



Global development in sustainability laws and regulations

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Current status: Mapping the ocean

EU Green Deal / EU Taxonomy Regulation

- Achieve climate neutrality by 2050
- Transform economy / Aligned economic activities

CSRD (Corporate Sustainability Reporting Directive)

- ESRS (European Sustainability Reporting Standards)
- EFRAG (European Financial Reporting Advisory Group)

CSDDD (Corporate Sustainability Due Diligence Directive)

- Supply Chain
- Environment and Human Rights

IFRS S1 & S2 (International Financial Reporting Standards)

- ISSB (International Sustainability Standards Board)
- S1 & S2 (General Requirements for Disclosure of Sustainability-related Financial Information & Climate Related Disclosures)
- Preliminary stages for potential S3

EUDR (European Union Deforestation Regulation)

- Products and Supply Chain
- Geo location



Current status: Mapping the ocean

Frameworks including

- GRI (Global Reporting Initiative)
- SBTi (Science-Based Targets initiative)
- PRI (Principles for Responsible Investment)
- TCFD (Task Force on Climate-related Financial Disclosures)
- TNFD (Task Force on Nature-related Financial Disclosures)

ESG Ratings including

- CDP
- MSCI
- S&P
- Moody's
- EcoVadis
- Sustainalytics
- etc



Enhesa published 1,186 developments on **Corporate Sustainability** in a 6-month period



Enhesa is monitoring 400+ **sustainability** instruments sourced from various organizations worldwide.





Corporate Sustainability Reporting Directive

Corporate Sustainability Reporting Directive at a glance



Application of CSRD to companies



a) large EU companies meeting at least 2 of the legal criteria: (a) balance sheet total of more than EUR 20 million; (b) net turnover of more than EUR 40 million; or more than 250 employees;



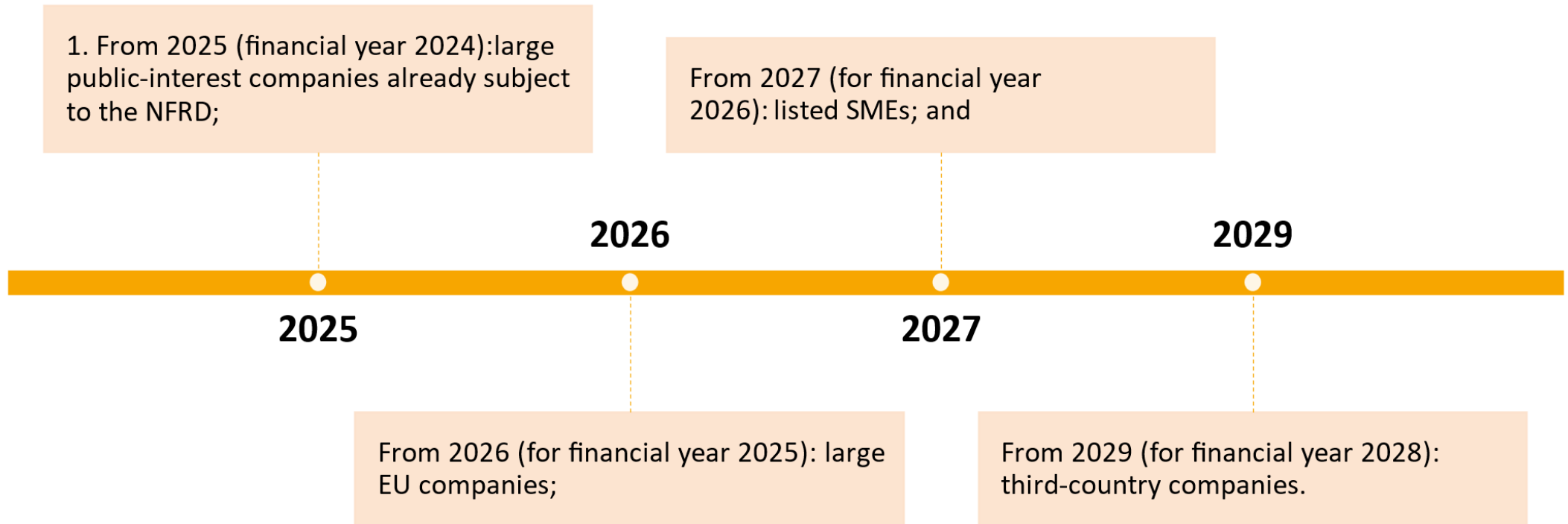
b) listed small and medium enterprises (SMEs) except micro undertakings; and



c) third-country companies that generate a net turnover of more than EUR 150 million in the EU and have a subsidiary or a branch in the EU.

CSRD – Q&A

What is the timeline for reporting obligations?



Revised European Sustainability Reporting Standards ESRS



Official Journal
of the European Union

2023/2772

COMMISSION DELEGATED REGULATION (EU) 2023/2772

of 31 July 2023

supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards
sustainability reporting standards

(Text with EEA relevance)

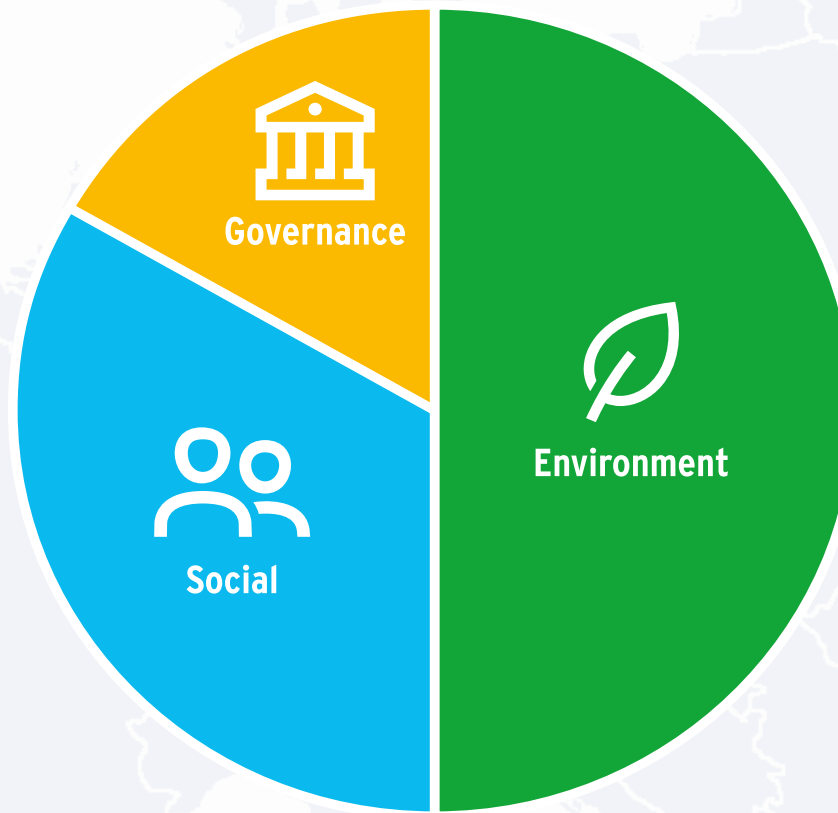
EN
L series

22.12.2023



CSRD: European Sustainability Reporting Standards (ESRS)

