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# Corporate Competitiveness and the Strategic Role of ESG Communication After the EU Omnibus I Reform

– Expert Insights from PwC, EY, KPMG, Deloitte,  
and Milton Group

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# Corporate Competitiveness and the Strategic Role of ESG Communication After the EU Omnibus I Reform

- Expert Insights from PwC, EY, KPMG, Deloitte, and Millton Group

The objective of this thesis was to examine whether ESG communication (environmental, social, and governance communication) continues to constitute a source of competitive advantage for SMEs following the EU Omnibus I reform. Particular attention was given to how recent regulatory changes influence corporate competitiveness and strategic positioning within EU markets.

The study was conducted as a qualitative interview study. Empirical data were collected through semi-structured interviews with representatives of five international consultancy firms with extensive expertise in sustainability advisory and regulatory compliance. The interview data were analyzed thematically, focusing on competitiveness, regulatory challenges, and emerging strategic opportunities.

The findings suggest that ESG communication remains a significant competitive factor and, in certain contexts, an emerging baseline market expectation, supporting access to financing, tender success, and long-term market positioning.

Keywords:

Corporate Sustainability, Corporate Competitiveness, ESG Communication, EU Omnibus I

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## Yritysten kilpailukyky ja ESG-viestinnän strateginen rooli EU:n Omnibus I -uudistuksen jälkeen

- Asiantuntijankemeyksiä PwC:ltä, EY:ltä, KPMG:ltä, Deloitelta ja Miltton Groupilta

Tämän opinnäytetyön tavoitteena oli arvioida, säilyykö ESG-viestintä (ympäristö-, sosiaali- ja hallintovastuuseen liittyvä viestintä) pk-yrityksille kilpailuetuna EU:n Omnibus I -uudistuksen jälkeen. Työssä tarkasteltiin erityisesti sitä, miten sääntelymuutokset vaikuttavat EU-markkinoilla toimivien yritysten kilpailukykyyn ja strategiaan valintoihin.

Tutkimus toteutettiin laadullisena asiantuntijatutkimuksena. Aineisto kerättiin puolistrukturoiduilla haastatteluilla viidestä kansainvälisestä konsultointiyrityksestä, joilla on laaja kokemus vastuullisuusneuvonnasta. Haastatteluaineisto analysoitiin teemoittain keskittyen kilpailukykyyn, sääntelyhaasteisiin ja mahdollisuuksiin.

Tulosten perusteella ESG-viestintä nähdään edelleen merkittävänä kilpailuetuna ja osin myös markkinoiden perusodotuksena. Sen todettiin tukevan rahoituksen saatavuutta, tarjouskilpailuissa menestymistä ja pitkän aikavälin markkina-asemaa. Samalla sääntelyn monimutkaisuuden havaittiin korostavan strategisesti integroidun ja todennettavan viestinnän merkitystä.

Asiasanat:

Yritysvastuu, Yrityksen kilpailukyky, ESG-viestintä, EU Omnibus I

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## List of Abbreviations

CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
EU	European Union
NFRD	Non-Financial Reporting Directive
OECD	Organisation for Economic Co-operation and Development
PAIs	Principal Adverse Impacts
SDGs	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SMEs	Small and Medium-sized Enterprises
UN	United Nations

# 1 Introduction

ESG communication has established itself as a core component of contemporary corporate practice worldwide and is increasingly linked to firms' ability to build and sustain competitiveness (Tavares, 2025). Within this landscape, the European Union (EU) has assumed a leading role by developing ESG-related frameworks more rapidly and comprehensively than other major markets, including the United States and Asia (Buchetti et al., 2023). In the EU context, ESG communication is closely embedded in an evolving regulatory environment shaped by the Corporate Sustainability Reporting Directive (CSRD) (European Commission, 2025). The broad scope of these regulations, together with amendments, has compelled companies to monitor and adapt to a regulatory framework (Carboni, 2025). The most recent development is the introduction of the Omnibus I Package, signaling a shift in the EU's approach to ESG regulation and sustainability reporting (European Commission, 2025). Consequently, some firms now perceive ESG engagement less as a voluntary strategic commitment and more as a compliance-driven obligation, reducing ESG actions beyond regulatory requirements (Rasche & Beyersdorff, 2025).

Accordingly, this thesis explores whether corporations excluded from the revised reporting scope should maintain ESG practices and ESG communication as strategic tools for competitiveness. The study adopts a qualitative approach based on semi-structured interviews with five leading international consultancy firms: the Finnish divisions of PricewaterhouseCoopers (PwC), Ernst & Young (EY), KPMG, Deloitte Touche Tohmatsu (Deloitte), and Milton Group.

Through this analysis, the thesis clarifies the strategic value of ESG communication in a regulatory environment where mandatory reporting no longer applies to all firms. By examining ESG communication in EU markets, the study contributes to CSR and corporate competitiveness literature.

## 2 ESG Communication and Corporate Competitiveness in EU Markets

In recent years, ESG-related aspects have gained accelerated prominence in corporate practice worldwide, as reflected in the growing volume of sustainability-related disclosures. According to the OECD Global Corporate Sustainability Report, the proportion of listed companies disclosing sustainability-related information increased from approximately 22% in 2022 to 29% in 2024 when assessed by the number of reporting firms. In parallel, disclosure coverage measured by market capitalisation rose from 86% to 91% over the same period, with the European Union exhibiting the highest level of disclosure among major global markets. Collectively, these figures point to the growing relevance of ESG reporting, particularly among larger corporations. (OECD, 2025.)

Developments within the European Union further underscore this trend. Data from the European Environment Agency indicate that in 2024, major EU companies achieved an average ESG performance score of 80.6 on a scale from 0 to 100, suggesting a generally high level of ESG performance. This represents a clear improvement compared to 74.02 in 2019, signalling a positive trajectory in ESG activities over time. Furthermore, the EEA identifies the majority of these companies as ESG leaders within their respective sectors. (European Environment Agency, 2025.)

Against this background, ESG communication signifies a central mechanism through which corporate sustainability efforts are communicated and may be leveraged to enhance competitive value (Whelan, 2022). The purpose of this chapter is to introduce the key concepts related to ESG communication and corporate competitiveness, as well as to outline the relationship between these concepts within the EU context. In this manner, the chapter establishes the conceptual foundation for the subsequent analysis whether ESG communication continues to function as a source of corporate competitiveness beyond mandatory EU reporting requirements.

