# WHAT DOES THE CSRD MEAN FOR U.S. BUSINESSES?

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# Agenda

# Overview of the CSRD

01

# Basic Concepts of CSRD Reporting

- **The CSRD**, adopted in Jan. 2023, significantly expanded prior non-financial reporting directive requirements in the EU to include sustainability reporting requirements.
  - **“Sustainability” is used in the broadest sense** to encompass environmental, social, and governance topics.

- The CSRD **is not directly applicable law** but needs to be **implemented (“transposed”) into national laws** of EU member states. Gold-plating is possible! Only after national implementation will all details ultimately be known.

- CSRD reporting must be part of the **management report**, XHTML-Format with XBRL-Tags.

- **Limited assurance** on full sustainability report required (standards forthcoming) by **statutory auditor** (feasibility of “reasonable assurance” to be assessed by EU Commission until October 1, 2028).
  - CEAOB issued interim limited assurance guidelines in September.

# Overview – CSRD Implementation in EU Member States & EEA States


*As of November 19, 2024

# Applicability of CSRD

# Determining In-Scope Entities

- **EU subsidiaries of non-EU entities** in most cases only affected in **financial years starting on/after January 1, 2025 (reporting in 2026)**.

- Reporting obligations will primarily apply to **EU "large" undertakings or groups**, which meet 2 of the following criteria:
  (i) **balance sheet total > €25M**
  (ii) **net turnover > €50M**
  (iii) average number of **employees > 250** during financial year (special rules apply to financial institutions and insurance)

- Special rules apply to so-called **"Public Interest Entities" (PIE)**, EU subsidiary with securities admitted to EU regulated market or a regulated entity (bank, insurance): (i) applicability begins for financial year starting on/after January 1, 2024, subject to certain requirements and (ii) lower thresholds apply in following years.

> ***Net turnover*** *is defined as turnover minus sales rebates, VAT and other taxes directly linked to turnover. (Special rules apply to insurance undertakings and credit institutions.)*

# ESRS: Structure & System of the Standards

## Cross-Sector Standards

**ESRS 1 – General Principles**
Binding concepts and principles for the preparation of sustainability reports

**ESRS 2 – General Disclosure**
Basis for preparation, Governance, Strategy, Impact, risk and opportunity management, Metrics and targets

### Environment (E)

- ESRS E1: Climate change
- ESRS E2: Pollution
- ESRS E3: Water and marine resources
- ESRS E4: Biodiversity and ecosystems
- ESRS E5: Resource use and circular economy

### Social (S)

- ESRS S1: Own workforce
- ESRS S2: Workers in the value chain
- ESRS S3: Affected Communities
- ESRS S4: Consumers and end-users

### Governance (G)

- ESRS G1: Business conduct

*Sector-agnostic standards have been adopted, but sector-specific standards are still to come in 2026.*

Expected sector standards relate to Textiles, Accessories, Footwear, Jewelry / Coal, Quarries & Mining / Road Transport / Food & Beverages / Energy Production & Utilities / Agriculture, Farming & Fisheries / Oil & Gas / Motor Vehicles

EFRAG working paper of **N**on-**E**U **S**ustainability **R**eporting **S**tandards (NESRS) available

