

xBRL EUROPE

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Sustainability reporting - Overview of regulations

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Agenda

1. Overview of regulations
 2. EU Taxonomy Regulation
 3. CSRD
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INTRODUCTION



Overview of Global ESG Regulatory Reporting

	ISSB IFRS S1 + S2	EU CSRD/ESRS	US SEC Rule
Region	Global baseline – dependent on jurisdictional adoption	EU	US
Developed by	International Financial Reporting Standards Foundation	European Financial Reporting Advisory Group (EFRAG)	United States Securities and Exchange Commission
Initial Filing Year	2024	2024	TBA (if enacted, 2025 for climate risks, 2026 for emissions)
Treatment of specific topics	Broader sustainability covered in IFRS S1, climate-specific in IFRS S2	Two general sustainability reporting standards, ten issue specific, environmental (5), Social (4), Governance (1)	Single climate standard
Disclosure	Single Materiality (financial)	Double Materiality (both financial and impact)	Single materiality (financial)
For Whom	For profit-oriented entities, including public sector business entities, dependent on local jurisdictional adoption	All entities subject to the EU CSRD- ultimately nearly all sizable EU entities and certain non-EU entities	Phase in period, initially starting with large accelerated filers

Journey to CSRD and ESAP

Accounting Directive Entered into Force 2013	Amended Transparency Directive 2013/50/EU	Non Financial Reporting Directive	European Single Electronic Format (ESEF)	EU Taxonomy Regulation	Corporate Sustainability Reporting Directive (CSRD)	European Single Access Point (ESAP)
Ensure clarity and compatibility of financial statements	Harmonisation of the transparency requirements relating to information about issuers whose securities are admitted to trading on a regulated market	Accounting Directive Amended to include NFRD in annual reporting	Publication of Commission Delegated Regulation (EU) 2019/815 setting up ESEF May 2019	Article 8 Disclosures on information on how and to what extent the activities are associated with environmentally sustainable economic activities	Publication of European Sustainability Reporting Standards (ESRS) in the Official Journal December 2022	Entry into force of the Regulation establishing a European Single Access Point (ESAP) Regulation

EU TAXONOMY REGULATION (Art. 8)

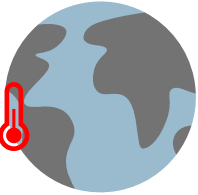


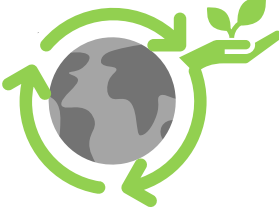

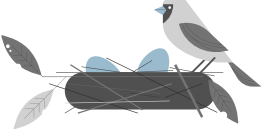
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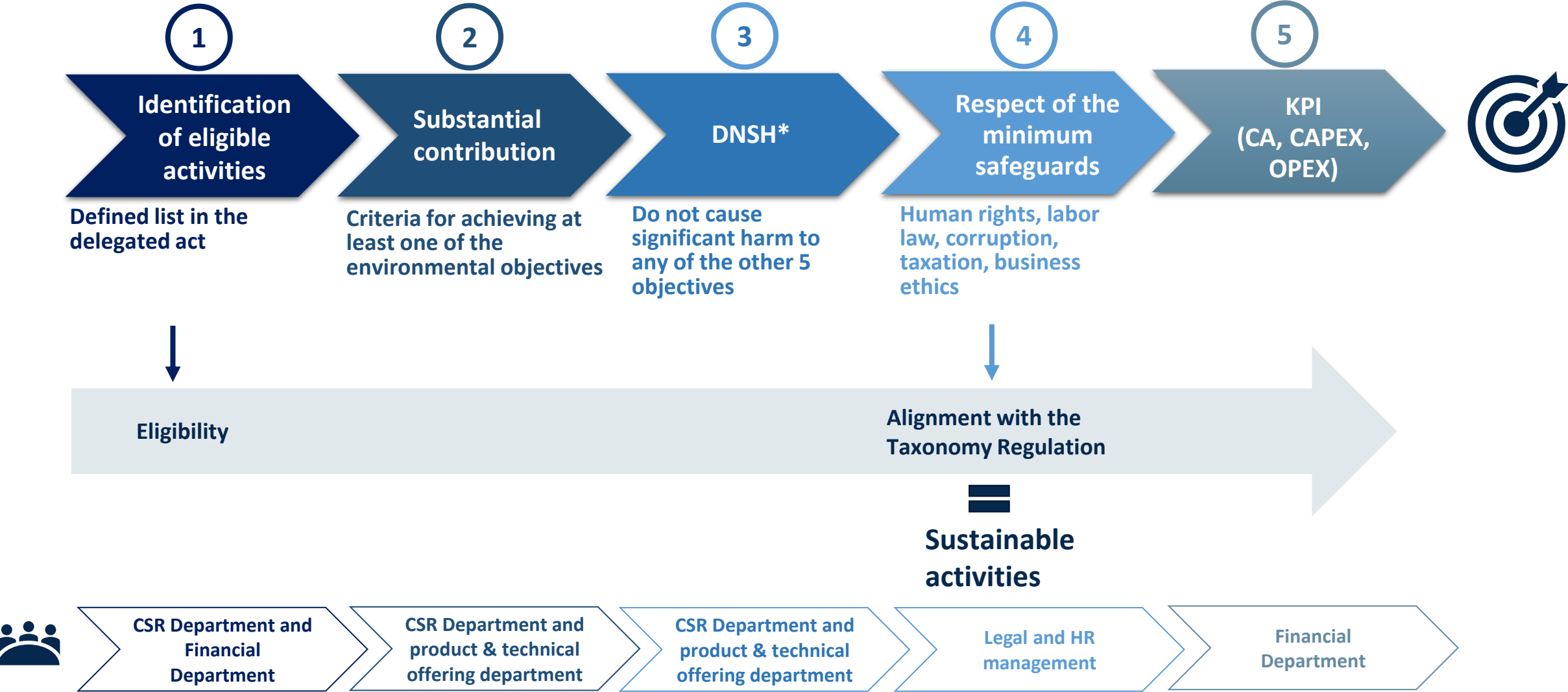
Taxonomy Regulation : What is it?