## 2.1 The Concept and Dimensions of ESG (E, S, G)

Although activities related to environmental, social, and governance issues existed long before the term ESG was introduced, the concept gained widespread recognition in 2004 with the publication of the Who Cares Wins report by the United Nations (UN) Global Compact. The report was developed by a group of leading financial institutions invited by the UN Secretary-General, who encouraged companies to integrate ESG factors into their business activities. The report highlighted that such integration can improve risk management, advance corporate reputation, and support long-term value creation. (World Bank, 2004.)

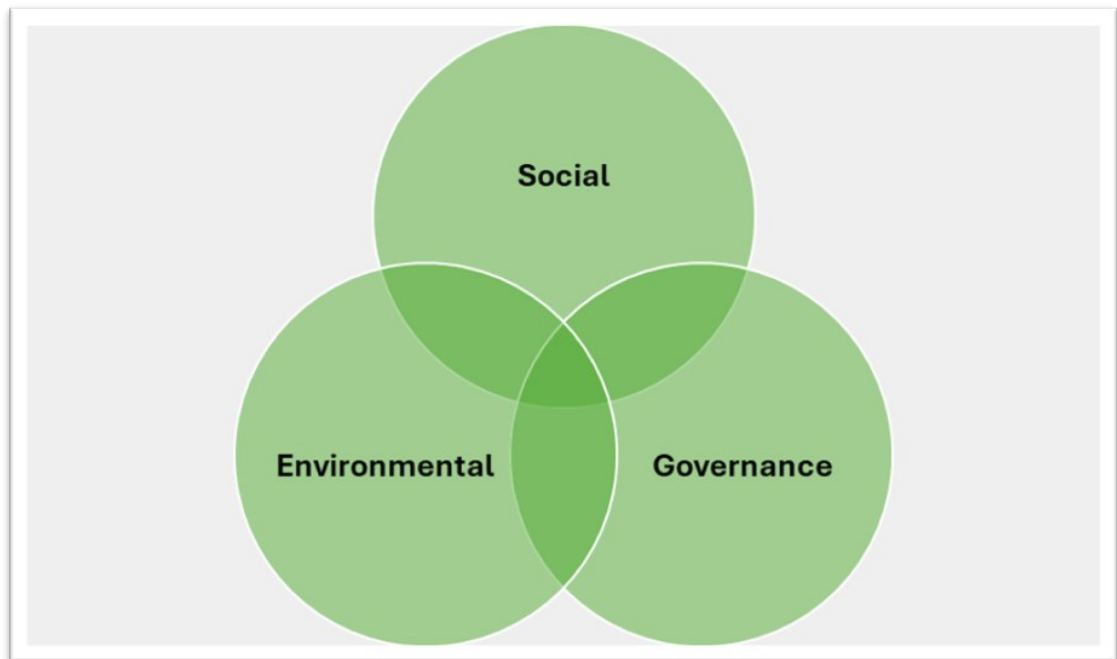


Figure 1. Dimensions of ESG (Adapted from United Nations, 2004)

ESG serves as a framework for evaluating a firm's environmental, social, and governance performance and is commonly divided into three corresponding dimensions (Figure 1). As a holistic concept, ESG is closely connected to the UN's Sustainable Development Goals (SDGs), which provide a globally recognized reference point for assessing sustainability performance. Many

organizations use the SDGs to guide the development and evaluation of their sustainability strategies, often referred to as ESG strategies (Chen, 2024).

From an environmental perspective, ESG focuses on how companies seek to minimize their negative impact on the natural environment throughout their operations and value chain (British Business Bank, 2025). This may involve, for example, the development of environmentally friendly products, the implementation of sustainability policies, and initiatives aimed at reducing greenhouse gas emissions (University of Seattle, 2024). Environmental ESG practices are particularly relevant to SDGs related to climate action, responsible consumption and production, and the protection of natural resources (United Nations Development Programme, 2025).

The social dimension of ESG addresses the ways in which companies manage their relationships with individuals and groups affected by their activities, such as employees, customers, suppliers, and local communities (British Business Bank, 2025). Key issues within this dimension include labor standards, employee well-being, diversity and inclusion, and respect for human rights across the value chain (ESG Institute, 2024). These social considerations are closely linked to SDGs that emphasize decent work, reduced inequalities, and social inclusion (United Nations Development Programme, 2025).

Governance, as the third dimension of ESG, concerns how companies are directed and controlled, with particular attention to leadership structures, decision-making processes, and accountability mechanisms (British Business Bank, 2025). It encompasses aspects such as board composition, executive remuneration, ethical business conduct, transparency, and the management of risks and internal controls (World Economic Forum, 2022). Governance-related ESG practices support SDGs associated with strong institutions, justice, and responsible leadership (United Nations Development Programme, 2025).

### 2.1.1 ESG Communication as part of Corporate Strategy

ESG communication is a concept embedded within the broader Environmental, Social, and Governance (ESG) framework and refers to the manner in which organizations communicate their ESG-related initiatives, commitments, and performance to stakeholders. As ESG considerations increasingly influence how companies are evaluated, ESG communication has become an important mechanism for making sustainability-related actions, objectives, and outcomes visible, understandable, and credible. Its primary purpose is not promotional persuasion, but the provision of accessible and reliable information that enables stakeholders to assess corporate sustainability practices (Travasi et al., 2025).

The concept addresses both internal and external stakeholder groups. Internal stakeholders include employees and management, who are involved in the implementation and governance of ESG initiatives. External stakeholders comprise investors, customers, regulators, business partners, and the wider public, all of whom rely on ESG communication to evaluate a company's environmental responsibility, social impact, and governance standards. As stakeholder expectations and scrutiny continue to increase, the demand for clear, consistent, and accessible ESG communication has intensified, particularly in the context of greenwashing. (Casalegno et al., 2024.)

The central objective of ESG communication is to support transparency and stakeholder engagement by reducing gaps between corporate actions and stakeholder perceptions (Travasi et al., 2025). By clearly articulating ESG-related goals, actions, and outcomes, organizations may enhance trust and accountability in their stakeholder relationships. In this respect, ESG communication acts as a bridge between formal corporate ESG reporting practices and stakeholder understanding, ensuring that sustainability initiatives are not only disclosed but also effectively recognized and meaningfully interpreted by their intended audiences. (Strauß et al., 2025.)