# Reporting Considerations: *How to Report*

02

# Reporting Options
# **Overview**

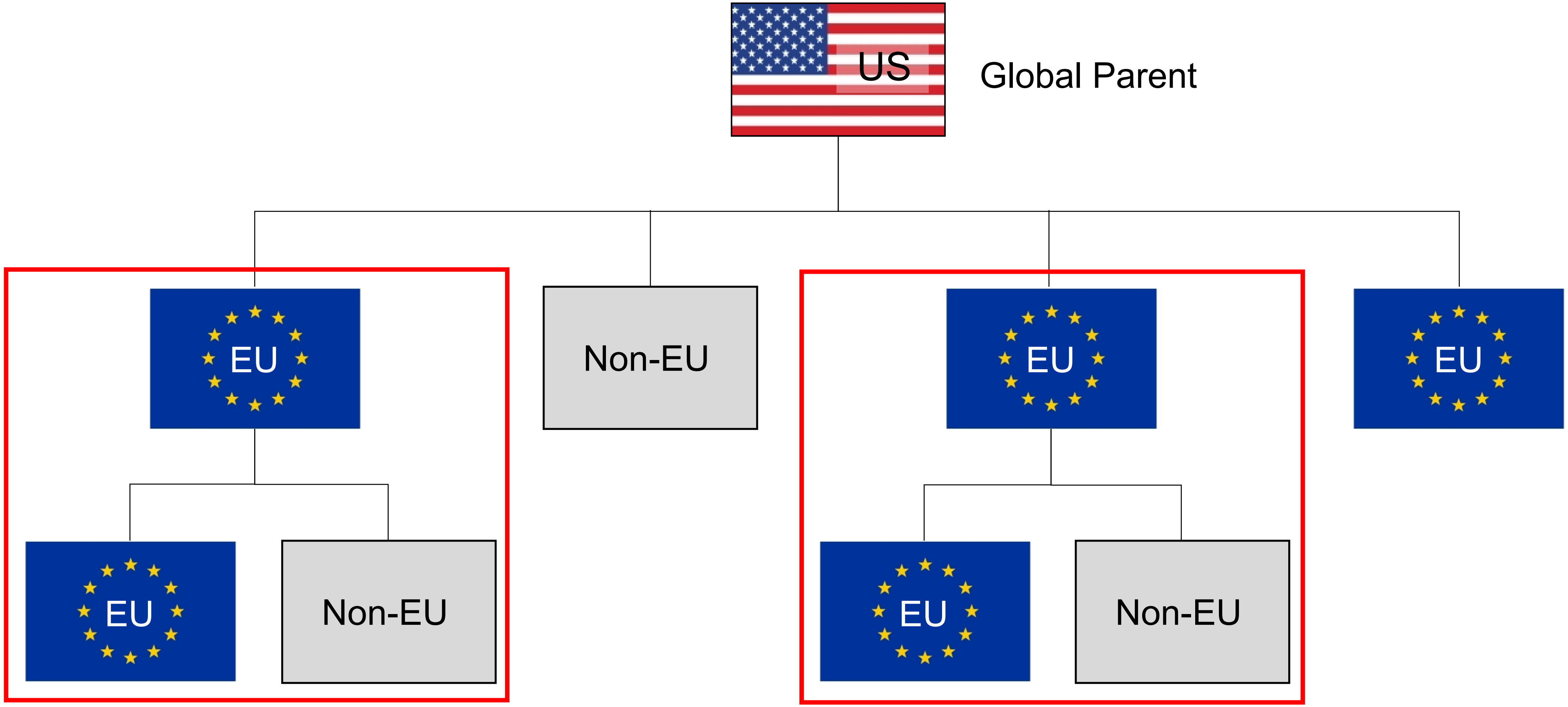
## EUROPEAN REPORTING

- **Several (consolidated) EU Sustainability Statements** by all in-scope EU entities
- **One artificially consolidated EU Sustainability Statement** of all in-scope EU entities
  - Available until January 2030
- **Additional Global Report to EU Sustainability Statement(s)**
  - Mandatory for financial years starting on/after January 1, 2028
  - Does not exempt in-scope EU entities form their reporting obligations
  - **N**on-**E**U **S**ustainability **R**eporting **S**tandards (NESRS) apply (impact materiality only, option to exclude impact outside EU, taxonomy not required)

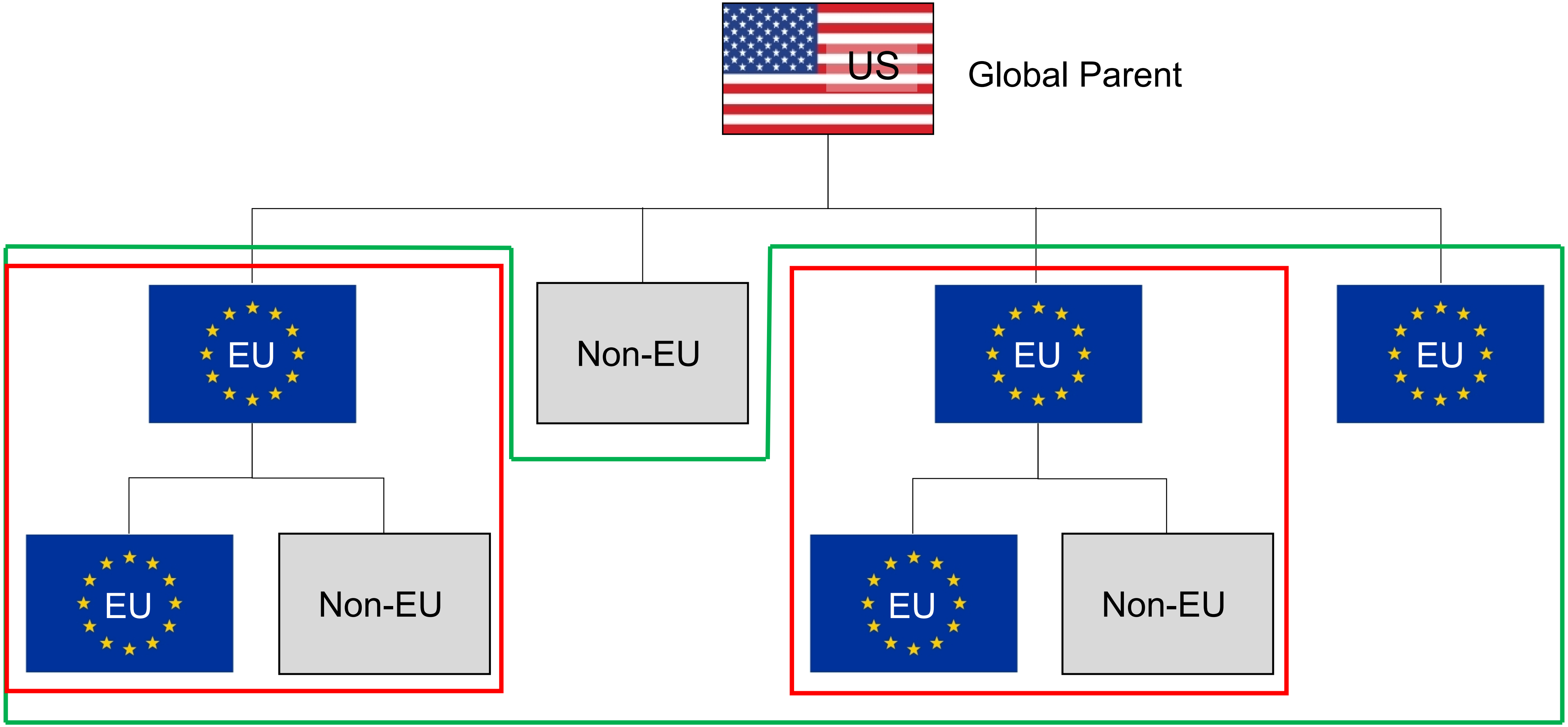
## GLOBAL REPORTING

- **Global Consolidated Report by ultimate non-EU (US!) parent** (voluntary)
  - Does exempt in-scope EU entities form their reporting obligations
  - General Reporting Standards (ESRS) apply; specific reporting standards still outstanding (to be adopted by June 30, 2026)