ESG: number of Reporting Standards by E/S/G



2 x General

- General requirements
- General disclosures

5 x Environment

- Climate change
- Pollution
- Water & marine resources
- Biodiversity & ecosystems
- Resource use and circular economy

4 x Social

- Own workforce
- Workers in the value chain
- Affected communities
- Consumers & end users

1 x Governance

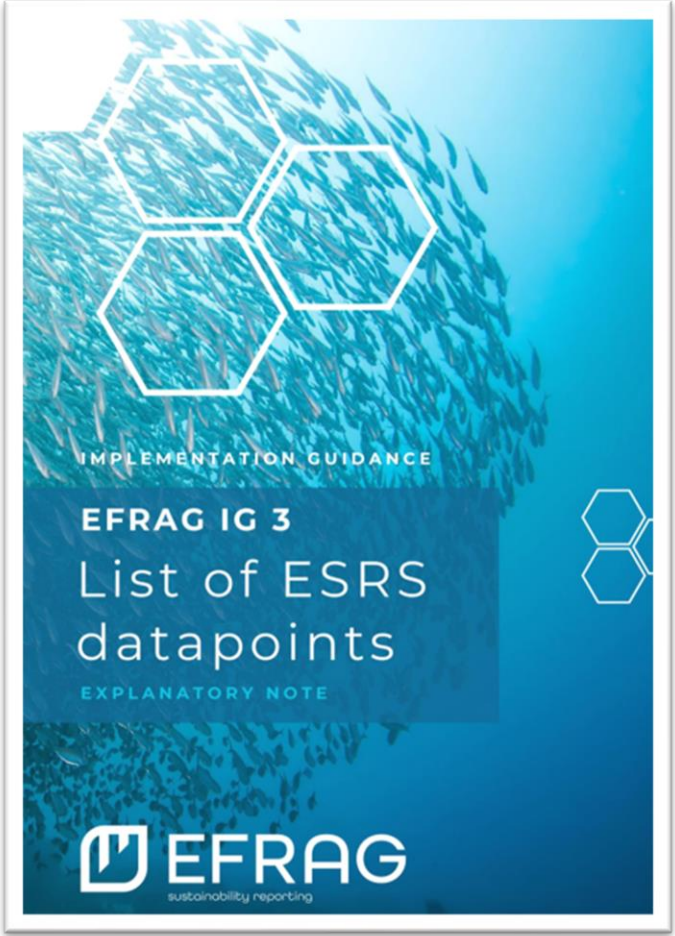
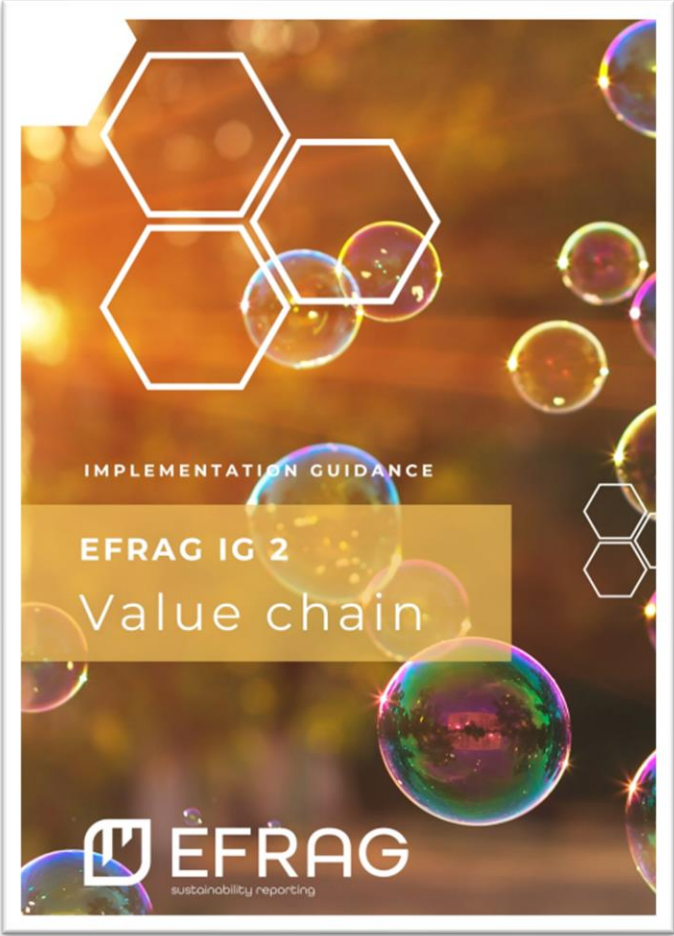
- Business conduct

EFRAG ESRS + Guidance

- General Requirements
- General Disclosures
- Guidance for materiality assessments
- Report structure
- Non EU companies
- SME (Small and Medium-sized Enterprises) in progress
- Sector-specific guidance in progress
- Discussions with other frameworks/standards
ISSB + GRI
- Implementation Guidance
- [ESRS implementation guidance documents | EFRAG](#)



EFRAG Implementation guidance



EFRAG Implementation Guidance Data Points

EFRAG IG 3: List of ESRS datapoints - Explanatory note

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INSTRUCTIONS

- 1) The DPs reported in ESRS E1 are subject to Materiality Assessment.
- 2) With the exception of DPs in IRO1 (E1.IRO-1_01-16) that are to be disclosed irrespective of the outcome of its materiality assessment [ESRS 1 par. 29], none of these DPs is applicable.
- 3) Not all DPs are to be reported if the undertaking has not adopted the respective policies, implemented the respective actions or set the respective targets in relation to a sustainable material [see ESRS 1 par. 33].
- 4) Undertakings or groups **not exceeding on their balance sheet dates the average number of 750 employees during the financial year** (on a consolidated basis where applicable) **are not required to disclose GHG emissions and total GHG emissions for the first year** of preparation of their sustainability statement [see column K].
- 5) Column L identifies DPs subject to phasing-in [see Appendix C of ESRS 1].
- 6) Metrics to be disclosed, in addition to the ones explicitly required by ESRS, also include entity-specific ones, as well as those arising from other legislation or standard.

