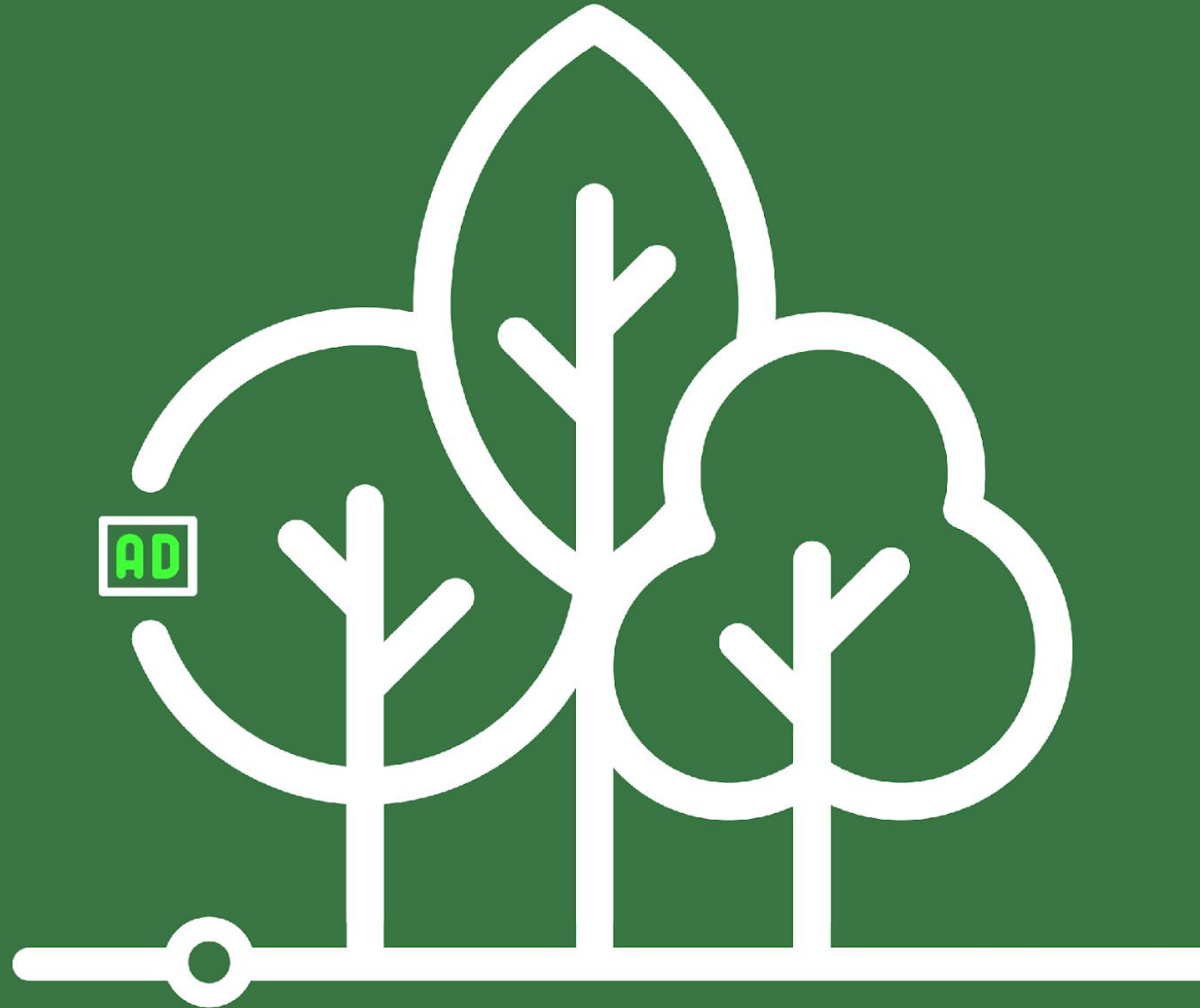


THE FUTURE OF EU REGULATION ON SUSTAINABILITY



EU POLICY & REGULATORY LANDSCAPE



PARIS AGREEMENT 2016

- Keep global warming to no more than 1.5°C
- Emissions need to be reduced by 45% by 2030
- Emissions need to reach net zero by 2050
- Nationally Determined Contributions (NDCs) :
 - Achievement of its long-term goals.
 - Efforts by each country to reduce national emissions and adapt to the impacts of climate change.