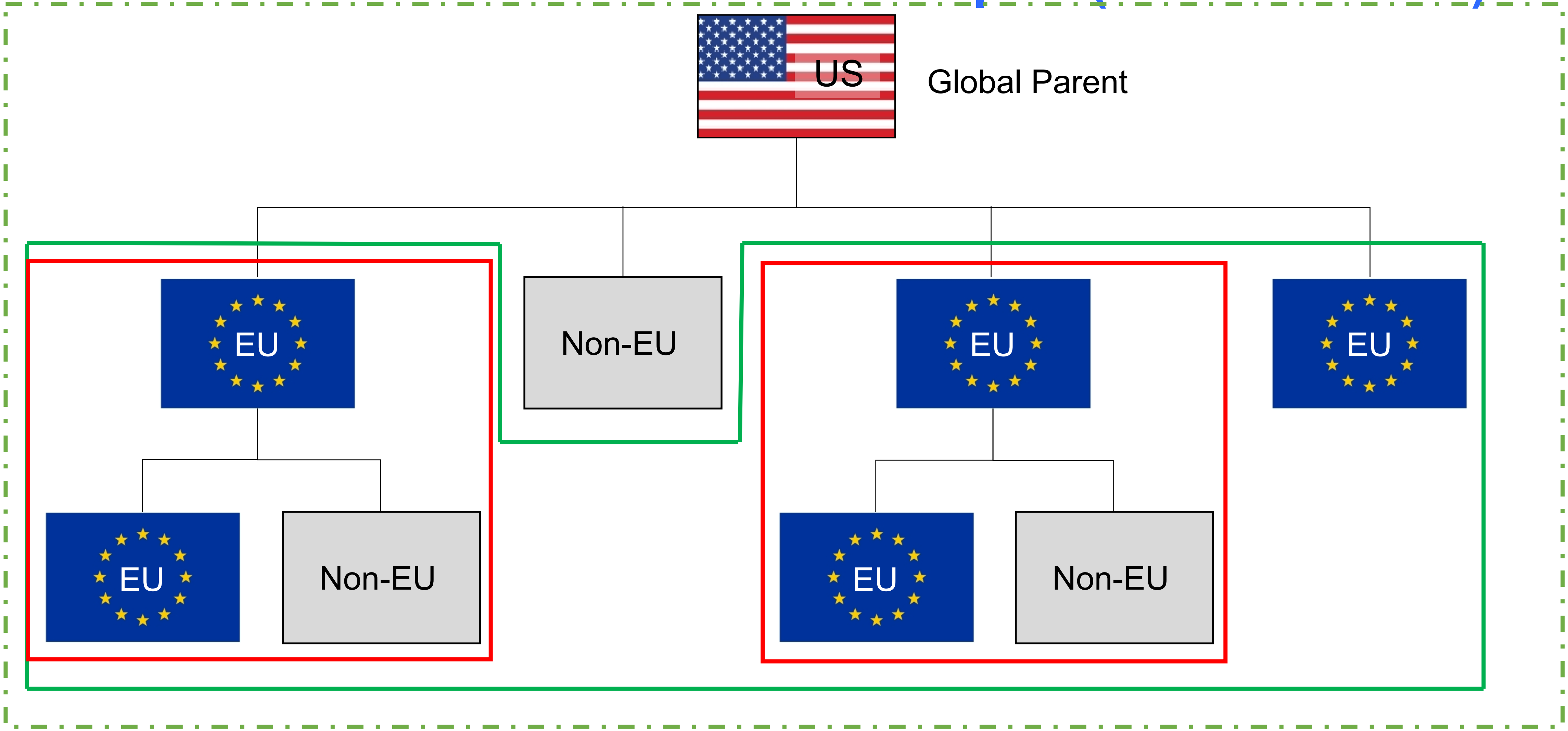
# Reporting & Consolidation Options: Separate EU Entity Statements



