



Responsible Business,
Better Future.

Overview of legislative developments in Europe

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**Responsible Business,
Better Future.**

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10.000 Enterprises in Continuous Learning, Transformation & Collaboration



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The European Business Network on Corporate Sustainability & Responsibility

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CSR Europe is the leading European business network for **Corporate Sustainability and Responsibility**.
 With our corporate members, National Partner Organisations (NPOs), and Associated Partners, we unite, inspire & support
 over 10,000 enterprises at local, European and global level.



The foundations of the European reporting framework

(1) EU CSR Forum 2002-2014

(2) Commissioner Barnier and the EU Directive for the disclosure of non-financial information

(3) SDG Platform



INTEGRATED REPORTING <IR>

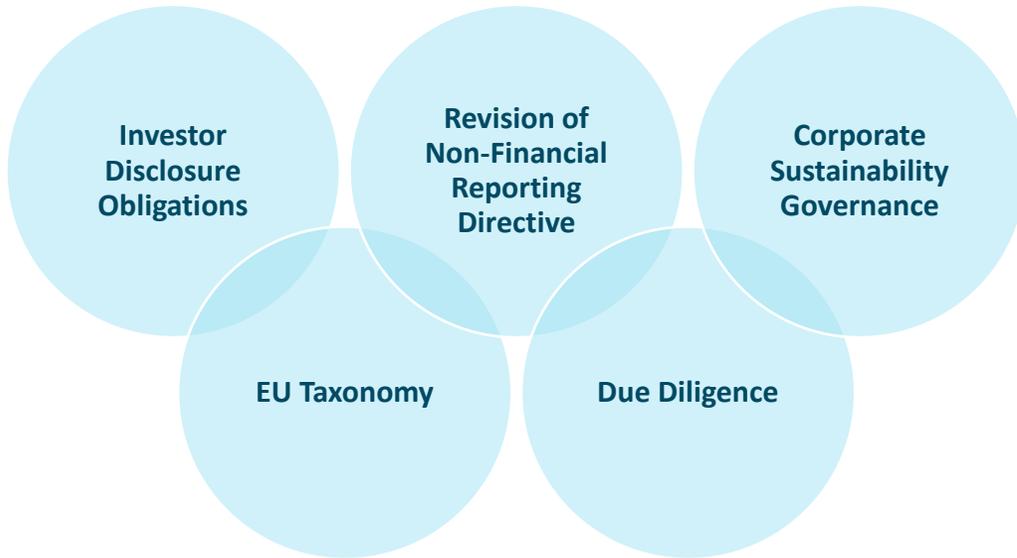


BUSINESSEUROPE

+
others

The current status of reporting in Europe

EU agenda is moving fast...



But corporate disclosure is still very weak



- 1) Few companies provides sufficient non-financial info
- 2) Company are good in describing policies, not outcomes and performance
- 3) Companies current practices are not sufficient to understand impacts and risk management



- 1) Reporting is done through different format and frameworks – GRI preferred tool
- 2) Despite reporting is resource-intensive exercise, company appreciate its results
- 3) NFRD implementation raised awareness of ESG matters by executives and the Board



The EU Agenda on Sustainable Finance and ESG Reporting

EFRAG Lab Final Reports

- (1) Non-Financial Reporting Standards
- (2) Business Model and ESG Risks



Non-Financial Reporting Directive

European Commission proposes revision of the Directive



Sustainable Corporate Governance

Proposal of new corporate obligations on due diligence and clarification of director duties on sustainability

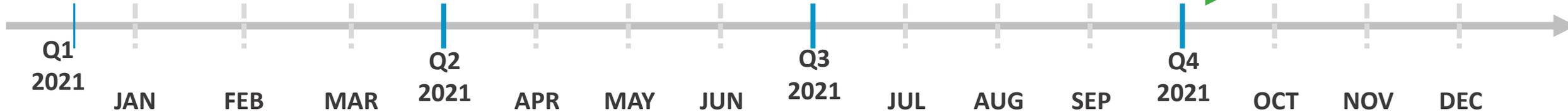


EU Taxonomy on climate disclosure obligations

Disclosure obligations on climate mitigation and adaptation comes into effect



Negotiation of Commission's NFRD proposal by co-legislators



Sustainable Finance Disclosure Regulation

Level 1 disclosure (principle-based requirements) comes into effect under the new obligations for financial market to disclose ESG risks

Sustainable Finance Strategy

Following 2018 Action Plan on Sustainable Finance, the renewed strategy will fit in the framework of the Green Deal

Delegated Acts EU Taxonomy

- 1) Company disclosure obligations
- 2) Climate mitigation and adaptation criteria

Single access point for sustainability data

EU legislative proposal on digital access point for ESG and financial information

Delegated Acts EU Taxonomy

Delegated Act on water, circular economy, biodiversity and pollution



Key points of this expected revision proposal

Expansion of the scope

- EU DNFI 2.0 for 41.000+ large companies
- EU DNFI 2.0 'light' for 40 to 60 000 SMEs

Mandatory reporting standards ?