A **classification system** establishing a list of environmentally sustainable economic activities

A sustainable activity is defined according to 6 environmental objectives:

Climate change mitigation 	Climate change adaptation 	Sustainable use and protection of water and marine resources 	Transition to a circular economy 	Pollution prevention and control 	Protection and restoration of biodiversity and ecosystems 
« Climate » Delegated Act		« Environmental » Delegated Act			

Taxonomy Regulation : Alignement in 5 steps



* DNSH : Dot Not Significant Harm

Turnover table

Financial year N	Year			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") ⁽⁸⁾									
Economic Activities (1)	Code ⁽²⁾	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency	%	Y; N; N/EL ⁽¹⁾ ⁽²⁾	Y; N; N/EL ⁽¹⁾ ⁽²⁾	Y; N; N/EL ⁽¹⁾ ⁽²⁾	Y; N; N/EL ⁽¹⁾ ⁽²⁾	Y; N; N/EL ⁽¹⁾ ⁽²⁾	Y; N; N/EL ⁽¹⁾ ⁽²⁾	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

Activity 1			%							Y	Y	Y	Y	Y	Y	Y	%		
Activity 1 ⁽¹⁾			%							Y	Y	Y	Y	Y	Y	Y	%	E	
Activity 2			%							Y	Y	Y	Y	Y	Y	Y	%		T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%		
Of which enabling			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%	E	
Of which transitional			%	%						Y	Y	Y	Y	Y	Y	Y	%		T

A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) ⁽¹⁾

				EL; N/EL ⁽¹⁾	EL; N/EL ⁽¹⁾	EL; N/EL ⁽¹⁾	EL; N/EL ⁽¹⁾	EL; N/EL ⁽¹⁾	EL; N/EL ⁽¹⁾										
Activity 1 ⁽¹⁾			%	EL	EL				EL								%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%	%	%	%	%	%	%								%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)			%	%	%	%	%	%	%										

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities			%																
TOTAL			100 %																

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	%	%
CCA	%	%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

CSRD (*Corporate Sustainability Reporting Directive*)

3

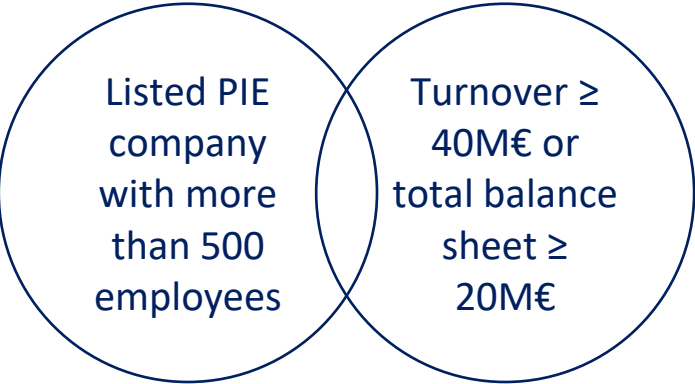


CSRD and sustainable report : For whom ? And when ?