Building on the transparency and stakeholder-oriented role of ESG communication, its strategic importance becomes particularly evident when

examined in relation to corporate decision-making and capital allocation. As ESG communication becomes more embedded within corporate strategy, its role increasingly focuses on explaining how environmental, social, and governance considerations are incorporated into overall business strategy and decision-making. Rather than functioning solely as a reporting mechanism, ESG communication is used to articulate how sustainability considerations relate to strategic priorities, particularly in areas such as investment planning, capital allocation, and long-term value creation. By communicating the strategic relevance of ESG, organizations provide stakeholders with clearer insight into how sustainability considerations shape corporate direction and inform strategic decision-making. (Field, 2023.)

Within this strategic context, ESG communication also plays an important role in capital market interactions by clarifying how ESG considerations are reflected in corporate strategy, risk assessment, and governance processes.

Communicating these strategic linkages provides investors and other stakeholders with greater visibility into how sustainability factors inform key strategic choices. (Field, 2023.) Consistency across corporate communication channels further supports credibility by ensuring that ESG strategy is communicated clearly and remains aligned with overall business strategy across disclosures and public statements (Carter et al., 2023).

## 2.2 Corporate Competitiveness in EU Markets

The European Union's Single Market constitutes one of the largest integrated economic areas globally, providing firms with access to approximately 440 million consumers and facilitating substantial daily flows of goods and services across the twenty-seven (27) Member States. By reducing internal trade barriers and aligning regulatory frameworks, the Single Market enables companies to operate across borders more efficiently and to benefit from scale, specialisation, and integrated value chains. Its rules-based structure and relatively transparent regulatory environment contribute to legal certainty and support competitive market conditions. (European Commission, 2025.)

Recent evaluations of the Single Market indicate that intra-EU trade continues to account for a significant share of overall economic activity, underlining the importance of market integration for growth and employment. The Commission's Annual Single Market and Competitiveness Report emphasises that regulatory convergence and market openness have supported productivity and strengthened the EU's economic resilience across multiple sectors. (European Commission, 2025.) In parallel, policy discussions increasingly emphasise that maintaining competitiveness in EU markets requires stronger investment in research and innovation, particularly to support firm growth and technological capability (Leptin et al., 2025).

At the same time, the report acknowledges the persistence of administrative complexity and compliance costs, particularly for small and medium-sized enterprises expanding into other Member States. Nevertheless, the scale, stability and integration of the Single Market remain fundamental to corporate competitiveness in EU markets, shaping the conditions under which firms operate and pursue competitive advantage. (European Commission, 2025.)

The Draghi report on European competitiveness provides a comprehensive assessment of the structural conditions shaping firms' performance within EU markets and implicitly underscores the relevance of sustainability-related considerations for competitive outcomes. Rather than treating ESG as a standalone policy objective, the report situates environmental, social, and governance-related challenges within broader economic constraints, including persistent productivity stagnation, high energy costs, regulatory fragmentation, and limited capacity for large-scale innovation. These factors collectively affect firms' ability to compete both within the Single Market and globally. (European Commission 2024.)

From this perspective, competitiveness in EU markets is increasingly influenced by how effectively companies respond to systemic transitions such as decarbonisation and digital transformation. Firms that incorporate sustainability-oriented practices into their strategic and operational frameworks may be better positioned to navigate regulatory complexity, mitigate long-term risks, and

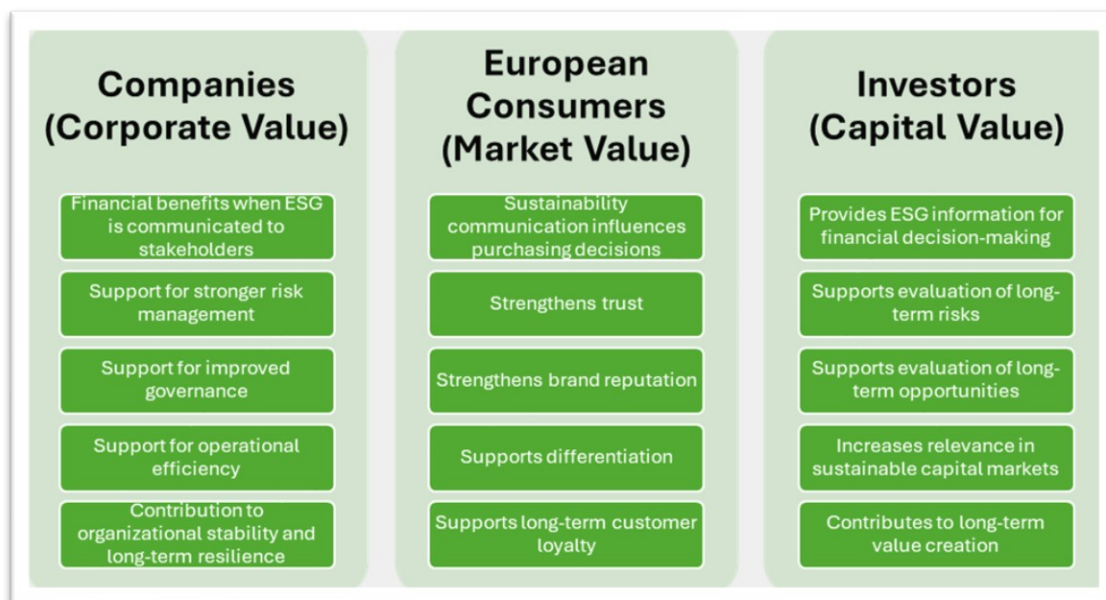
maintain stability under conditions of market uncertainty. This interpretation is consistent with the analytical approach adopted in this thesis, which views ESG communication as a strategic instrument through which firms articulate their responsiveness to evolving institutional and market expectations. (European Commission 2024.)

Importantly, the Draghi report also signals the likely direction of future EU competitiveness policies, indicating that sustainability considerations will remain embedded in economic governance and market structures. As a result, companies operating in EU markets face increasing incentives to treat ESG-related practices and communication not as temporary compliance measures, but as enduring elements of competitive strategy. (European Commission 2024.)

### 2.2.1 The Value of ESG Communication for Customers, Investors, and Other Stakeholders

ESG communication is increasingly associated with corporate value creation. Support for this relationship can be found in global research, where a review of over 1,000 studies reports a positive link between ESG performance and financial performance in 58% of cases, compared to only 8% indicating a negative relationship. (Whelan et al., 2021.) Given the advanced regulatory and sustainability framework within the European Union, these findings are particularly relevant for firms operating in the EU market environment. ESG practices are associated with stronger risk management, improved governance, and operational efficiency, which can translate into financial benefits when communicated accordingly to stakeholders. (Financial Times, 2025.)