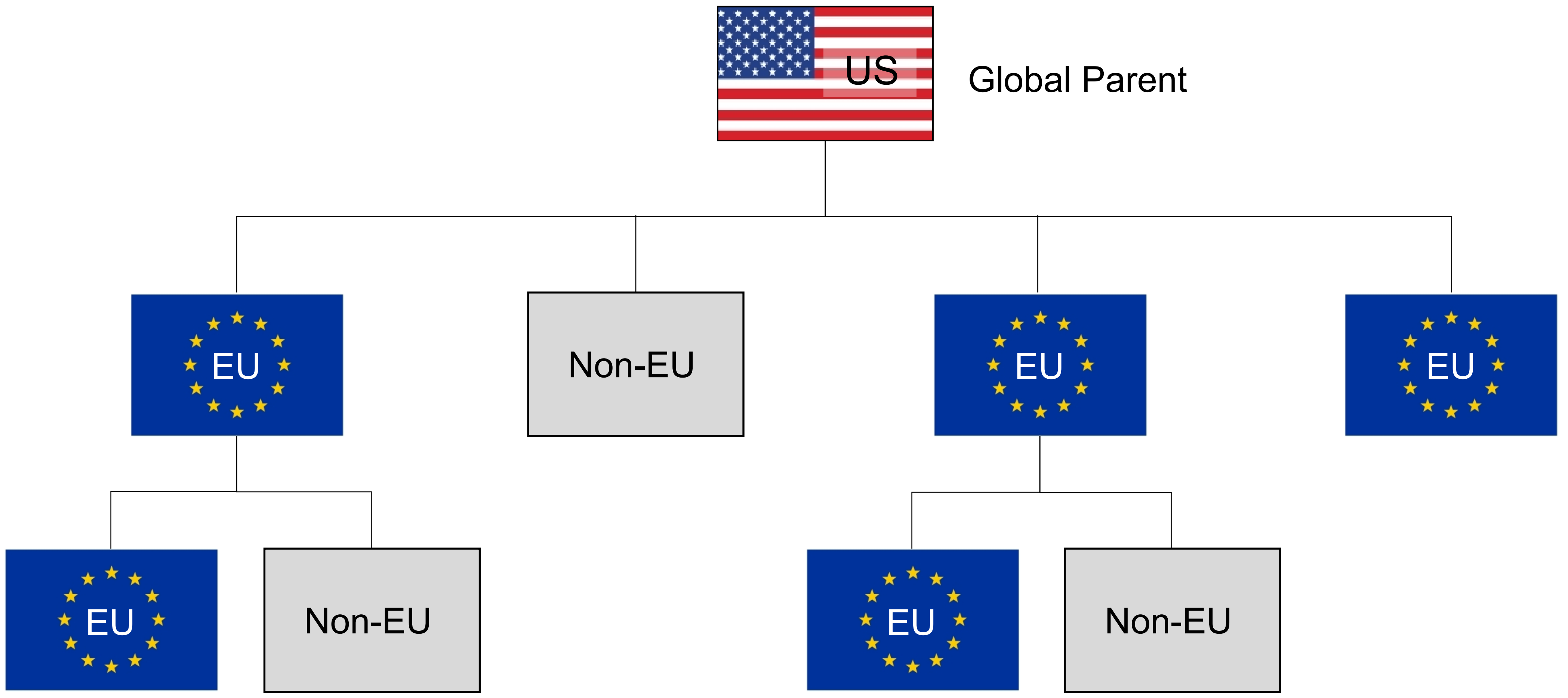
# Reporting & Consolidation Options: (Artificially) Consolidated EU Statement



# Reporting & Consolidation Options: EU Statement plus Global Report (for FY 2028 on)



# Reporting & Consolidation Options: Global Parent Report



# European Reporting Considerations

## POTENTIAL BENEFITS

- **Time to ramp up** data collection and reporting processes
- **Minimizes exposure** to U.S. securities and other laws & U.S. investors (though reporting may still be publicly accessible), including in event of errors or misstatements
- May benefit from **decreased U.S. parent-level reporting requirements**, but time will tell as non-EU company reporting standards evolve
- EU **regulatory review process differs** from SEC comment and review process

## POTENTIAL CHALLENGES

- **Not always consistent** with global organization segments / business lines
- Sustainability reporting controls **may not exist** for the data
- Data may be **difficult to disaggregate to entity-level**
- **Local directors** will be responsible for sign-off and subject to liability, and may need additional support and education on requirements and risks

# Global Reporting Considerations

## POTENTIAL BENEFITS

- Disclosure **resources and controls** may exist at the **global-level**
- **Consistency / efficiency**
- **Historically** report on sustainability matters on a global basis (and will need to do so eventually)

## POTENTIAL CHALLENGES

- Increased **visibility and litigation risk in the U.S.**
- **Over-reporting** - CSRD/ESRS reporting requirements go **well beyond SEC rules or California law**. CSRD/ESRS require reporting **across topics,** not just for emissions
- Limited visibility on **reporting standards for non-EU entities** (envisaged by CSRD) and none on what will be considered **equivalent reporting**
- CSRD reporting must be part of the **management report** with **assurance by auditor** – equivalent outside Europe unclear
- Still **need to disaggregate** certain information

# Reporting Considerations

## *What to Report: IROs & (Double) Materiality Assessment*

03

# CSRD: Double Materiality Assessment

## Impacts, Risks and Opportunities (“IROs”)

- Identify Impacts, Risks and Opportunities (IROs) related to sustainability matters
- Look in particular at (i) ESRS list, (ii) prior sustainability reports, (iii) international frameworks, such as the OECD Guidelines (iv) stakeholders engagement and (v) question whether anything beyond this could be relevant.