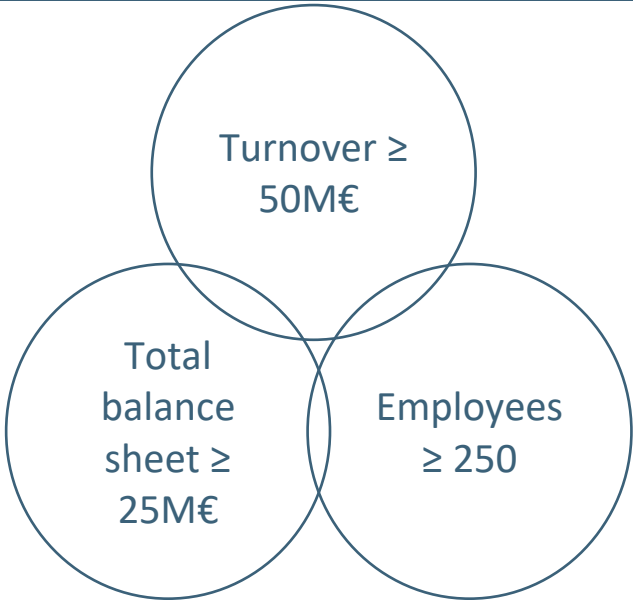
Publication in 2025 on the year 2024

Companies already subject to the NFRD directive



Publication in 2026 on the year 2025

Large companies (according to the Accounting Directive) based in the EU or listed on an EU regulated market, exceeding 2 of the 3 thresholds:



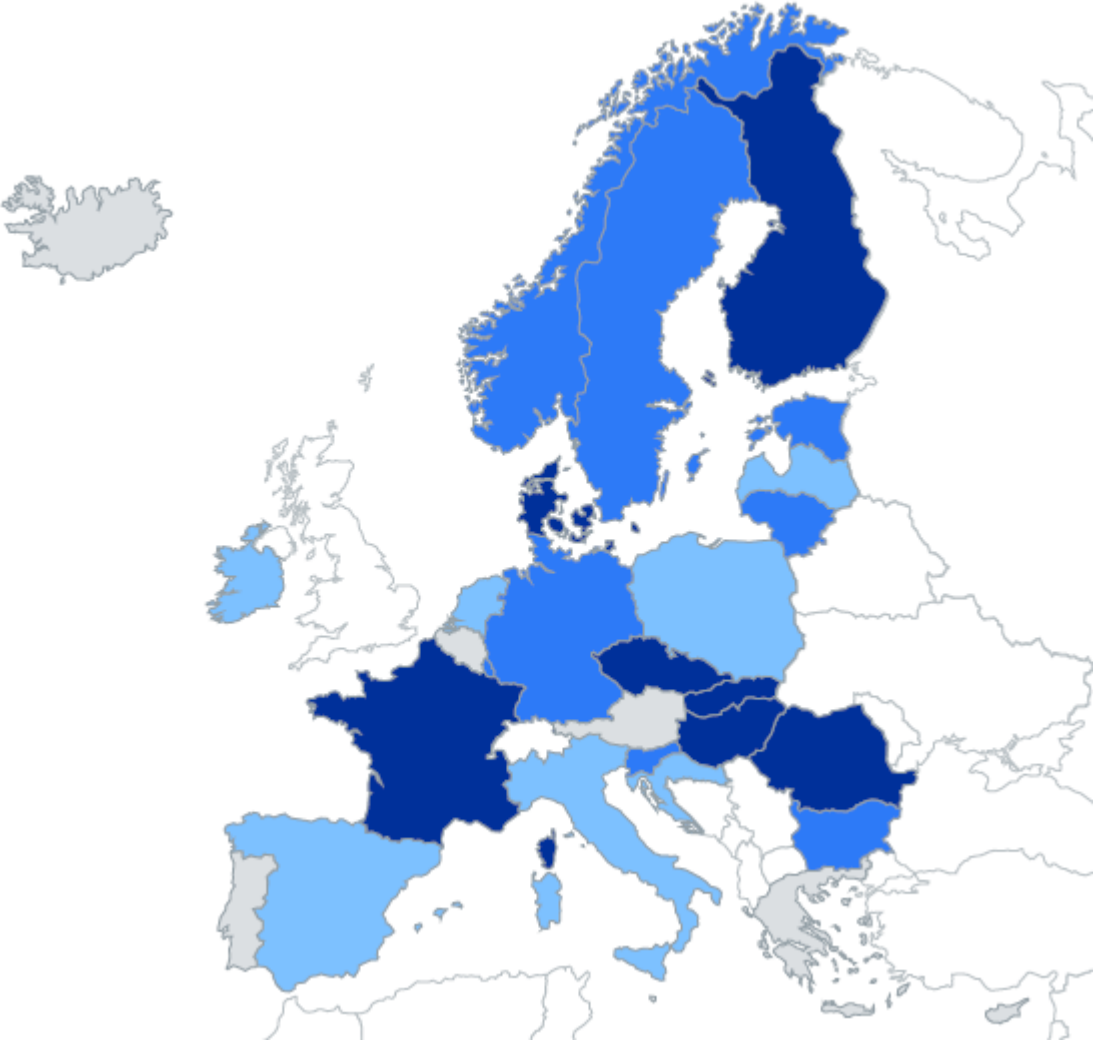
Publication in 2027 on the year 2026

Listed SMEs, small and non-complex credit institutions, and captive insurance companies

Possible exemption for SMEs, during a transitional period: exemption until 2028



CSRD : Transposition in European countries



Current Stage:

- 7 Consultation Held
- 8 Implementing Legislation Introduced
- 8 Implementing Legislation Approved

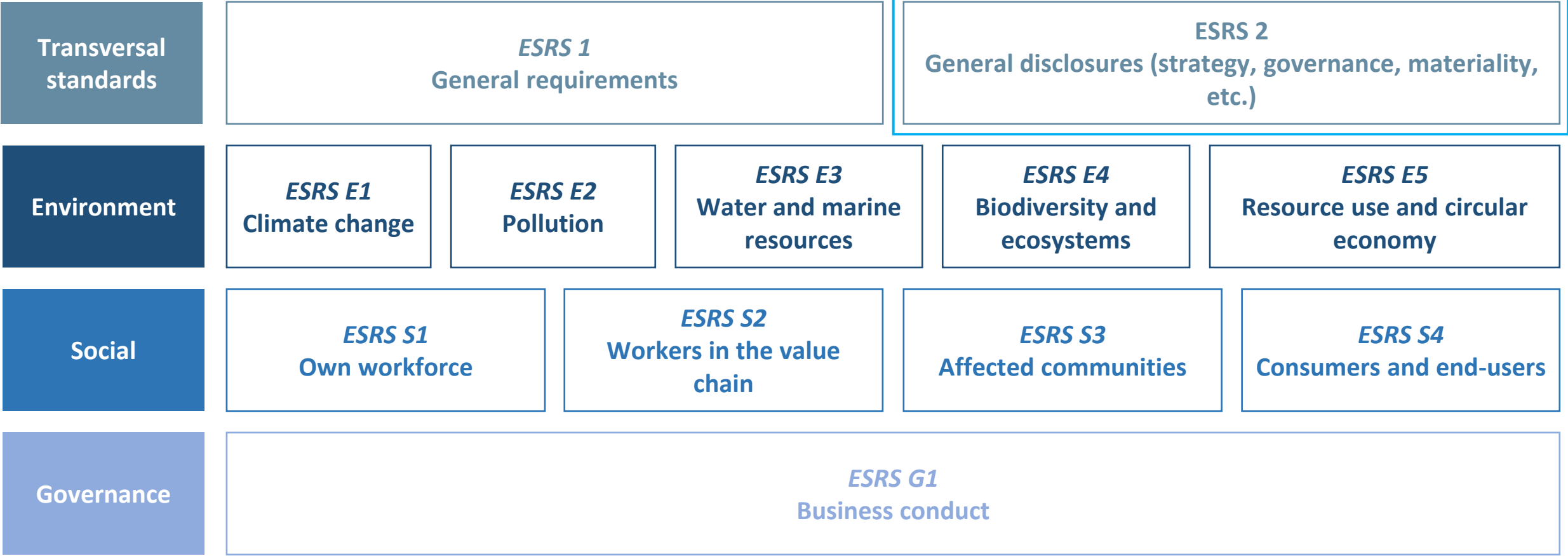
27 EU Member States and 3 EEA EFTA Countries

Information presented as of April 30, 2024

Source : <https://www.ropesgray.com/en/insights/alerts/2024/05/ropes-gray-publishes-april-2024-updates-to-eu-wide-csrd-transposition-tracker>

12 European Sustainability Reporting Standards (ESRS)

+1000 data points
(~1/3 quantitative)



All standards are subject to double materiality analysis except ESRS 2 which is mandatory.