Code	ESRS	DR	Paragraph	Related AR	Name	Data Type	Conditional or alternative DP	May [V]	Appendix B - ESRS 2 (SFDR + PILLAR 3 + Benchmark + CL)
1.GOV-3_01	E1	E1.GOV-3	13		Disclosure of whether and how climate-related considerations are factored into remuneration of members of administrative, management and supervisory bodies	narrative			
1.GOV-3_02	E1	E1.GOV-3	13		Percentage of remuneration recognised that is linked to climate-related considerations	percent			
1.GOV-3_03	E1	E1.GOV-3	13		Explanation of climate-related considerations that are factored into remuneration of members of administrative, management and supervisory bodies	narrative			
1-1_01	E1	E1-1	14	AR 1	Disclosure of transition plan for climate change mitigation	narrative			CL
1-1_02	E1	E1-1	16 a	AR 2	Explanation of how targets are compatible with limiting of global warming to one and half degrees Celsius in line with Paris Agreement	narrative			
1-1_03	E1	E1-1	16 b		Disclosure of decarbonisation levers and key action	narrative			
1-1_04	E1	E1-1	16 c		Disclosure of significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan	narrative			
1-1_05	E1	E1-1	16 c		Financial resources allocated to action plan (OpEx)	monetary			
1-1_06	E1	E1-1	16 c		Financial resources allocated to action plan (CapEx)	monetary			
1-1_07	E1	E1-1	16 d	AR 3	Explanation of potential locked-in GHG emissions from key assets and products and of how locked-in GHG emissions may jeopardise achievement of climate-related targets	narrative			
1-1_08	E1	E1-1	16 e	AR 4	Explanation of any objective or plans (CapEx, CapEx plans, OpEx) for aligning economic activities (revenues, CapEx, OpEx) with criteria established in the taxonomy	narrative	Conditional		

The European Union's Corporate Sustainability Reporting Directive will have broad impact. Approximately 50,000 undertakings will be required to report, including thousands of U.S.-based multinationals and their EU subsidiaries. Reporting obligations for these entities will be created under EU member state national legislation adopted pursuant to the CSRD. EU member states had until July 6, 2024 to transpose the CSRD into their national laws. Despite this deadline, many EU member states have yet to transpose the CSRD into national law. Nevertheless, we and the leading European firms partnering with us on this tracker are advising applicable companies in these countries to continue actively preparing for CSRD reporting, in anticipation of transposition efforts being completed in the coming weeks and months.

As a leading global ESG compliance and disclosure advisor to multinationals and asset managers, Ropes & Gray is a resource for important ESG developments throughout the world that impact our clients.

We are pleased to present this regularly updated tracker in conjunction with leading law firms across Europe.

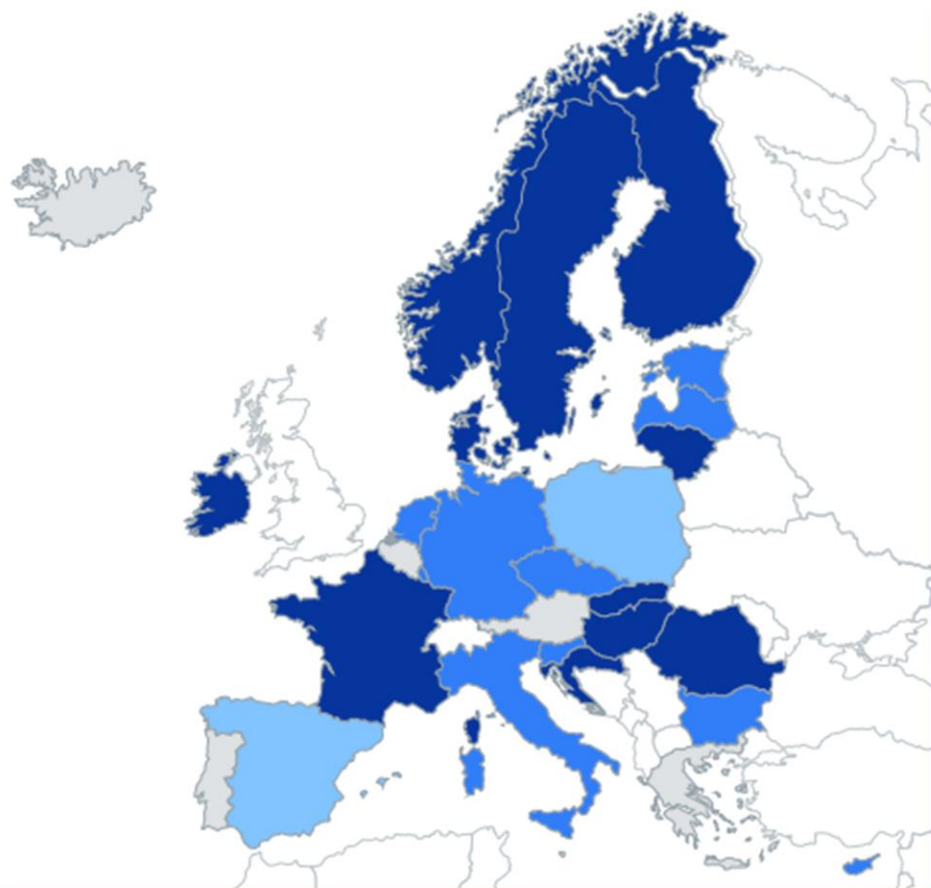
Current Stage:

2 Consultation Held

10 Implementing Legislation Introduced

12 Implementing Legislation Approved

27 EU Member States and 3 EEA EFTA Countries



Information presented as of July 31, 2024










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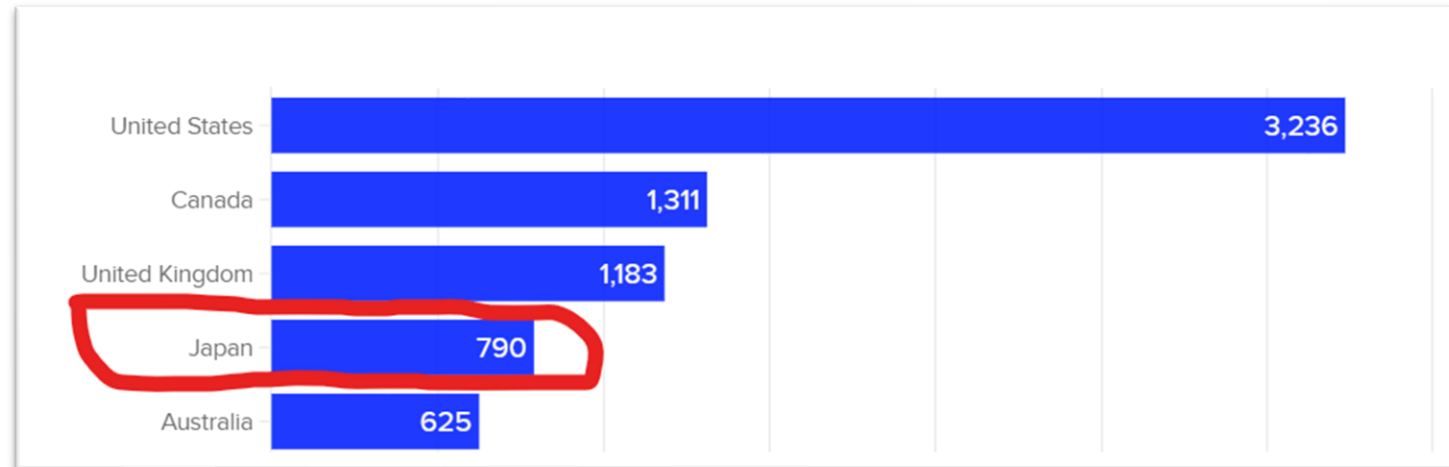
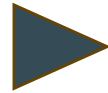
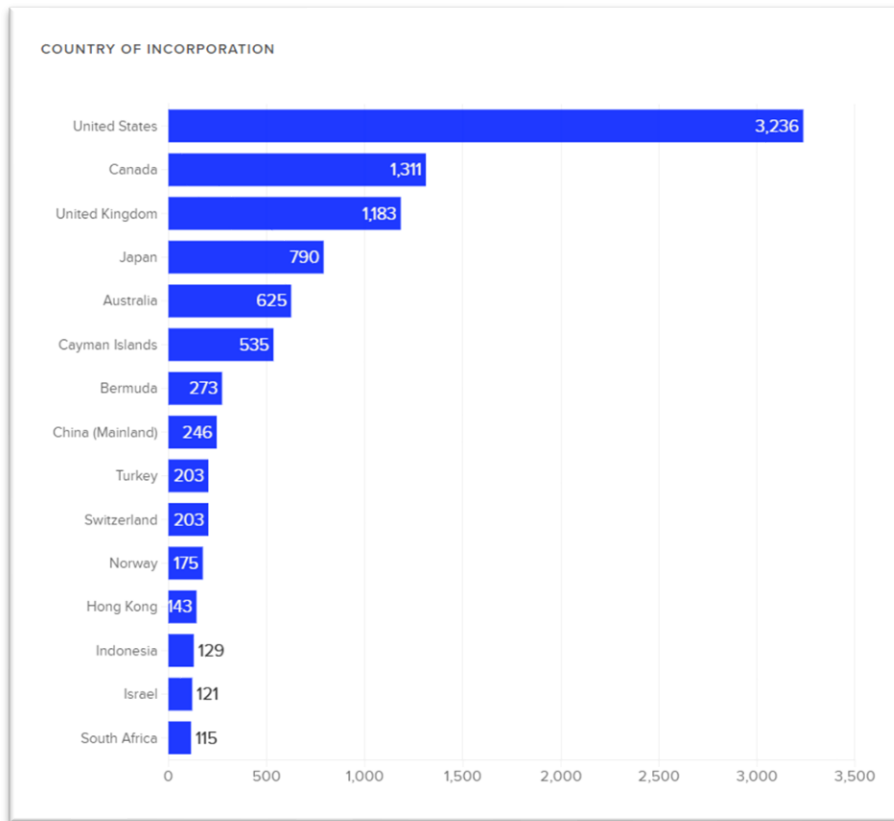
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Ropes and Gray

EU Member State	Status - blank if not yet occurred <i>(click checkmark for source material)</i>			Gold-Plating ¹				Commentary	Contributing Law Firm
	Consultation Held	Implementing Legislation Introduced	Implementing Legislation Approved	Implementation Timeline ²	Reporting Entities ³	Jurisdiction-Specific Reporting ⁴	Other ⁵		
 Estonia	✓	✓						Transposition has been delayed and the implementing legislation did not enter into force by July 6, 2024. It is expected that the implementing legislation will not be approved to enter into force until early 2025.	Ellex [®] Raidla
 Finland	✓	✓	✓		✓		✓	Gold-plating in the implementation includes: 1) extension to cover co-operatives; 2) extension of digital format requirements to financial statements; and 3) publication of the sustainability report and financial statements within 6 months.	ROSCHIER
 France		✓	✓				✓	The thresholds for large companies, which were initially set at EUR 20 million for assets and EUR 40 million for turnover, have been increased to EUR 25 million and EUR 50 million, respectively. French companies that are subject to non-financial reporting requirements, while not being public interest entities, are still required to publish a report for 2024 under the previous NFRD regime. Limited information relating to sustainability matters not included in the CSRD must be included in the management report.	GIDE
 Germany	✓	✓							Gleiss Lutz
 Greece									SOURIADAKIS TSIBRIS
 Hungary	✓	✓	✓					Note that the balance sheet total and net revenue thresholds in the implementation legislation are set in local currency (HUF). The EUR equivalents therefore are slightly different than what is set out in the CSRD.	Wolf Theiss
 Ireland	✓✓	✓	✓		✓		✓	The implementing legislation was signed on July 5, 2024, and published on July 9, 2024. With respect to the optional provisions under the CSRD, it opts to: 1) exclude certain entities (e.g., central banks, credit unions) from scope; 2) allow a statutory auditor other than the one auditing the financial statements to provide the sustainability assurance; 3) permit exclusion of commercially sensitive information from reporting under exceptional circumstances; and 4) require a translated report where the consolidated report of a parent is not Irish or English.	A&L Goodbody

Number of Japanese companies

<https://www.lseg.com/en/insights/risk-intelligence/how-many-non-eu-companies-are-required-to-report-under-eu-sustainability-rules>





Corporate Sustainability Due Diligence Directive

CSDDD

EUROPEAN UNION: Large companies must be aware that the European Parliament has approved the Corporate Sustainable Due Diligence Directive (CSDDD) proposal

- **Name of Regulation:** European Parliament legislative resolution of 24 April 2024 on the proposal for a directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 (COM(2022)0071 – C9-0050/2022 – 2022/0051(COD))
- **Source:** https://www.europarl.europa.eu/doceo/document/TA-9-2024-0329_EN.html
- **Publication date:** 24 April 2024
- **Applicability conditions:** The Proposal will apply to EU companies and non-EU companies meeting certain thresholds.

Thresholds to be reached for at least 2 consecutive FY	Number of employees	Net turnover	Consolidated application
EU companies	More than 1000 employees and	450 million EUR (worldwide) or	Reaches the thresholds collectively as the ultimate parent company
Non-EU companies	NA	450 million EUR (in EU)	Idem

Context:



General Due diligence (Art. 5 and 7)	Identifying/remediating/ending adverse impacts (Art 8 to 12)	Engagement with stakeholders (Art. 13)	Notification/complaints mechanism (Art. 14)	Continuous monitoring (Art. 15)	Reporting (Art 16)	Combating climate change (Art. 22)	Sanctions (Art. 27 and 29)
Conduct risk-based human rights and environmental due diligence	Mapping of operations, subsidiaries, chain of activities, business partners	Take appropriate measures for effective engagement with stakeholders	<ul style="list-style-type: none"> - Affected persons - Trade unions - Civil society organizations 	Periodic assessments of: <ul style="list-style-type: none"> - Own operations - Subsidiaries - Chain of activities - Business partners 	Report on matters covered by the Directive in annual statement	Adopt and implement a transition plan for climate change mitigation	Civil liability – right to full compensation
Integrating due diligence into their policies and risk management systems (company’s approach, code of conduct etc.)	In-depth assessment where the impacts are the most likely and most severe	Consultation on the different steps of the due diligence process	Fair, publicly available, accessible, predictable and transparent procedure	At least every 12 months or if new risks and impacts may arise	Except for companies that are already subject to sustainability reporting	Business model and strategy compatible with climate transition and Paris Agreement	Pecuniary penalties
Preventing and mitigating potential adverse impacts (prevention action plan, contractual assurances from business partners etc.)	Provide support to SMEs	Transparent consultation, relevant and comprehensive information	Discuss remediation with company’s representatives	Based on qualitative/quantitative indicators		Set GHG emissions reduction targets and describe the progress made towards the achievement of such targets	up to 5% of net turnover
Update of the due diligence policy every 2 years	Option to temporarily suspend or terminate the business relationship		Accessible mechanism for the submission of notifications			Updated every year	Sanctions publicly available for at least 5 years
Improving business plan, strategies, purchasing practices etc.	Make necessary financial and non-financial investments		Respect for confidentiality and ensure prevention of retaliation				

CSDDD & CSRD: **Separate but companions**

CSDDD

Mandatory due diligence
on environment and human rights

Applies to both EU and non-EU
companies

Focus on negative adverse impacts
and mitigation of negative risks

CSRD

Reporting framework
following financial reporting structure

Applies to both EU companies and
some non-EU companies

Focus on anti-greenwashing and
transparency in disclosures



International Financial Reporting Standards S1 & S2

IFRS International Sustainability Standards Board (ISSB) S1 and S2

Issued so far:

- **IFRS S1** - General Requirements for Disclosure of Sustainability-related Financial Information
- **IFRS S2** - Climate-related Disclosures
- **ISSB two new research projects for future standards:**
 - Biodiversity, ecosystem and ecosystem services (BEES)
 - Human capital

Applicable at international level

IOSCO

Voluntary standards
(unless adopted by jurisdictions)

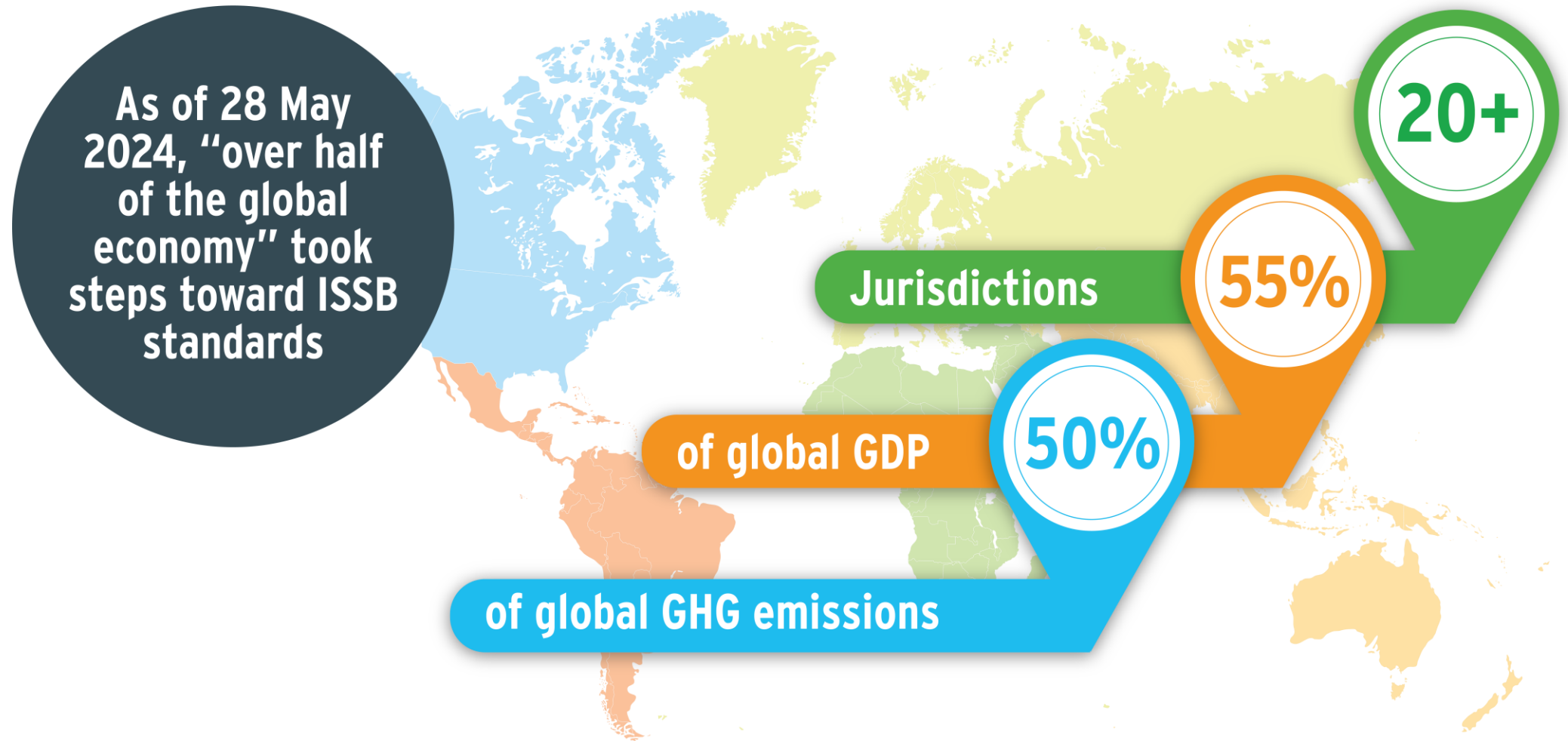
Financial materiality

Scope: investor-focused sustainability disclosures

Industry-based Guidance (based on SASB)

Based on the TCFD Recommendations

Adoption of the ISSB standards



Adoption of IFRS S1 and S2 June 2024

Jurisdictional progress towards the adoption or other use of ISSB Standards

Americas	Asia/Oceania	EMEA
Bolivia	Australia	EU
Brazil	Bangladesh	Kenya
Canada	China	Nigeria
Costa Rica	Hong Kong SAR	Türkiye
	Japan	UK
	Malaysia	
	Pakistan	
	Philippines	
	Singapore	
	South Korea	
	Sri Lanka	
	Chinese Taipei	

A list of ongoing and completed jurisdiction consultations on sustainability-related disclosures is available:
ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures



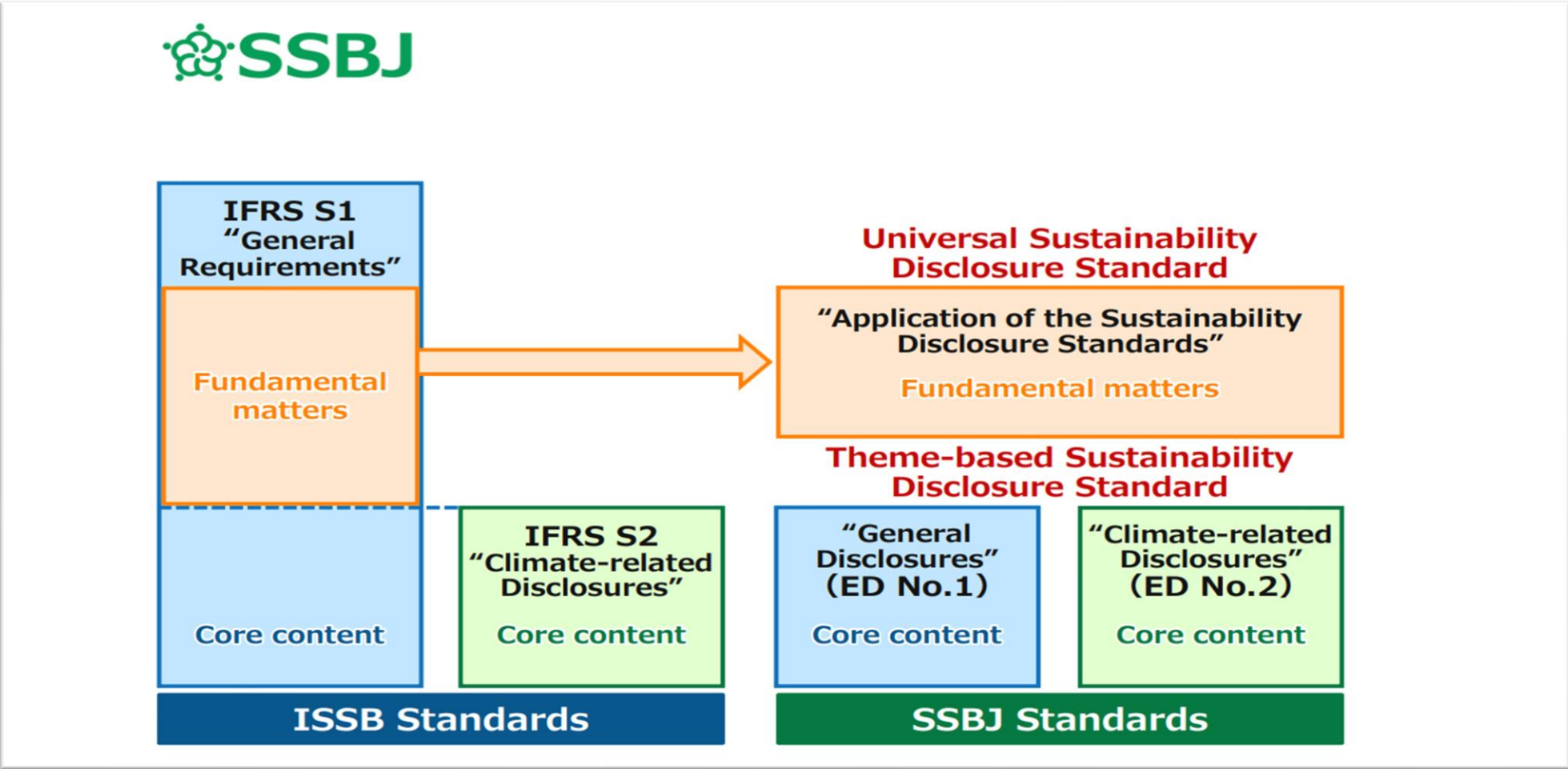
IFRS Foundation
CONFERENCE

Information Classification: General

#IFRSConference24

ISSB and SSBJ

The SSBJ issues Exposure Drafts of Sustainability Disclosure Standards to be applied in Japan | Sustainability Standards Board of Japan (ssb-j.jp)



SSBJ and ISSB

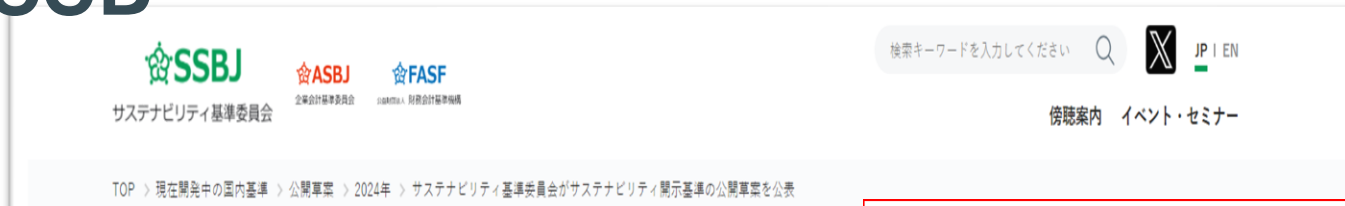


Table of Concordance between IFRS Sustainability Disclosure Standards and the SSBJ Exposure Drafts

Secretariat of the Sustainability Standards Board of Japan (SSBJ)

This document presents the table of concordance between IFRS Sustainability Disclosure Standards and the Exposure Drafts of the SSBJ Sustainability Disclosure Standards (“SSBJ EDs”). This document was prepared by the Secretariat of the SSBJ for the convenience of readers of the SSBJ EDs and has not been discussed nor approved by the SSBJ.

It should be noted that, under SSBJ Standards, the Basis for Conclusions is an integral part of the Standard and has the same authority as the other parts of the Standard.

Table of Concordance between IFRS S1 and the SSBJ EDs

Paragraph # in IFRS S1	Paragraph # in Application ED	Paragraph # in General ED	Paragraph # in Climate ED	Notes
1	—	1	—	
2	BC61	—	—	
3	4(5) and 36	2	—	
4	1	—	—	
5	2	3	—	
6	36	2	—	
7	—	4	—	
8	3	—	—	
9	—	—	—	The SSBJ Standards are not intended to be applied by not-for-profit entities.
10	19 and 20	—	—	
11	22	—	—	
12	—	—	—	Specific requirements for this paragraph are specified in paragraphs B1-B12 of IFRS S1.
13	26 and 28	—	—	
14	27	—	—	
15	23 and 29	—	—	
16	25	—	—	

基準委員会がサステナビ

ティ基準審議会（以下「ISSB」という。）が国際的な
を受け、我が国におけるサステナビリティ開示基
した。

ティ開示基準の開発にあたり、白紙の状態から基準の開発を始めるのではな

く、既存の基準やフレームワークを基礎として開発することとしました。ISSBは、これを「グローバル・ベ
スライン」と位置付け、2023年6月、最初のIFRSサステナビリティ開示基準となるIFRS S1号「サステナビリテ
イ関連財務情報の開示に関する全般的要求事項」（以下「IFRS S1号」という。）及びIFRS S2号「気候関連開示」

I. Requirements that permit treatments that are different from the requirements of the IFRS Sustainability Disclosure Standards

(1) Alternatives that companies may choose to apply in lieu of the requirements of the IFRS Sustainability Disclosure Standards