## **Financial Materiality** (outside-in view)

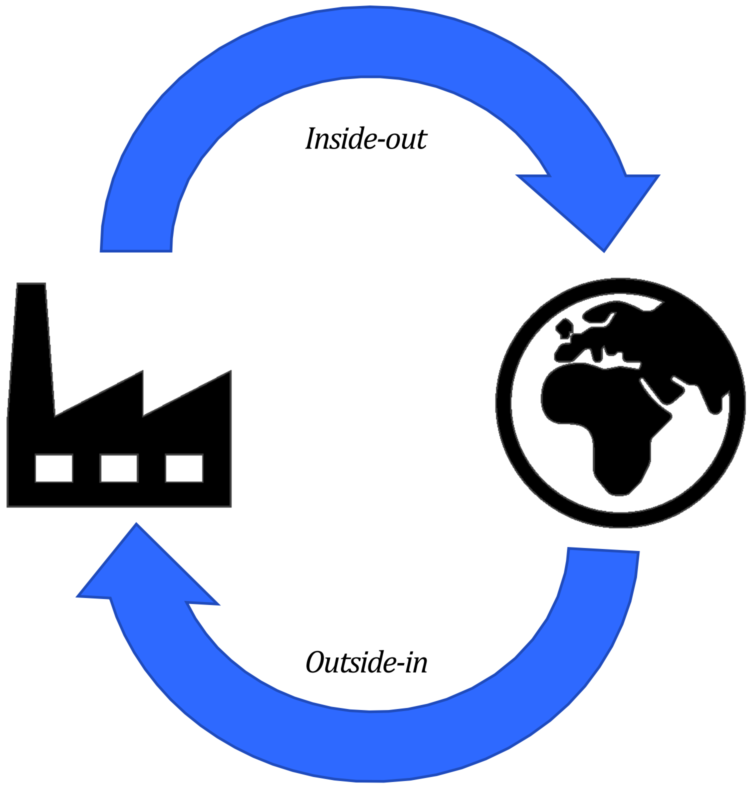
- How sustainability matters create financial risks and opportunities for the company
- Includes business development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term

## **Impact Materiality** (inside-out view)

- Company’s actual or potential impacts (positive or negative) on people or the environment over short-, medium- or long-term

Must report on **both aspects** for all material matters

- Relates to group’s own operations and **its value chain**, including its **products and services, its business relationships and its supply chain**
- **EFRAG** published draft FAQ and materiality assessment implementation guidance



# Key Differences:
# SEC Materiality vs. CSRD Double Materiality

| Topic | SEC | CSRD |
| --- | --- | --- |
| **Standard** | Consideration of material ***impact on company*** | Double materiality, ***impact on company*** and ***by company*** |
| **Jurisdiction** | U.S. requirements for ***public*** companies | EU requirements with global implications for ***public and private companies*** |
| **Value Chain** | Focused on company’s own operations | Assessment across full value chain (inside-out and outside-in) |
| **Stakeholder(s)** | Investors and lenders, the primary users of financial statements | Affected stakeholders and users of sustainability reporting information |

# Double Materiality Assessment Approach

The double materiality assessment approach consists of three core tasks as outlined below.

| | Stakeholder Engagement and Context of the Organization | Double Materiality Assessment [1] | Reporting and Recommendations |
|---|---|---|---|
| Objective | Define sustainability landscape and develop stakeholder engagement plan: | Identify and assess materiality of ESG IROs along the value chain: | Consolidate and align on results and develop the final double materiality report: |
| Activities | • Prepare a stakeholder engagement plan:<br>• Gain an understanding of the company's progress to date to perform a double materiality assessment, including value chain mapping and topic mapping.<br>• Identify an initial list of ESG topics mapped to ESRS.<br>• Refine the company's list of identified ESG topics. | • Establish qualitative and quantitative thresholds for impact and financial materiality.<br>• Identify actual and potential impacts, financial risks and opportunities for relevant ESG topics.<br>• Assess impact and financial materiality of ESG topics and provide preliminary scoring.<br>• Engage with key internal stakeholders to gather information on impacts, risks and opportunities and align on preliminary scoring.<br>• Determine list of IROs that meet the impact or financial materiality thresholds. | • Synthesize Double Materiality Assessment results in terms of implications to ESRS disclosure requirements and the company's sustainability strategy.<br>• Align on results with the company's executive team.<br>• Provide recommendations for the integration of the double materiality analysis and results into ESG reporting and strategy. |
| Outputs | • Stakeholder engagement plan and materials for stakeholder engagement. | • List of material IROs from an impact and financial perspective. | • Final documented double materiality assessment process and results.<br>• Basis of preparation report that outlines the process. |

1 – The Double Materiality Assessment was a robust process whereby the core team held numerous workshops with […] stakeholders and subject matter experts to develop and score impact, risk and opportunity statements.

# Negative Impact Materiality Scale

The negative impact materiality scale was developed based on [*insert details*].