EU GREEN DEAL 2020

- EU updated and enhanced NDC:
 - Reduce emissions by at least **55% by 2030**

*The European **Green Deal** is a roadmap to realign Europe's economy with the trajectory to net zero, help implement the **Paris Agreement***



THE EU TAXONOMY REGULATION, 2020.

EU's sustainable finance framework and an important market transparency indicator of sustainable activities.

A classification system establishing a list of environmentally sustainable economic activities, by substantial contribution to at least **one of the EU's climate and environmental objectives.**

THE EU TAXONOMY REGULATION, 2020

4 conditions economic activity to qualify as environmentally sustainable:

- Substantial contribution to min. one environmental objective;
- No significant harm to any of the other five environmental objectives;
- Complying with minimum safeguards; and,
- Complying with the technical screening criteria set out in the Taxonomy delegated acts.



1

Climate change mitigation



2

Climate change adaptation



3

Sustainable use and protection of water and marine resources



4

Transition to a circular economy



5

Pollution prevention and control



6

Protection and restoration of biodiversity and ecosystems



CORPORATE SUSTAINABILITY REPORTING DIRECTIVE, 2023

- January 2023, entry into force
- Requires companies to **report on the impact of corporate activities on the environment and society**, and requires the audit (assurance) of reported information in their annual reports to what extent their activities
 - covered by the EU Taxonomy (Taxonomy-eligibility)
 - comply with the criteria set in the Taxonomy delegated acts (Taxonomy-alignment).
- Report according to European Sustainability Reporting Standards (ESRS)



Corporate Sustainability Reporting Directive, 2023 (CSRD)

Scope

- All listed companies in the regulated market
- All large companies exceeding to of the three following criteria:
 - 250 employees
 - Balance sheet total EUR 20 million
 - Net turnover EUR 40 million
- Non-EU companies:
 - Generating more than EUR 150 million and with a subsidiary in the EU
 - Subsidiary: listed companies or large company
- Subsidiary exemption: if the parent undertaking produces a consolidated sustainability report that conforms with the CSRD.

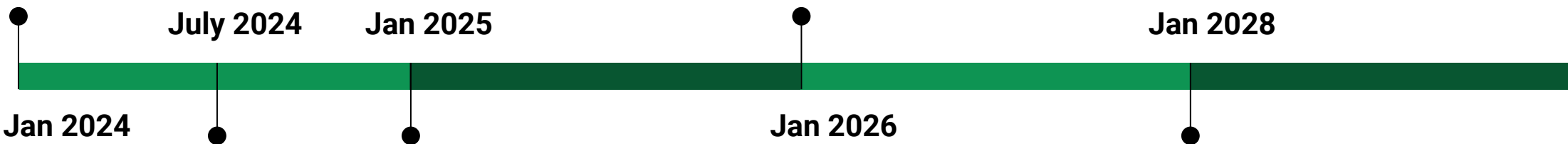
CSRD, WHEN RULES WILL START APPLYING?

Companies within scope of the NFRD

First reports in 2025 for companies in scope of the NFRD

Listed SMEs

First reports 2027



Other large companies

First reports in 2026.

Non-EU companies with branches/subsidiaries

First reports in 2029

End Transposition Period

Member States will have to transpose the CSRD into domestic law. Disclosure requirements will be applied incrementally from 2024 to 2028.