Table 1. ESG Communication Value by Stakeholder Group (Adapted from Whelan et al. (2021); European Commission (2023; 2025); European Central Bank (2025); Bassi (2023); EcoVadis (2025); Financial Times (2025))



In the EU context, consumer expectations make ESG communication particularly important (Table 1). European consumers show high awareness of environmental issues and increasingly expect companies to behave responsibly (European Commission, 2023; Bassi, 2023). Environmental concerns influence purchasing decisions, meaning that sustainability communication directly affects market positioning. When companies explain how they reduce emissions, improve supply chain standards, or develop more sustainable products, they strengthen trust and brand reputation. Clear communication therefore supports differentiation and long-term customer loyalty, especially in a regulatory environment where sustainability standards are highly visible. (Financial Times, 2025.)

From a financial perspective, sustainable finance is firmly established in European capital markets. Sustainable finance refers to the integration of environmental, social, and governance factors into financial decision-making in order to promote long-term value creation (European Commission 2025; EcoVadis, 2025). Data from the European Central Bank (ECB) showcases a

strong increase in sustainable debt securities and ESG-related financial instruments in recent years, demonstrating that sustainability considerations are now profoundly embedded in EU financial systems (European Central Bank, 2025). This growth indicates that lenders and investors increasingly rely on ESG information when evaluating long-term risks and opportunities.

Other stakeholders, including employees, suppliers, and affiliated partners, also derive value from ESG communication. Embedding ESG considerations into governance frameworks supports long-term value creation across the value chain (EcoVadis, 2025). Within European firms, stronger ESG engagement has been linked to higher employee engagement levels and improved governance practices in prior research (Financial Times, 2025). Transparent reporting also enhances accountability and strengthens trust-based relationships throughout the supply chain. In a regulatory environment characterized by strong disclosure requirements and expectations of responsible corporate behaviour, effective ESG communication can therefore contribute not only to financial performance but also to organizational stability and long-term resilience (EcoVadis, 2025).

### 3 The EU ESG Regulatory Environment and the Omnibus I Package

Following the widespread recognition of ESG considerations in the 21st century, the European Union has established one of the most comprehensive sustainability regulatory frameworks globally (OECD, 2025). The EU has positioned itself as a regulatory pioneer by adopting binding instruments that define how corporations integrate and communicate ESG-related activities (European Commission, 2025). Core elements of this framework include the Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy Regulation, and the EU Green Claims Directive (Figure 2). Collectively, these measures constitute the legal foundation of ESG governance in EU markets, establishing detailed reporting standards and defining the criteria by which economic activities are classified as sustainable. As a result, they substantially influence how corporations structure and implement their ESG communication. (European Commission, 2025.)



Figure 2. Timeline of Key EU ESG Regulations (Adapted from European Commission (2025; 2026))

Within this extensive framework, the most recent regulatory development is the Omnibus I Package. The package aims to simplify and consolidate reporting obligations, particularly by reducing the reporting scope for certain small and medium-sized enterprises (SMEs). By simplifying and harmonising reporting requirements, the reform aims to enhance regulatory clarity, reduce administrative burdens across the EU, and grant smaller corporations greater flexibility, enabling them to allocate resources more effectively on their core business activities. (European Commission 2025.)

This chapter examines the key regulatory instruments shaping ESG communication in the EU, with particular emphasis on the implications of the Omnibus I Package. It establishes the regulatory context necessary for assessing whether ESG communication continues to function as a strategic source of corporate competitiveness beyond mandatory EU reporting requirements, as analysed in the subsequent chapter.

### 3.1 The Corporate Sustainability Reporting Directive (CSRD)

Adopted by the European Commission in 2022 and entering into force in 2023, the Corporate Sustainability Reporting Directive (CSRD) establishes a comprehensive European Union (EU) framework for sustainability disclosure, building upon the Non-Financial Reporting Directive (NFRD) introduced in 2014. The directive requires large companies to provide standardized and comparable information on environmental and social risks, as well as the impacts of their operations on society and the environment (European Commission, 2025.). By enhancing transparency, consistency, and accountability in ESG reporting, the CSRD supports the objectives of the European Green Deal launched in 2019 (European Commission, 2026).

In practical terms, the scope of the CSRD is primarily determined by company size. A company qualifies as large if it meets at least two of the following three criteria: an average of more than 250 employees during the financial year, net turnover exceeding €40 million, or total assets above €20 million. In addition to

large companies, the directive also applies to listed small and medium-sized enterprises (SMEs) and certain non-EU companies meeting specified turnover thresholds. Based on the original size criteria, the CSRD was initially expected to extend mandatory sustainability reporting obligations to approximately 50,000 companies across the EU. (European Parliament, 2022.) However, the subsequent Omnibus reform package proposes a significant narrowing of this scope.

The CSRD is recognized as a central mechanism for corporate sustainability reporting within the EU sustainability regulatory framework. It provides the basis for standardized ESG disclosures and interacts with complementary instruments such as the EU Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR), which rely on sustainability data. (Latham & Watkins, 2025.) Through reporting standards, double materiality assessments, and third-party assurance requirements, the CSRD enhances the reliability and consistency of ESG communication across EU markets (European Commission, 2025).

### 3.1.1 EU Green Claims Directive

Proposed by the European Commission in 2023, the Green Claims Directive would introduce a common EU framework for substantiating and communicating voluntary environmental claims. The proposal followed the Commission's assessment showing that more than half of green claims in the EU were unclear or misleading, and around 40% lacked proper evidence. It also highlighted the existence of hundreds of environmental and energy labels with varying transparency and verification standards, leading to consumer confusion and uneven market conditions. (European Commission, 2026.)

The Directive aims to ensure that environmental claims are credible, comparable, and verifiable across Member States. Its purpose is to protect consumers from greenwashing, support informed purchasing decisions, and promote fair competition within the Single Market. Companies would be

required to substantiate their claims using recognised scientific evidence and obtain independent verification before communicating them. The rules specifically address claims related to recycled content, carbon neutrality, emission reductions over time, and quantified environmental footprint reductions, requiring that such statements are clearly defined, evidence-based, and transparently communicated. (European Commission, 2026.)

### 3.1.2 Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation entered into force in 2019 as a key element of the European Union (EU) sustainable finance framework. Its main objective is to reinforce transparency in the financial services sector regarding the integration of sustainability risks and the consideration of principal adverse impacts (PAIs). By introducing harmonised disclosure requirements across Member States, the Regulation aims to ensure greater consistency and comparability of sustainability related information, while also reducing the risk of greenwashing and strengthening investor confidence across EU capital markets. (European Commission, 2025.)