| **Numerical scales** | **0** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| **Scale** | **None** | **Minimal** | **Low** | **Medium** | **High** | **Absolute** |
| How **grave** the negative impact is for people or the environment | • No impact | • No consequence to people or the environment | • No or minor consequence to people or the environment | • Moderate short-term consequence to people or the environment<br>• Medium-term consequence to people or the environment | • Significant short-term and medium-term consequence to people or the environment<br>• Moderate long-term consequence to people or the environment | • Severe short-term, medium-term and long-term consequence to people or the environment |
| **Scope** | **None** | **Limited** | **Concentrated** | **Medium** | **Widespread** | **Global** |
| How **widespread** the negative impact is on people and the environment | • No impact | • <10% of affected population<br>• Affects the environment in communities within a single city | • 10%-30% of affected population<br>• Affects the environment in communities within a single country or less | • 31%-45% of affected population<br>• Affects the environment in communities within a single country or less | • 46%-75% of affected population<br>• Affects the environment in communities across a small number of countries in one region | • 76%-95% of affected population<br>• Affects the environment across an entire region, multiple regions or worldwide |
| **Irremediable character** | **Very easy to remedy** | **Relatively easy to remedy short-term** | **Remediable with effort (time and cost)** | **Difficult to remedy or mid-term** | **Very difficult to remedy or long- term** | **Unable (irreversible) to remedy or long-term** |
| Whether and to what extent the negative impacts **could be remediated:**<br>Short term: <1-year<br>Medium term: 1-5 years<br>Long term: 5+ years<br>*(negative impacts only)* | • No impact | • Short term: Easy to remedy | • Short term: Moderate to remedy<br>• Medium term: Easy to remedy | • Short term: Very difficult to remedy<br>• Medium term: Difficult to remedy<br>• Long term: Moderate to remedy | • Short term: Very difficult to remedy<br>• Medium term: Very difficult to remedy<br>• Long term: Difficult to remedy | • Short & medium term: Impossible to remedy<br>• Long term: Very difficult / impossible to remedy |
| **Likelihood** | **Never** | **Unlikely** | **Possible** | **Likely** | **Very likely** | **Guaranteed** |
| **Likelihood** of the negative impact | • <5% chance | • 7%-25% chance | • 26%-50% chance | • 51%-75% chance | • 76%-94% chance | • >95% chance |

# Positive Impact Materiality Scale

The positive impact materiality scale was developed based on [*insert details*].

| **Numerical Scales** | **0** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| **Scale** | **None** | **Minimal** | **Low** | **Medium** | **High** | **Absolute** |
| How **grave** the negative impact is for people or the environment | • No impact | No consequence to people or the environment | No or minor consequence to people or the environment | • Moderate short-term consequence to people or the environment<br>• Medium-term consequence to people or the environment | • Significant short-term and medium-term consequence to people or the environment<br>• Moderate long-term consequence to people or the environment | • Severe short-term, medium-term and long-term consequence to people or the environment |
| **Scope** | **None** | **Limited** | **Concentrated** | **Medium** | **Widespread** | **Global** |
| How **widespread** the negative impact is on people and the environment | • No impact | • <10% of affected population<br>• Affects the environment in communities within a single city | • 10%-30% of affected population<br>• Affects the environment in communities within a single country or less | • 31%-45% of affected population<br>• Affects the environment in communities within a single country or less | • 46%-75% of affected population<br>• Affects the environment in communities across a small number of countries in one region | • 76%-95% of affected population<br>• Affects the environment across an entire region, multiple regions or worldwide |
| **Likelihood** | **Never** | **Unlikely** | **Possible** | **Likely** | **Very likely** | **Guaranteed** |
| **Likelihood** of the positive impact | • <5% chance | • 7%-25% chance | • 26%-50% chance | • 51%-75% chance | • 76%-94% chance | • >95% chance |

# Financial Risk Materiality Scale

The financial materiality scale was developed based on [*insert details*].

| Numerical Scales | | 0 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|---|
| **Magnitude** | | **None** | **Low** | **Moderate** | **High** | **Critical** | **Catastrophic** |
| **Quantitative factors** | | No loss / damage | Less than […] in financial loss / damage | […] to […] in financial loss / damage | […] to […] in financial loss / damage | […] to […] in financial loss / damage | Greater than […]in financial loss / damage |
| **Qualitative factors** | Strategic / Market | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] |
| | Reputational / Talent | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] |
| | Regulatory | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] |
| | Operations | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] | • [*insert company-specific considerations*] |
| **Likelihood/Probability** | | | **Unlikely** | **Possible** | **Likely** | **Very likely** | **Guaranteed** |
| **Likelihood** | | • <5% chance | • 7%-25% chance | • 26%-50% chance | • 51%-75% chance | • 76%-94% chance | • >95% chance |

# Preliminary Scoring on Materiality

The following scoring methodology is used for the purpose of the Double Materiality Assessment:

## Impact materiality

$$\underbrace{\left[\text{Scale of impact (\#)} + \text{Scope of impact (\#)} + \text{Irremediable character (\#)}\right]}_{\text{Severity}} \times \text{Likelihood (\%)} = \text{Impact materiality (\#)}$$

For impact materiality, the **severity** and **likelihood** of actual and potential positive and negative impacts is assessed.

Severity is made up of three components: Scale, Scope, and Remediability

- **Scale:** how grave the negative impact is or how beneficial the positive impact is for people or the environment
- **Scope:** how widespread the negative or positive impacts are
- **Irremediable character:** whether and to what extent the negative impacts could be remediated (negative impacts only)

Likelihood of the impact occurring (potential impacts only)

## Financial materiality

$$\text{Magnitude(\#)} \times \text{Likelihood (\%)} = \text{Financial materiality (\#)}$$

For financial materiality, the **magnitude** and **likelihood** for each risk and opportunity is assessed.

- **Magnitude** represents the size of the actual or potential financial risk or opportunity
- **Likelihood** of the risk or opportunity (potential risks and opportunities only)

# Impact and Financial Materiality Thresholds

[…] has identified the following materiality thresholds: The determined threshold for impact materiality is 6 and the threshold for financial materiality is 1.8.