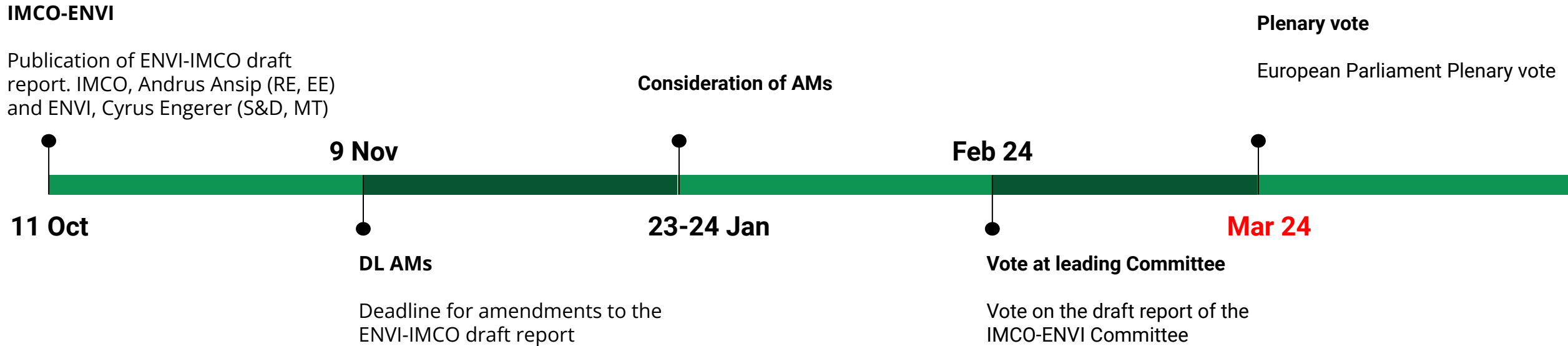


Each MS when transposing the CSRD into national law, they will introduce its own penalties

LIVE LEGISLATION



GREEN CLAIMS DIRECTIVE - Timeline



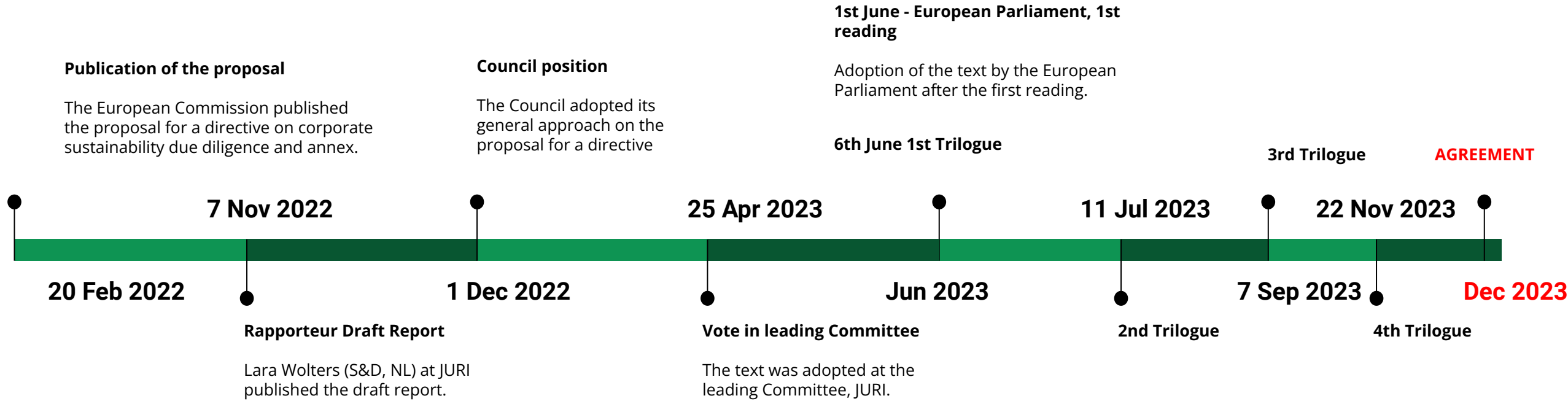


GREEN CLAIMS DIRECTIVE - OVERVIEW

- Substantiation and communication of explicit environmental claims (Green Claims Directive) lay down new rules to stop companies from making **misleading claims about the environmental merits of their products and services and allow consumers to make informed environmental choices.**
- Lex specialis to Unfair Commercial Practices Directive (& Empowering Consumers for the Green Transition)
- **Scope of application:** business-to-consumer commercial communication & applies only to voluntary, explicit environmental claims

CORPORATE SUSTAINABILITY DUE DILIGENCE

Timeline





CSDDD (December agreed text)