SFDR requires financial market participants and financial advisers to explain how sustainability risks are integrated into investment decision making and advisory processes. It also establishes product level disclosure categories with differentiated transparency obligations. Article 6 products do not promote sustainability characteristics, Article 8 products promote environmental or social characteristics, and Article 9 products pursue sustainable investment objectives. Through these obligations, SFDR promotes accountability, transparency and more informed and responsible capital allocation within the EU financial system. (Nordea, 2026.)

### 3.1.3 Corporate Sustainability Due Diligence Directive (CSDDD)

The Corporate Sustainability Due Diligence Directive (CSDDD) represents a salient expansion of the European Union's (EU) sustainability legislation. Adopted in 2024, the Directive sets forth legally binding obligations requiring certain large EU companies and non-EU companies operating within the EU market to identify and address risks associated with human rights violations and environmental impairment. Instead of focusing exclusively on transparency requirements, the CSDDD imposes substantive due diligence obligations, thereby redirecting the regulatory emphasis from mere disclosure towards how companies manage their actions and responsibilities in practice. (European Commission, 2026.)

The Directive requires companies to carry out structured due diligence processes covering their own activities, subsidiaries, and established value chain partners. These processes include risk identification, the implementation of preventive and corrective measures, the creation of grievance procedures, and ongoing evaluation of effectiveness. (Ministry of Economic Affairs and Employment, 2026.) Member States are tasked with supervising compliance and may impose penalties for infringements. By extending corporate responsibility beyond direct operations, the CSDDD seeks to emphasize responsible business practices and strengthen trust in EU market governance. (European Commission, 2026.)

### 3.1.4 EU Taxonomy Regulation

The EU Taxonomy is an EU wide classification framework that determines which economic activities can be regarded as environmentally sustainable. It applies science based technical screening criteria to assess whether activities substantially contribute to the Union's environmental objectives, such as climate change mitigation and adaptation. According to recent Commission data, approximately 22.7% of capital expenditure reported by large non-financial companies subject to EU reporting requirements in 2024 was Taxonomy-

aligned. In monetary terms, this corresponded to about 273 billion euros of Taxonomy aligned investments in 2024 alone. Alignment levels were particularly notable in the utilities sector, where roughly 44% of capital expenditure met the criteria. (European Commission, 2025.)

Although the Taxonomy does not require investors to allocate capital to specific sustainable assets, it aims to improve transparency and reduce misleading environmental claims. By standardising how environmental sustainability is defined and reported, the framework influences investment decisions and shapes financing conditions. Moreover, data reported under the Taxonomy, such as the share of turnover and capital expenditure that is compliant with its criteria, are increasingly used as reference points in long-term strategic planning. (Elinkeinoelämän Keskusliitto, 2021.) Simultaneously, expanding reporting obligations and the steady increase in Taxonomy aligned investments highlight its growing role in shaping capital allocation decisions and supporting the EU's climate and environmental objectives (European Commission, 2025).

### 3.2 The EU Omnibus I Package and its Implications for ESG Reporting Requirements

In 2025, the European Commission introduced the Omnibus I Package to revise and simplify the EU's sustainability regulatory framework, with its measures scheduled for phased implementation in the subsequent years. The reform primarily seeks to reduce regulatory complexity and administrative burden across the Member States. A central modification concerns the Corporate Sustainability Reporting Directive (CSRD), as the revised size thresholds considerably decrease the number of companies subject to mandatory ESG reporting. Furthermore, the initiative presents targeted adjustments to the EU Taxonomy Regulation, and the Corporate Sustainability Due Diligence Directive (CSDDD) to support coherence and facilitate implementation. Through these measures, the Omnibus I Package aims to strengthen EU competitiveness while maintaining the fundamental objectives of the Union's sustainable finance

framework as established under the European Green Deal. (European Commission, 2025; World Economic Forum, 2025.)

The most profound changes deal with the scope of the CSRD. Mandatory sustainability reporting is now restricted to companies employing more than 1,000 employees, thereby largely reducing the number of entities subject to disclosure obligations. In addition, selected corporations benefit from transitional relief measures, notably through the postponement of reporting requirements. (European Commission, 2025.) The EU Taxonomy Regulation is adjusted accordingly, aligning taxonomy-related disclosure obligations with the revised scope of the CSRD (World Economic Forum, 2025). Furthermore, the number of required data points is partly reduced by approximately 70%, resulting in considerable simplification of reporting processes (Malone et al., 2025). With respect to the CSDDD, due diligence obligations are narrowed predominantly on direct business partners, and the monitoring requirement is significantly reduced, replacing annual assessments with reviews conducted at five-year intervals, subject to specified conditions. (World Economic Forum, 2025.)

The Omnibus I Package has triggered accelerated debate regarding its practical relevance and the broader implications for corporate sustainability practices across industries (Cater & Gros, 2026). More specifically, companies that now fall outside the revised reporting scope are reassessing whether continued ESG communication delivers tangible strategic value (Rasche & Beyersdorff, 2025). In response to these developments, the following chapter addresses a central question: Does ESG communication remain a source of competitive advantage beyond mandatory EU reporting requirements?

## **4 Expert Insights on Corporate Competitiveness After the EU Omnibus I Package**

This chapter begins by illuminating the research methodology and background, followed by an examination of the study's findings. A summary of the key results is provided in Sub-chapter 4.6.

### **4.1 Research Methods & Background Info**

The research is based on semi-structured interviews conducted with five prominent consultancy firms: the Finnish divisions of PricewaterhouseCoopers (PwC), Ernst & Young (EY), KPMG, Deloitte Touche Tohmatsu (Deloitte), and Milton Group. Interviewees held positions such as Corporate Sustainability Lead, ESG Manager, Corporate Sustainability Manager, Senior Advisor, and Director, all with specialized expertise in sustainability matters. The selection of these companies was based on their superior competence and in-depth insight into sustainability practices, regulatory developments, and corporate ESG implementation, both within the Finnish context and internationally.

The research method was carried out in Finnish and selected for its ability to ensure consistency while retaining flexibility. Semi-structured interviews provided a comparable foundation by posing the same core questions to each participant, whilst also allowing space for in-depth discussion and personal insights. The interview framework was organized around three key themes:

1. ESG Communication and Competitiveness in the EU Market
2. Challenges, Risks, and Opportunities in the EU Regulatory Environment
3. Critical Areas and Practices of ESG Communication

Each theme included a set of guiding questions (see Appendix 1). Interviews were conducted both in person and remotely in December 2025 and January 2026, with 60 minutes allocated for each session. (Vahvaselkä et al., 2025–2026.)