[*insert "materiality matrix" for impact materiality and financial materiality with different thresholds, similar to the example below*]

**Financial Materiality**

| Magnitude | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 5 | 0 | 1,0 | 2,0 | 3,0 | 4,0 | 5 |
| | 4 | 0 | 0,8 | 1,6 | 2,4 | 3,2 | 4 |
| | 3 | 0 | 0,6 | 1,2 | 1,8 | 2,4 | 3 |
| | 2 | 0 | 0,4 | 0,8 | 1,2 | 1,6 | 2 |
| | 1 | 0 | 0,2 | 0,4 | 0,6 | 0,8 | 1 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 0% | 20% | 40% | 60% | 80% | 100% |
| | | Never | Unlikely | Possible | Likely | Very likely | Guaranteed |
| | | **Likelihood** | | | | | |

Explanation
Red: Material (≤ 3,2)
Orange: Edge Case (≤2,0)
Green: Not material

# Comprehensive List of Sub-Topics Threshold Analysis

[…] engaged [..] to support with overseeing an extensive process as prescribed in the CSRD regulation to assess double-materiality with […] employees. The process resulted in a preliminary assessment of […] sub-topics and […] entity-specific topics deemed material, which includes […] sub-topics and […] entity-specific topics that would still be deemed material if the thresholds for impact and financial materiality were raised to […] and […], respectively (from current materiality of […] and […], respectively). Additionally, […] topics were identified as edge cases that fell just below the determined materiality threshold.

| E1 Climate Change | E2 Pollution | E3 Water and marine resources | E4 Biodiversity and ecosystems | E5 Circular Economy | S1 Own Workforce | S2 Workers in the value chain | S3 Affected communities | S4 Consumers and end-users | G1 Business conduct | Entity-specific topics |
|---|---|---|---|---|---|---|---|---|---|---|
| Climate change adaptation | Pollution of air | Water | Direct impact drivers of biodiversity loss | Resource inflows, including resource use | Working conditions | Working conditions | Communities' economic, social and cultural rights | Information-related impacts for consumers and / or end-users | Corporate culture | […] |
| Climate change mitigation | Pollution of living organisms and food resources | Marine resources | Impacts on the state of species | Resource outflows related to products and services | Equal treatment and opportunities for all | Equal treatment and opportunities for all | Communities' civil and political rights | Personal safety of consumers and / or end-users | Protection of whistleblowers | |
| Energy | Pollution of water | | Impacts on the extent and condition of ecosystems | Waste | Other work-related rights | Other work-related rights | Rights of indigenous peoples | Social inclusion of consumers and / or end-users | Animal welfare | |
| | Pollution of soil | | Impacts and dependencies on ecosystem services | | | | | | Political engagement | |
| | Substances of concern | | | | | | | | Management of relationships with suppliers including payment practices | |
| | Substances of very high concern | | | | | | | | Corruption and bribery | |
| | Microplastics | | | | | | | | | |

**Explanation**
Blue: Material topic
Red: Edge case topic
Green: Material topic even if impact and financial materiality thresholds were raised

*[Note: Highlights are only exemplary]*

# Materiality Analysis Process Considerations

- Ensure **proper documentation** of materiality assessment to facilitate review by auditor and ensure legally compliant assessment. Process and outcome **will be disclosed** and **subject to auditor review**.

- Establish a **"single source of truth"** for all ESG data and statements, including **press statements, tender documentation** and **non-EU reporting**.
  - Ensure compatibility with potential additional reporting requirements.

- **Collect the right people** – legal, financial reporting, internal audit, HR, IR, and others are likely to be involved.

- Management will have **ability to review and exercise discretion** regarding results.
  - Also, processes conducted in 2024 will need to be repeated to inform reporting in 2026 – so may enhance the process going forward with lessons learned.

# Drafting Issues

- **Structure** of the **Sustainability Statement**
  - **General Section** (ESRS 2) vs. **Topical ESRS**
  - Disclosure of Policies
  - IRO Process vs. Outcome of the IRO Process
  - Strategy (SBM 3)

- Use of **phase-in** provisions
  - Total Exemptions regarding several topical ESRS depending on number of employees (< 750) of the reporting company for first (two) year(s) of preparation
  - General, partial Exemptions regarding specific disclosure requirements for the first years of preparation

- **Voluntary reporting** of not required aspects?
  - E.g., participation or investments in climate initiatives

# Reporting Considerations

## *Process Issues & Risk Mitigation*

04

# Risk-Related Considerations

- Maintain **legal privilege** where appropriate and be thoughtful when working with consultants.
  - Concerns and risks will differ from U.S. v. non-U.S. perspective

- Alert reporting team for **legal sensitivities (greenwashing)** – this is not marketing! Ensure “litigation resilience” as legal challenges, regulatory scrutiny, and applicable regulations are increasing.

