrimination is detrimental to the emergence and development of social and impact entrepreneurship in Europe.

We therefore propose to make these criteria more flexible for social economy enterprises so that all European financing instruments can be effectively accessible to them.

4. *Investing in social enterprises: making solidarity finance mainstream*

Social enterprises are facing structural difficulties in accessing financing as a result of (social) finance market failure. The reasons for these difficulties are numerous and have a variety of causes, but they hamper their development and thus their ability to achieve their social objectives. In this respect, it is important to mobilise private investment to finance the activities of social enterprises. While philanthropy is a process that greatly benefits social enterprises, it is clear that philanthropy alone is far from sufficient to remedy the problems of access to financing for these enterprises with alternative models.

To remedy the shortcomings of the solidarity finance system in Europe, **we call on EU institutions to draw inspiration from concrete examples in Member States** (for instance, the solidarity-based funds, commonly known as '90/10 funds', in France), **and to take concrete steps to place social finance at the heart of the financial system by encouraging the development of solidarity-based investment funds.**

BREAKING DOWN BARRIERS: HELPING SOCIAL ENTERPRISES TO THRIVE

Social enterprises face heterogeneous situations, with varying degrees of support and recognition depending on the Member State. To overcome this difficulty, and similar obstacles that prevent them from realising their full potential, we are putting forward four proposals to help social enterprises develop in a prosperous environment.

1. *Developing EU-wide regulations and standards to facilitate social enterprises operations across borders*

There is still a lack of clear and comprehensive legislation that is specifically designed for social enterprises. This results in legal uncertainties and constraints that inhibit the growth and impact of social enterprises.

To remedy this situation, **the EU should focus on developing and harmonising regulations and standards across its Member States to make it easier for social enterprises to operate across borders: this could include mutual recognition of legal forms or statuses denoting a social enterprise by introducing or adopting a European label for social economy enterprises and common standards for measuring social impact.**

While recent developments in this area as part of the implementation of the EU Action Plan for Social Economy (e.g. Council recommendation on developing social economy framework conditions) are to be welcomed, the pressure must not be eased and work must continue in this direction to gradually eliminate the regulatory barriers that limit the development of social enterprises in Europe.

2. *Supporting collaborative processes to draw inspiration and spread expertise in social enterprises*

Social enterprises often face financial and human obstacles that limit their development and capacity of expertise. Today, there is still a lack of specific business support services for social enterprises (e.g. consultancy, mentoring or training services).
To remedy this situation, **the EU should continue and amplify the work carried out over several years and act in at least four ways**:

- By playing a key role in facilitating the sharing of knowledge and best practices among social enterprises in different Member States. The EU should (continue to) support the creation of networks and platforms for social enterprises to collaborate and learn from each other.

- By funding training and capacity-building programmes for social entrepreneurs: this should include leadership development, business and digital skills training and mentorship programmes.

- By investing in research and innovation in the field of social entrepreneurship: this should include supporting universities and research institutions to study social enterprises, as well as funding innovation challenges or hackathons to generate new ideas and solutions.

- By continuing to encourage Member States to set up local social economy contact points playing the role of social economy ambassadors, providing peer to peer support, facilitating access to EU and national funding, and liaising with authorities managing European funds, as announced in the EU Action Plan for Social Economy.

3. *Promoting cooperation between mainstream and social enterprises: developing inter-enterprises social procurement*

In our rapidly changing world, we are increasingly aware of pressing global social, economic and climate challenges. Integrating sustainability into our business and economic practices is no longer a choice; it's a must for driving transformative change.
Social procurement is a powerful tool for sustainability, uniting purpose and profit for a better tomorrow. There are many social enterprises, offering solutions to today's pressing social and environmental problems. Having businesses as clients and forming trade relationships and partnerships is crucial for scaling their positive impact.
Integrated at the heart of the EU agenda as part of the Action Plan for the Social Economy and the Transition Pathway on Proximity and Social Economy, social procurement is a key driver of the green and inclusive transition: it is essential to continue the efforts made in recent years to move the social procurement movement in Europe up a gear.

We therefore call on the European institutions to step up these efforts to create even more market opportunities for social enterprises through business partnerships and their integration into the value chains of mainstream companies.

In this respect, we propose to refer to the *Social Enterprise World Forum Verification* certification in those Member States which do not (yet) have appropriate legislation and/or definition of social enterprise to distinguish the latter from traditional enterprises.

To accelerate this movement, we also believe it is essential for public authorities, at both European and national level, to initiate reflection on ways of incentivising mainstream companies to turn more towards this social purchasing model.

4. *Promoting social enterprises as alternative impact business models*

Social enterprises are facing issues with visibility and often lack public understanding about the concept of social entrepreneurship. While the promotion of social enterprises is one of the pillars of the EU Action Plan for Social Economy, **it is thus essential that EU institutions, first and foremost the European Commission, launch campaigns to raise awareness of social enterprises and their value among the public and potential investors:** this should include showcasing successful social enterprises and promoting the use of their products and services.

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