#### 4.2 ESG Communication as a Competitive Requirement in EU Markets

To begin with, the findings suggest that ESG communication primarily functions as a source of competitive advantage in EU markets. Two (2) experts viewed it both as a baseline requirement and a competitive differentiator, while the remaining three (3) emphasized its role mainly as a competitive advantage. However, this latter group also recognized its increasing importance as a basic expectation in the future (Figure 3).

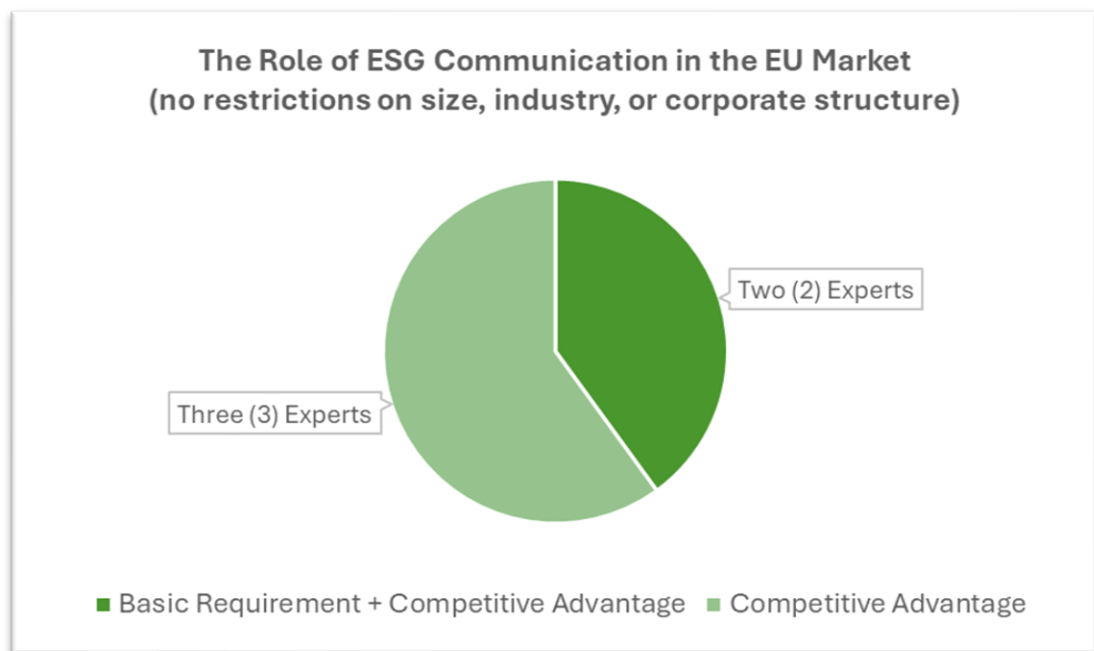


Figure 3. Data illustrating how interviewees perceive the role of ESG communication in the EU market, distinguishing between competitive advantage and basic requirement. (Author's own illustration based on interview data, 2025-2026)

The respondents reported that ESG communication in the EU reflects both regulatory influence and strategic value. Although strict EU regulation establishes credible ESG communication as a baseline expectation for large companies, it does not constitute a universal requirement for all firms operating in EU markets. Its relevance depends on industry, company size, ownership structure, and market orientation. When managed systematically, ESG

communication strengthens competitive positioning, signals organizational maturity, supports partner selection, and facilitates long-term growth and international expansion.

In addition, the results demonstrate that ESG communication plays a significant role in shaping corporate competitiveness in EU markets, especially from an international business perspective. For internationally active firms, transparent and credible ESG disclosure has become an important element in how customers, investors, and financiers assess corporate performance. In several cases, ESG information influences partnership decisions, supplier selection, and participation in value chains. It also serves as an indicator of a company's ability to manage risks and maintain long-term resilience. Nevertheless, the credibility of ESG communication depends on concrete sustainability actions, as unsubstantiated claims may create reputational risks. Compared to many non-EU markets, ESG communication holds greater strategic importance in the EU due to stricter regulation and higher stakeholder expectations. In sum, its contribution to competitiveness is most evident in strengthening long-term market positioning rather than generating immediate short-term advantages.

Specifically, the findings assert that ESG communication contributes to business success in the EU through concrete operational and financial channels. It plays a measurable role in tender procedures and procurement processes, where ESG criteria are increasingly embedded in formal requirements. In some situations, limited ESG disclosure may hinder entry into specific markets. ESG communication can also improve financing conditions and affect capital availability, as certain funding sources apply defined sustainability thresholds. For listed firms, ESG reporting supports structured investor relations. Furthermore, established reporting practices enhance efficiency in responding to stakeholder questionnaires, improve value chain transparency, and strengthen employer attractiveness. However, respondents highlighted that the relative importance of these factors varies across industries.

### 4.3 Contemporary Challenges and Risks of ESG Communication

The interviewees described the EU ESG regulatory environment as rapidly evolving and partly unpredictable. Results emphasized that overlapping and complex regulatory frameworks make interpretation challenging and complicate the identification of requirements most relevant to specific business operations. This regulatory ambiguity was found to hinder long-term planning of ESG communication. Moreover, complexity increases further for internationally active firms that must simultaneously comply with multiple regulatory regimes.

The findings also reveal that requirements related to environmental and sustainability claims have tightened significantly. ESG statements are expected to be precise, documented, and verifiable. Participants identified greenwashing as a major reputational and legal risk, particularly under increasing regulatory scrutiny. At the same time, several respondents noted the emerging risk of greenhushing, where companies deliberately limit ESG communication due to uncertainty or fear of non-compliance.

Collectively, the experts view that regulatory uncertainty creates a compliance–visibility paradox. Whereas inaccurate or exaggerated claims may lead to sanctions and reputational damage, overly cautious communication may weaken competitiveness, reduce visibility, and limit participation in ESG-driven markets and value chains.