Requirements in the IFRS Sustainability Disclosure Standards	Proposals in the SSBJ EDs ^{1,2}	Descriptions
1. Sources of Guidance An entity shall refer to and consider the applicability of the disclosure topics in the SASB Standards. (S1.55(a))	An entity shall refer to and consider the applicability of the disclosure topics in the SASB Standards (last revised in December 2023) issued by the IFRS Foundation. (paragraph 45 of the Application ED) If the IFRS Foundation makes revisions to the SASB Standards, an entity <u>may</u> refer to and consider the applicability of those revised SASB Standards (last revised in December 2023). (paragraph 46 of the Application ED)	The SSBJ EDs clarify that “the SASB Standards” refer to the SASB Standards last revised in December 2023. Whenever the IFRS Foundation makes revisions to the SASB Standards, it would be necessary for the SSBJ to both discuss the contents of the revisions and make available the Japanese translation of those revised SASB Standards. It is assumed that, if the IFRS Foundation makes revisions to the SASB Standards, the SSBJ will discuss the contents of the revisions and, following its due process, amend the SSBJ Standards to update the reference to the SASB Standards to the latest version.
In the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgement to identify information. (S1.57) In making the judgement described in paragraph 57, an entity shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards. (S1.58(a))	In the absence of a sustainability disclosure standard issued by the SSBJ that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgement to identify information. (paragraph 53 of the Application ED) In making the judgement described in paragraph 53, an entity shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards (last revised in December 2023). (paragraph 54 of the Application ED) If the IFRS Foundation makes revisions to the SASB Standards, an entity <u>may</u> refer to and consider the applicability of the revised SASB Standards in lieu of the SASB Standards (last revised in December 2023).	At the same time, based on the needs heard from constituents, the Application ED proposes to permit an entity to refer to and consider its applicability based on the revised SASB Standard (in the original English text). (paragraph BC74 of the Application ED)

IFRS Research S3?

New research projects



Biodiversity, ecosystems and ecosystem services

Why?

- Growing interest among investors
- Build from pre-existing initiatives such as SASB Standards, CDSB Framework and TNFD

What could be covered?

- Water
- Land-use and land-use change
- Pollution
- Resource exploitation
- Invasive non-native species



Human capital

Why?

- Affects companies of all sizes and types
- Opportunity to address a lack of consistent, comparable disclosures

What could be covered?

- Worker wellbeing
- Diversity and inclusion
- Workforce investment
- The alternative workforce
- Labour conditions in the value chain



IFRS Foundation
CONFERENCE

Information Classification: General

#IFRSConference24

CSRD / ESRS & IFRS / ISSB: Differences

CSRD



Applicable in European Union
for those in scope

Mandatory standards

All stakeholders

Double materiality

Delayed sector-specific standards

Scope: 2 cross-cutting standards + 10 topic specific standards

ISSB



Applicable at international level

Voluntary standards

Investor company dialogue

Single materiality

Sector-specific standards

Scope: 2 Standards

VS

Interoperability: optimize data

Opportunity to **reuse** sustainability information from both reporting standards

- General information related to
 - Governance
 - Strategy
 - Risk management
 - Metrics and targets
- Climate change-related information : IFRS S2 and ESRS E1
- SEC Climate Disclosure

ESRS–ISSB Standards

Interoperability Guidance





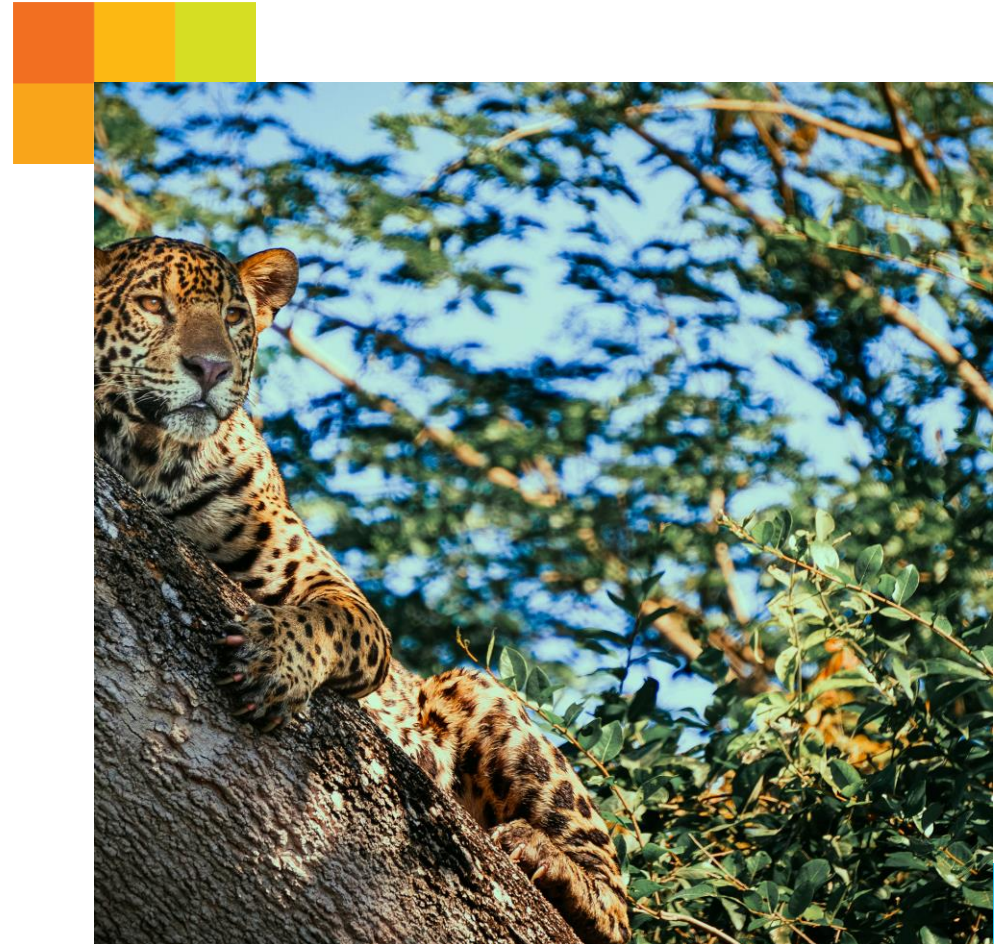
European Union
Deforestation Regulation

What is the EU DR?