- **The CSDDD covers:** Companies caused human rights adverse impacts and environmental adverse impacts concerning their operations, the operations of their subsidiaries, and the operations carried out by their business partners in companies' chains of activities
- Obligations under the CSDDD include:
 1. Integration of due diligence and risk management systems into companies' policies
 2. Identification and assessment of potential adverse impacts
 3. Prevention and mitigation of potential adverse impacts
 4. Establishing and maintaining notification mechanisms and complaints
 5. Monitoring the effectiveness of due diligence policies and measures
 6. Public communication
- Removal of the Director's Duty provision
- **Timeline:**
 - Member States will have **2 years** to transpose
 - Obligations will start for larger companies in **3 years**



CSDDD

Scope

Large companies

- **Group 1:** 500+ employees and net EUR 150 million+ turnover worldwide.
- **Group 2:** company did not reach threshold but is the parent company of a group that reaches EUR 150 million+ turnover worldwide or subsidiary closes to them the chain of control/ EUR 40+ turnover worldwide from franchising or licensing agreements in the EU with royalties that amount to EUR 7.5 million +.
- **Group 3:** 250+ employees and net EUR 40+ million turnover worldwide, and operating in defined high impact sectors, e.g. textiles, agriculture, extraction of minerals. For this group, the rules start to apply two years later than for group 1.
- Non-EU companies:
 - Generating more than EUR 150 million and with a subsidiary in the EU
 - Subsidiary: listed companies or large company



CSDDD & CSRD

- CSDDD scope is smaller to the CSRD's but in the case both apply to a company, there are a number of **synergies between the 2**.
- The CSRD focuses on improving **sustainability reporting** by setting specific disclosure requirements and reporting standards for companies in scope.
- CSDDD is focused on **due diligence** regarding human rights and environmental impacts. It aims to ensure that companies identify, assess, and manage sustainability risks and impacts within their operations and supply chains.
- An integrated approach to sustainability involves **aligning sustainability due diligence with reporting**. The CSDDD sets out obligations for companies to have a transition plan that ensures strategy and business model are compatible with what the CSRD requires to report, as it is aligned with the EU Sustainable Finance Framework.
- CSDDD exemption in relation to companies complaint with the CSRD:
 - Report on their sustainability efforts (Article 11)
 - Adopting and putting into effect a transition plan for climate change mitigation (Article 15)

File Name	Corporate Sustainability Due Diligence Directive (CSDDD)	Green Claims Directive (GCD)
Scope of Application	<p>Large EU companies:</p> <p>Group 1: +/- 9,400 companies - 500+ employees and net EUR 150 million+ turnover worldwide.</p> <p>Group 2: +/- 3,400 companies in <u>high-impact sectors</u>. - 250+ employees and net EUR 40+ million turnover worldwide, and operating in defined high impact sectors, e.g. textiles, agriculture, extraction of minerals. For this group, the rules start to apply two years later than for group 1.</p>	<p>Business-to-consumer commercial substantiation and communication of voluntary environmental claims and labelling.</p>
Object	<p>Ensure that businesses address the harmful impacts of their actions, including in their value chains inside and outside Europe.</p>	<p>Ensure that environmental claims in textual form made by companies are clear, accurate, and reliable.</p>
Status	<p>Passed on 14 December</p>	<p>EP discussions POSTPONED. Consideration of AMs and CAs end of January 2024</p>
Risk	<p>Low</p>	<p>Low</p>

WHAT WILL HAPPEN IN THE FUTURE?



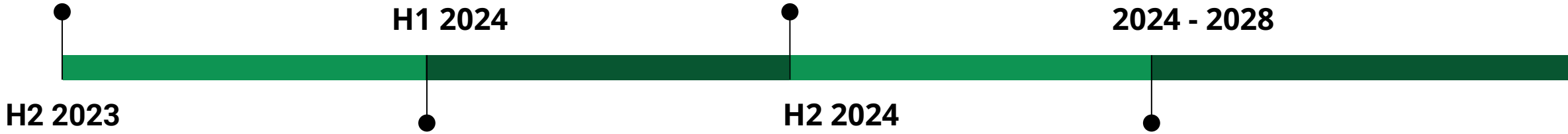


December 2023

Finalisation of the Corporate Sustainability Due Diligence Directive

June 2024

EU Parliament Elections



H2 2023

H1 2024

H2 2024

2024 - 2028

Beginning of 2024

Finalisation of the Green Claims Directive (GCD).

NEW EU term

Political agenda could include Sustainability as one of the priorities to reduce EU emissions to 55% by 20230

QUESTIONS?