- Consider and be prepared for implications for **non-EU reporting requirements and stakeholders**:
  - CSRD reporting will result in the publication of highly detailed information on a broad range of sustainability matters
  - Consistency (or not) with past positions in voluntary reporting
  - Scrutiny by U.S. regulators for perceived inconsistencies in positions and reporting

# Penalties

- Penalties **will vary by jurisdiction** as each member state is responsible for CSRD enforcement and the CSRD leaves open the specific penalties/sanctions
- As an example, **France provides for monetary fines** and other penalties for a failure to report **as well as criminal penalties** (e.g., up to €375,000 fine and up to 5 years imprisonment) if an appropriate assurance provider is not appointed or the assurance provider's audit is obstructed.
- **Additional liabilities** could include:
    - civil or criminal liability (e.g., for false, incomplete, or misleading information)
    - auditor liability
    - reputational damage
- EU entities can be expected to **use "best efforts"** to obtain sustainability report information from the non-EU entity

# Considerations for Current Sustainability Reporting and Practices

## COMMON QUESTIONS

- Maintain, abandon, or revise **voluntary sustainability** report?
  - Consider advisory firm and shareholder expectations and past commitments
  - Shareholder proposals continue to focus on ESG (both for and against initiatives) and may seek CSRD-topical disclosures
  - But upcoming administration may reverse course on ESG disclosures and proposals
- Replacing ESG reporting materiality assessment with double material topics?

## RECOMMENDATIONS

- Monitor for new risks that may require **updates to SEC reporting**
- Be thoughtful regarding statements on **the website and in SEC filings** – significant liability can attach, and the SEC has been increasingly active regarding these statements (e.g., comment letters and enforcement action)

# Considerations for Current Reporting and Practices (General)

- Prepare for **a mindset shift** – avoid focusing on one report or questionnaire at a time – prepare a holistic strategy that aligns messaging across public disclosures – and understand:
  - Knowledgeable stakeholders
  - ESG reporting obligations and opportunities
  - Reporting approach and timeline
- Review early **voluntary reports** that apply the ESRS
  - Mandatory CSRD reports being published in 2025
- Educate stakeholders on what to expect and how to prepare
- **Staff the reporting team appropriately** and invest in building out internal controls and data quality

# Outlook:

## *Other Reporting Regimes on the Horizon*

05

# More to Come in Europe … Corporate Sustainability Due Diligence Directive (CSDDD)

- CSDDD applies to (phased in approach financial years **2027** through 2029):
  - **EU companies** or groups with (i) **> 1000 employees** plus net **worldwide turnover > EUR 450 million** or (ii) **franchise/licensing** with royalties **> EUR 22.5 million** plus net **worldwide turnover > EUR 80 million**.
  - **NON-EU companies** or groups with (i) net **EU turnover > EUR 450 million** or (ii) **franchise/licensing** with royalties **> EUR 22.5 million in EU** plus net **turnover > EUR 80 million in EU**.
- Establishes **obligations** including (i) to **prevent, mitigate and bring to an end/minimize** such adverse impacts and (ii) to set-up a **plan** to ensure **compatibility with the Paris Agreement** (limitation of global warming to 1.5 degrees Celsius) for certain companies.
  - CSRD report on transition plan satisfies requirement.
- Establishes **civil liability for damages** if the company **intentionally or negligently** fails to comply with its obligations.
- Injured party allowed to authorize a **trade union or NGOs** to bring forward actions to enforce the rights of the alleged injured party.

# EU Taxonomy

EU taxonomy is a classification system which is intended to create a **uniform understanding for determining "ecologically sustainable economic activities"** within the European Union in order to facilitate corresponding financial decisions by market participants.

**Ecologically sustainable economic activities** are those which make a **substantial contribution** to at least one of defined six climate environmental objectives:

1. Climate protection;
2. Adaptation to climate change;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Prevention and reduction of pollution;
6. Protection and restoration of biodiversity and ecosystems.

In order to **qualify** as **environmentally sustainable** an economic activity must meet 4 overarching conditions:

1. Making a substantial contribution to at least one environmental objective;
2. Doing **no significant harm to any of the other** five environmental objectives;
3. Complying with **minimum safeguards**; and,
4. Complying with the **technical screening criteria** set out in the Taxonom delegated acts.

Companies subject to CSRD reporting obligations have to report in their annual reports to what extent their activities are **covered by the EU Taxonomy** (**Taxonomy-eligibility**) and **comply** with the criteria set in the Taxonomy delegated acts (**Taxonomy-alignment**).

# Global Voluntary & Mandatory Reporting Landscape

- **The International Sustainability Standards Board (ISSB) standards**
  - The ISSB standards **build on the framework of the Task-Force for Climate-Related Financial Disclosures (TCFD)** for climate-related governance, strategy, risk management, and metrics and goals
  - **Incorporates industry-specific standards** promulgated by the Sustainability Accounting Standards Board (SASB); standards have been enhanced to help reporting companies prepare for ISSB
  - **Relies on financial materiality**, not double materiality, to inform reporting
  - Developed to **align with ESRS**, but differences remain
  - Companies are expected to transition to ISSB (from TCFD/SASB reports) beginning with reports for the **fiscal year beginning Jan. 1, 2024**
  - Numerous jurisdictions announced intention to incorporate ISSB into local law (or are already doing so)

- **SEC and California reporting standards**
  - Both standards are the subject of ongoing litigation but would require reporting on greenhouse gas emissions and climate-related risk and governance

- **UK reporting standards**
  - Current standards require climate-related risk and governance reporting for certain entities (e.g., UK CFD reports)
  - Labour Party platform includes mandating transition plan for certain entities (e.g., FTSE 100)

- **CDP questionnaire**
  - This voluntary questionnaires seeks detailed disclosure regarding climate-related governance, practices, risk considerations, and strategy as well as emissions. The requests are meant to align with voluntary reporting standards (e.g., SASB, TCFD, ISSB) and participation in the survey may be requested by customers or others in your supply chain

# Your Speakers

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