Table 2. Data illustrating Key Challenges and Strategic Implications of ESG Communication in EU Markets (Author's own illustration based on interview data, 2025-2026)

<b><u>Thematic Dimension</u></b>	<b><u>Empirical Insight</u></b>	<b><u>Strategic Implication</u></b>
Regulatory Uncertainty	Evolving and Unpredictable EU ESG Framework	Limits Long-Term Planning
Regulatory Complexity	Overlapping Regulatory Frameworks	Increases Compliance Burden
Tightened Claim Requirements	Stricter Requirements for ESG Disclosures	Raises Legal and Reputational Risk
Greenwashing Risk	Misleading Sustainability Claims	Erodes Stakeholder Trust
Communication Paradox	Pressure for Transparency and Caution	Requires Balanced ESG Messaging

Table 2 presents the main themes and strategic implications obtained from the interview findings.

#### 4.4 Competitive Opportunities Through ESG Communication

All interviewees shared the view that EU ESG regulation creates competitive opportunities by enhancing the comparability and consistency of sustainability information. Harmonized reporting requirements were perceived to foster a more balanced competitive landscape by establishing common disclosure standards across markets. Concurrently, regulatory requirements create opportunities for differentiation, as credible and transparent ESG communication reinforces competitive positioning and signals organizational reliability and strategic maturity.

High-quality ESG communication was also associated with improved access to financing and investment capital. ESG reporting supports eligibility for financial instruments linked to the green transition and may positively influence financing conditions.

“High-quality ESG communication can improve access to financing and investment capital.” – Respondent X (Translated from Finnish)

In addition, strict EU regulation was seen to strengthen companies’ preparedness for emerging global standards, allowing EU-based firms to leverage their regulatory experience and ESG expertise as a competitive asset in international markets.

“EU companies can leverage ESG expertise as a competitive asset in international markets” – Respondent X (Translated from Finnish)

Following omnibus-related regulatory adjustments, voluntary ESG communication was perceived to play an increasingly important strategic role. As reporting requirements evolve, companies may have greater flexibility to differentiate themselves through proactive and transparent ESG initiatives.

“Regulation creates opportunities for differentiation through credible and transparent ESG communication” – Respondent X (Translated from Finnish)

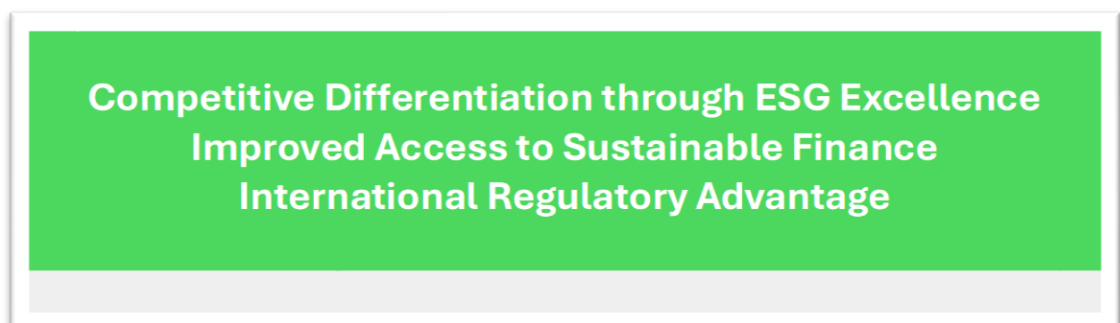


Figure 4. Data illustrating Competitive Opportunities Through ESG Communication in EU Markets (Author’s own illustration based on interview data, 2025-2026)

Interviewees noted that potential simplification of mandatory reporting could also free up organizational resources, enabling a stronger focus on concrete sustainability actions. Taken together, the results indicate when approached strategically, ESG communication extends beyond regulatory compliance and serves as a driver of sustained competitive advantage (Figure 4).

#### 4.5 Expert Recommendations for Competitive ESG Communication

Environmental responsibility emerged as the most critical ESG communication area for competitiveness in EU markets. Emissions reporting, science-based climate targets, and credible climate transition plans were particularly emphasized as central to competitive positioning. Social responsibility, especially human rights and labor conditions, was described as gaining increasing strategic importance in response to evolving stakeholder expectations. Governance related communication was viewed as reinforcing trust, transparency, and effective risk management, thereby supporting overall corporate credibility. Together, these ESG dimensions form the substantive basis of competitive communication in the EU context.

Competitive ESG communication should be grounded in materiality and linked to business strategy and core operations. Mandatory reporting alone was not sufficient for competitive advantage; strategic integration and value-driven communication were essential. ESG messaging must be tailored to stakeholder groups and, when embedded in business strategy, strengthens competitiveness and long-term positioning in EU markets.

Credible and effective ESG communication in the EU context is grounded in concrete sustainability actions rather than aspirational or symbolic statements. ESG claims must be measurable, documented, and verifiable to withstand regulatory scrutiny and stakeholder evaluation. Reliable ESG data was emphasized as a fundamental requirement, and external assurance, where feasible, was seen to further strengthen credibility. Third party verification was perceived to significantly enhance the legitimacy of disclosed information and reinforce stakeholder confidence.

Transparency, accuracy, and consistency across communication channels were identified as crucial characteristics of effective ESG messaging. Visible commitment from top management was considered a key credibility factor, signaling organizational accountability and long-term dedication. In addition, ESG must be genuinely integrated into corporate strategy and core business operations instead of treated as a separate reporting exercise. Communicating challenges, trade-offs, and areas for improvement was viewed as strengthening stakeholder trust, as openness about limitations enhances authenticity and reduces the risk of perceived greenwashing.

Table 3. Data illustrating Expert Recommendations for Competitive ESG Communication (Author's own illustration based on interview data, 2025-2026)

<b>1. Align ESG with Core Strategy and Business Operations</b>
<b>2. Ground ESG Communication in Materiality and Double Materiality Assessments</b>
<b>3. Move Beyond Compliance toward Strategic ESG Integration</b>
<b>4. Prioritize Environmental Responsibility, particularly Emissions and Climate Targets</b>
<b>5. Address Social Responsibility, including Human Rights and Labor Conditions</b>
<b>6. Strengthen Governance Communication to Enhance Trust and Risk Management</b>
<b>7. Tailor ESG Communication to Distinct Stakeholder Groups</b>
<b>8. Base Communication on Concrete Sustainability Actions</b>
<b>9. Ensure claims are Measurable, Documented, and Verifiable</b>
<b>10. Maintain High-Quality ESG Data and Pursue External Assurance where appropriate</b>
<b>11. Utilize Third-Party Verification to Reinforce Credibility</b>
<b>12. Ensure Transparency, Accuracy, and Consistency in Disclosures</b>
<b>13. Demonstrate Visible Top Management Commitment</b>
<b>14. Embed ESG within Organizational Practices and Decision-Making</b>
<b>15. Communicate Challenges and Trade-Offs Openly to Strengthen Trust</b>

Table 3 synthesizes expert recommendations for value creation derived from the interview outcomes.