Regulations targeting deforestation and making companies liable for products produced with certain raw materials

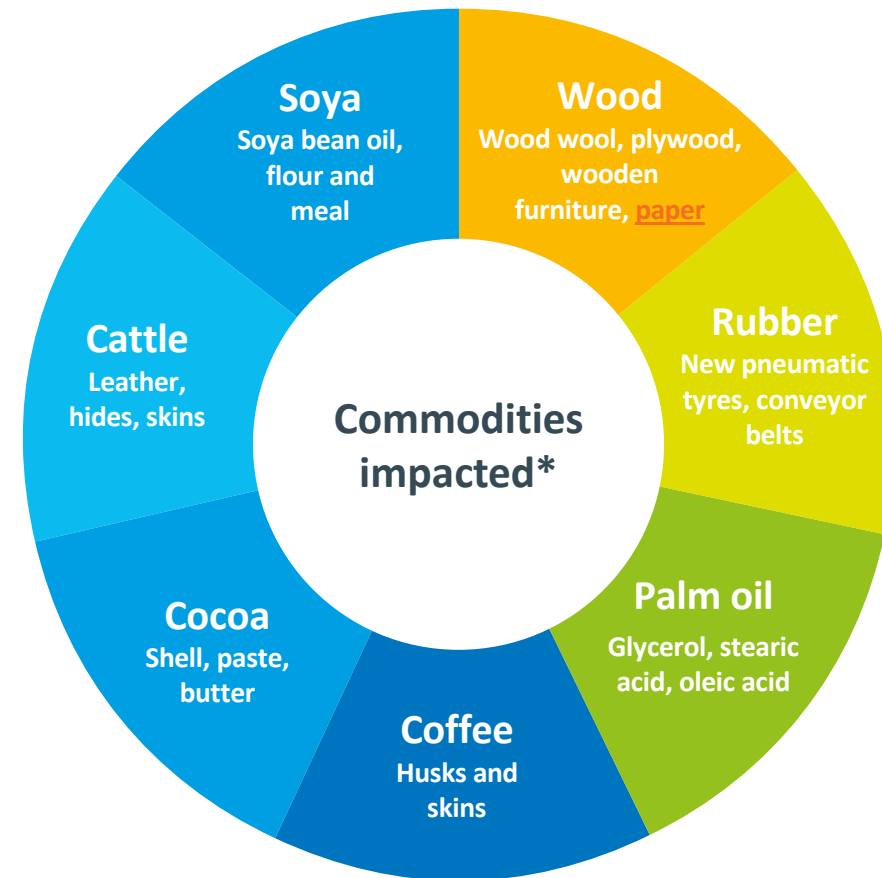
Regulation (EU) 2023/1115 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation (EUDR)

"The EUDR is likely to reconfigure trade and supply chains across deforestation-linked commodities over the next decade. Its impact will likely be felt across major palm oil-producing countries in Asia such as Indonesia and Malaysia, in the agribusiness industries of countries such as Brazil and Argentina, and across EU-bound cocoa exports from countries such as Côte d'Ivoire and Ghana." - [S&P Global](#)



EUDR - Regulation (EU) 2023/1115 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation

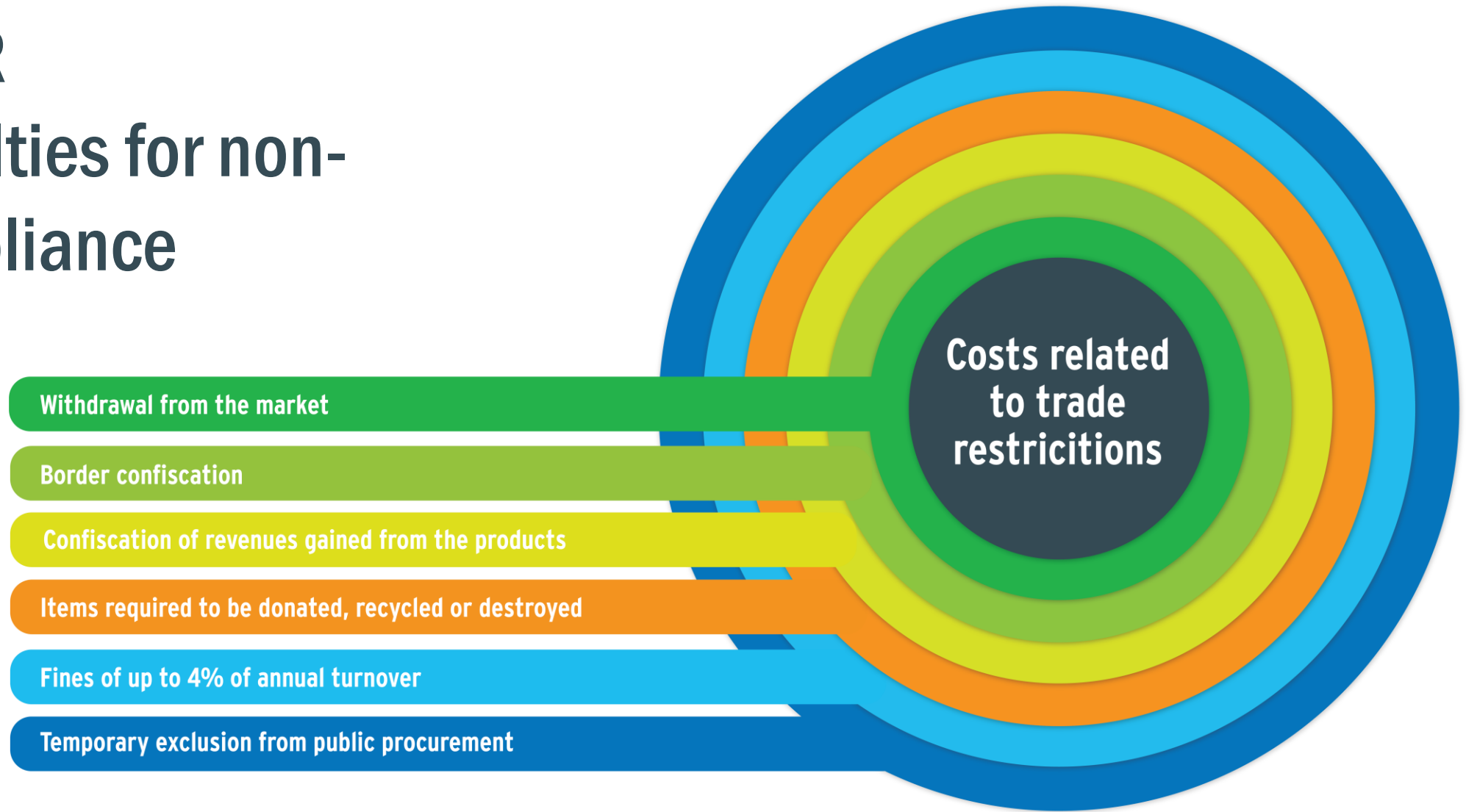
- Apply as of **30 December 2024**
- General ban on goods linked to deforestation
- Compliance with local laws
- Due diligence statements
- Imports and exports to/from the EU market



**The list of products and commodities can be expanded by the Commission.*

EUDR

Penalties for non-compliance





operations

Takeaways

Takeaways



- Dynamic and fast-moving landscape
- Mandatory Reporting: Regulatory Obligations - Number Growing
- Value Chain and Supply Chain
- The stakes are high if you get it wrong
- Data, data, data!

Thanks for your attention

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