- Mandatory Key Performance Indicators
- Qualitative criteria for disclosure of forward-looking information

Other specific elements likely to be included in the revision:

- **Climate transition** plans including time horizons + alignment with Science-Based Targets
- **Governance** and integration of sustainability in the corporate strategy + **HR and environment due diligence**
- Clarification of the **double materiality** principle (which refers to both the financial impacts stemming from sustainability topics and corporate impacts on people and the planet).
- **Integration** of sustainability reporting within annual reports.
- The specification of **mandatory assurance**.

CURRENT IMAGE

An unbalanced landscape of approaches to sustainability of supply chains: the example of cobalt

Impact oriented action

Standards and requirements

Pressure

Laws

Pilots

Due diligence

An entire industry of policies, standard setters, conferences, blueprints, guidance, auditors, law-makers, academics, ...

Practical improvement approaches with local stakeholders

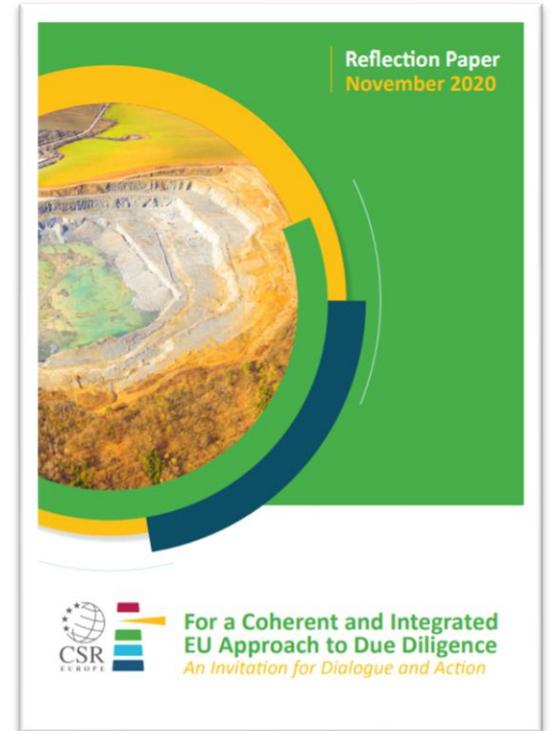




FOR A COHERENT AND INTEGRATED EU APPROACH TO DUE DILIGENCE

Reflection paper, November 2020

1. Creation of **European Sector Dialogues & Alliances**
2. Development and expansion of **collaborative platforms** to boost local capacity-building and explore new financial incentives for measurable solutions
3. Access to **existing and new mechanisms**
4. Campaigns to provide **visibility** to recognise the efforts of companies and sector and cross sector initiatives
5. Implementation of **accompanying measures**, explicitly recognising that legislation alone is not enough to make a real change ‘on the ground’



Collaborative action and the adoption of a smart mix of approaches is needed. This is the only way forward to achieve more responsible supply chains and a positive impact on the environment, people and communities.



Focus on Climate Disclosure

Where is climate-related reporting going?

The Task Force on Climate-related Financial Disclosure's report shows **how climate reporting should look like**.

Key disclosure:

- **Governance**
- **Strategy**
- **Risk management**
- **Metrics and Targets**

**TCFD
Recommendations**

**EU Climate
Taxonomy
Disclosure
obligations**

**Non-
Financial
Reporting
Directive**

The 2021 revision will align the Non-Financial Reporting Directive with both the TCFD and Taxonomy disclosure obligation for companies

The EU Taxonomy **defines what can be considered as sustainable**.

The Taxonomy looks for now at **climate mitigation and adaptation**, defining criteria and performance thresholds for economic activities.

It is a tool for investors and companies.

Companies will need to disclose:

- 1) **Proportion of total turnover** derived from taxonomy-aligned activities
- 2) **Proportion of capital expenditures (CAPEX) and/or operating expenses (OPEX)** for taxonomy-aligned activities

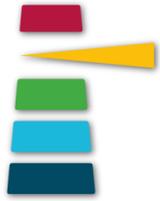
Focus on Climate Disclosure

How do companies report on climate today?

EFRAG Lab Task Force on Climate Reporting – key outcomes:

- Company reporting on climate **still not adequate**
- Rarely enough explanation on if/how companies' **business model and strategy are resilient to climate risk**. Very difficult to understand how climate risks are evaluated and measured.
- Good at reporting policies but **less good at reporting how they monitor or perform** against policies and targets
- Need to improve **reporting of strategy and risks over different time horizons**





European Reporting Lab

Structure of the Lab



- Facilitated by the European Financial Reporting Advisory Group (EFRAG)
- Stimulate innovations in corporate reporting by identifying and sharing good practices
- Three Project Task Forces (PTFs)





European Reporting Lab

Main outcomes until now



EFRAG

European Reporting Lab

New standard setter in EU?

Consultation on governance:

- 1) Build on the work already done by PTFs
- 2) Ensure alignment between different policy
- 3) Balance different interests and expertise
- 4) Integrate global and sectoral standard to ensure comparability

Climate-Related Reporting

Ended in February 2020

Report
How to improve climate related reporting



ESG Risks and Business Model

Ongoing until February 2021

Outreach consultation (open until end 20 Feb)
Online survey at [this link](#)

ESG reporting Standard

Ongoing until February 2021

Outreach webinars in different countries
Recording available [here](#)



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Thank you!

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