#### 4.6 Key Summary of Findings

The empirical findings demonstrate that ESG communication remains strategically relevant for corporate competitiveness in EU markets following the Omnibus I reform. Although the revised framework reduces the number of companies subject to mandatory reporting, ESG communication is not perceived as losing importance. Rather, it is primarily understood as a source of competitive advantage and, for larger and internationally active firms, increasingly as a baseline expectation. This observation is consistent with earlier research highlighting that ESG communication can enhance transparency, stakeholder trust, and long-term value creation when integrated into corporate strategy (Travasi et al., 2025). Its competitive contribution is particularly evident in tender processes, procurement criteria, supplier selection, investor relations, and access to financing. In these contexts, credible ESG disclosure signals organizational maturity, structured risk management, and long-term strategic orientation. These findings also reflect previous studies suggesting that ESG practices and communication can positively influence financial performance and stakeholder decision-making (Whelan et al., 2021). However, the benefits identified are chiefly long-term, strengthening market positioning and resilience, with financial returns expected to materialize over time.

Furthermore, the results elucidate that the evolving EU regulatory landscape significantly influences ESG communication practices. Regulatory complexity, shifting disclosure requirements, and stricter verification standards increase compliance demands and heighten legal and reputational risks, especially concerning greenwashing. The remarks are aligned with prior research emphasizing the importance of credible and verifiable ESG communication to maintain stakeholder trust and avoid misleading sustainability claims (Casalegno et al., 2024). Conversely, excessive caution may result in greenhushing, thereby limiting corporate visibility and strategic opportunities. The findings therefore stress that competitive ESG communication must extend beyond formal compliance and be strategically embedded within core business

operations. It should be grounded in materiality assessments, supported by reliable and verifiable data, and aligned with broader corporate strategy. Transparency, consistency, third-party assurance, and visible top management commitment further strengthen credibility, which is also recognized in earlier literature on ESG communication and governance practices (Strauß et al., 2025). In sum, ESG communication continues to function as a strategic instrument for sustaining stakeholder trust and long-term competitiveness in EU markets beyond mandatory reporting obligations.

## 5 Conclusions

The objective of this thesis was to assess whether ESG communication remains a source of competitive advantage for SMEs that fall outside the revised mandatory reporting scope after the EU Omnibus I Package. The analysis was based on interviews with five leading international consultancy firms working at the forefront of ESG advisory: the Finnish divisions of PricewaterhouseCoopers (PwC), Ernst & Young (EY), KPMG, Deloitte Touche Tohmatsu (Deloitte), and Miltton Group. These firms were selected due to their extensive experience in advising companies on sustainability strategy, regulatory compliance, and ESG implementation in both Finnish and international markets.

The findings show that ESG communication is still widely seen as a competitive advantage and, in some cases, increasingly as a basic market expectation in the EU context. In particular, it was linked to better access to financing, stronger performance in tenders and procurement processes, improved investor relations, and greater long-term credibility in the market. ESG communication was also viewed as supporting risk management, partner selection, and international growth. Overall, the results suggest that even when not legally required, ESG communication can play an important role in strengthening a company's competitive position and long-term resilience.

This paper adds value by providing insight into the strategic relevance of ESG communication within the evolving EU sustainability regulatory landscape. The findings indicate that even in the absence of mandatory reporting requirements, ESG communication can support corporate competitiveness and long-term market positioning.

The study is limited as it relies exclusively on consultancy firms' perspectives rather than the direct experiences of SMEs. Future research should include SME surveys or interviews and compare firms that maintain ESG communication with those that reduce it following Omnibus I to better assess long-term impacts.

Artificial intelligence tools were utilized during the preparation of this thesis solely for language refinement, namely correcting minor grammatical errors and reducing repetition.

To conclude, the writing of this study proved to be a valuable learning experience. Most notably, the opportunity to conduct interviews with professionals at the forefront of the field was highly enriching. The development of the interview framework was found to be especially vital, as it functioned as the backbone of the thesis.

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## Interview Framework

English (EN)

Part 1: ESG Communication and Competitiveness in EU Markets

- How does ESG communication affect companies' competitiveness in EU markets from the perspective of international business?
- In what concrete ways does ESG communication support companies' success in the EU (e.g., customers, investors, market access)?
- In your opinion, is ESG communication in EU markets more of a competitive advantage or a basic requirement? Why?

Part 2: Challenges, Risks, and Opportunities in the EU Regulatory Environment

- What are the key challenges and risks in ESG communication within the EU regulatory environment?
- What opportunities does EU ESG regulation offer for companies' competitiveness?
- How do differences in ESG communication between the EU and non-EU markets affect companies' international competitiveness?

Part 3: Critical Areas and Practices of ESG Communication

- Which areas and practices of ESG communication are most important for companies' competitiveness in EU markets?
- What makes ESG communication credible and effective in the EU context?

Suomi (FI)

Osa 1: ESG-viestintä ja kilpailukyky EU-markkinoilla

- Miten ESG-viestintä vaikuttaa yritysten kilpailukykyyn EU-markkinoilla kansainvälisen liiketoiminnan näkökulmasta?

- Millä konkreettisilla tavoilla ESG-viestintä tukee yritysten menestystä EU:ssa (esim. asiakkaat, sijoittajat, markkinoille pääsy)?

- Onko ESG-viestintä EU-markkinoilla mielestäsi enemmän kilpailuetu vai perusedellytys? Miksi?

Osa 2: Haasteet, riskit ja mahdollisuudet EU:n sääntely-ympäristössä

- Mitkä ovat keskeisimmät haasteet ja riskit ESG-viestinnässä EU:n sääntely-ympäristössä?

- Millaisia mahdollisuuksia EU:n ESG-sääntely tarjoaa yritysten kilpailukyvyille?

- Miten EU:n ja EU:n ulkopuolisten markkinoiden ESG-viestinnän eroavat toisistaan yritysten kansainvälisen kilpailukyvyn näkökulmasta?

Osa 3: Kriittiset ESG-viestinnän osa-alueet ja käytännöt

- Mitkä ESG-viestinnän osa-alueet ja käytännöt ovat tärkeimpiä yritysten kilpailukyvyn kannalta EU-markkinoilla?

- Mikä tekee ESG-viestinnästä uskottavaa ja toimivaa EU:n kontekstissa?