Information to know about the sustainability report

Integration of the information required under the Taxonomy regulation

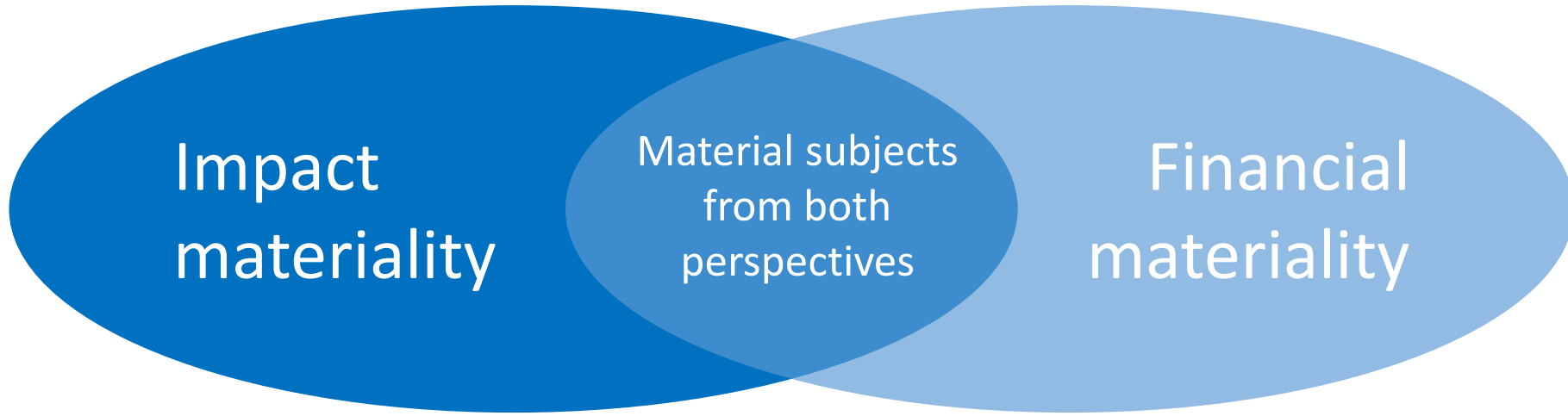
Publication in a separate section of the management report

Connectivity with financial statements

Digitalization of the sustainability report

Audit of the sustainability report

Double materiality (or double importance) : what is it?



GRI standards compatibility

Significant impacts on the population or the environment in the short, medium or long term linked to the company's own activities and its value chain



Needs of other users of sustainability reports

Sustainability issues that give rise to risks or opportunities that have a significant influence on the development of a company, its financial position, its financial results, etc. in short, medium or long term



Needs of key users of financial information

ISSB standards compatibility

Possible overlaps between these two information needs



Conclusion

**Links between
Taxonomy
Regulation and
CSRD**

Green Deal

Digitalization

**In the future :
sector-specific
standards**



Appendix



Activity example - Taxonomy Regulation

Title and description of the activity

7.7. Acquisition and ownership of buildings
Description of the activity
 Buying real estate and exercising ownership of that real estate.

The economic activities in this category could be associated with NACE code L68 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Description of the technical review criteria for substantial contribution to the objective studied

Technical screening criteria

Substantial contribution to climate change mitigation

- For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15 % of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.
- For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.
- Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment ⁽³⁰⁵⁾.

Description of the DNSH (=Do Not Significant Harm) technical review criteria
 → Do not cause significant harm to other objectives

Do no significant harm ('DNSH')

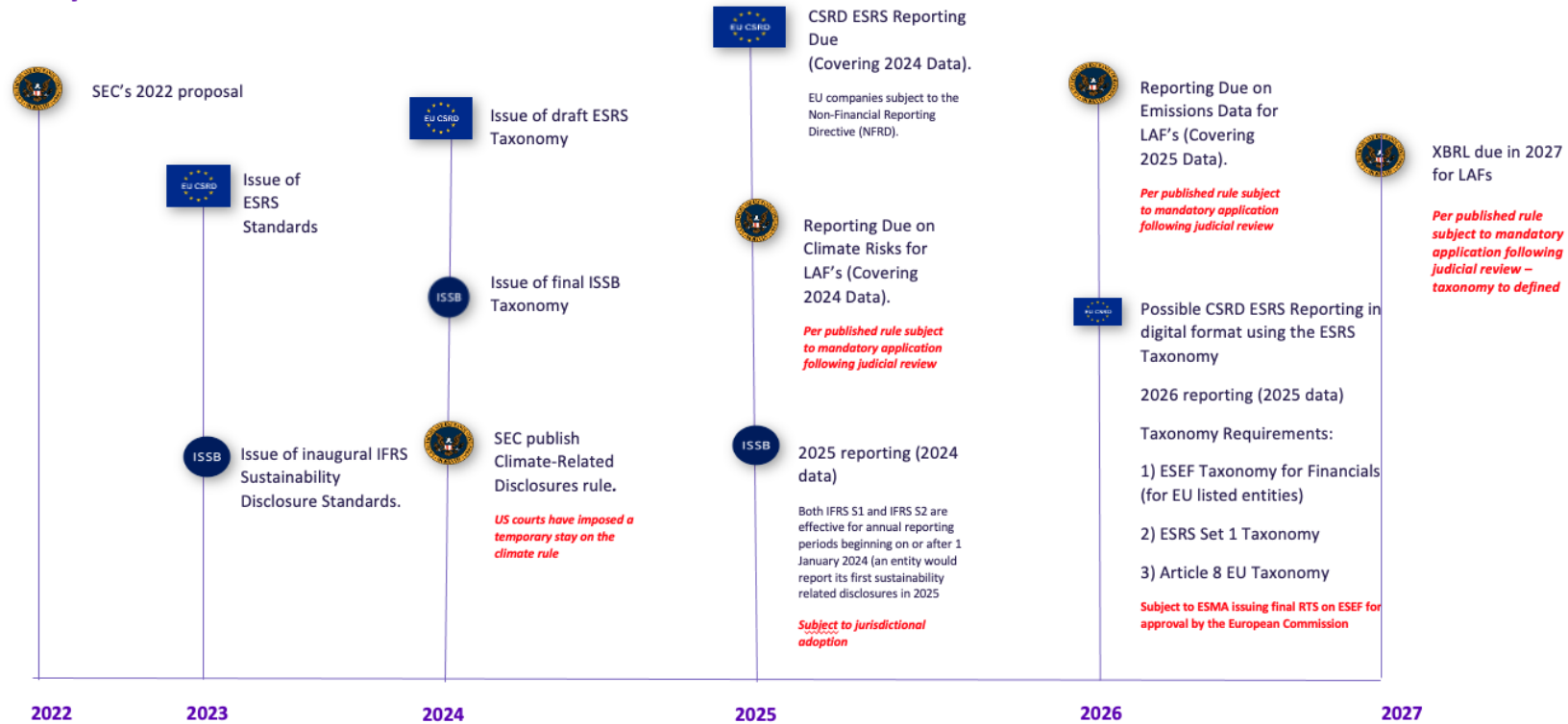
(2) Climate change adaptation	The activity complies with the criteria set out in Appendix A to this Annex.
(3) Sustainable use and protection of water and marine resources	N/A
(4) Transition to a circular economy	N/A
(5) Pollution prevention and control	N/A
(6) Protection and restoration of biodiversity and ecosystems	N/A

Sectors concerned by the Taxonomy Regulation

16 sectors with around a hundred activities retained in the Climate delegated act and around thirty in the Environment delegated act	Mitigation	Adaptation	Water	Circular Economy	Pollution	Biodiversity
Forestry	X	X				
Environmental protection and restoration activities	X	X				X
Manufacturing	X	X	X	X	X	
Energy (including gas and nuclear)	X	X				
Water supply, sewerage, waste management and remediation	X	X	X	X	X	
Transports	X	X				
Construction and real estate activities	X	X		X		
Information and communication	X	X	X	X		
Professional, scientific and technical activities	X	X				
Financial and insurance activities		X				
Education		X				
Human health and social work activities		X				
Arts, entertainment and recreation		X				
Accommodation activities						X
Disaster risk management		X	X			
Services				X		

Multi-Jurisdictional Reporting Requirements for large companies

Key Dates



Sources

GRI CSRD Essentials : <https://www.globalreporting.org/search/?query=CSRD+Essentials>

ESRS-ISSB Interoperability Guidance : <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/esrs-issb-standards-interoperability-guidance.pdf>

Taxonomy Regulation : <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852>

- Climate Delegated Act: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2021:442:FULL> and https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302485
- KPIs : <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178>
- Environmental Delegated Act (+ new tables) : https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

CSRD : <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464>

- ESRS : https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302772
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