

# Policy: The Future of EU Regulation on Sustainability

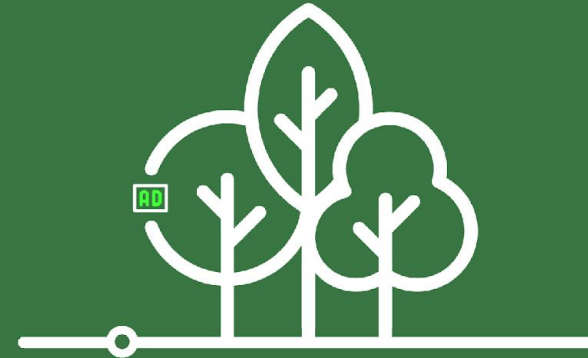


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# THE FUTURE OF EU REGULATION ON SUSTAINABILITY



# EU POLICY & REGULATORY LANDSCAPE



## PARIS AGREEMENT 2016

- Legally binding international treaty on climate change.
- **Goal:** to keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by **45% by 2030** and reach net zero by 2050
- Nationally Determined Contributions (**NDCs**) are at the heart of the Paris Agreement and the achievement of its long-term goals.
- NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

## EU GREEN DEAL

- In 2020, the EU submitted its updated and enhanced NDC the target to reduce emissions by at least **55% by 2030** from 1990 levels, and information to facilitate clarity, transparency and understanding (ICTU) of the NDC.
- 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 2023

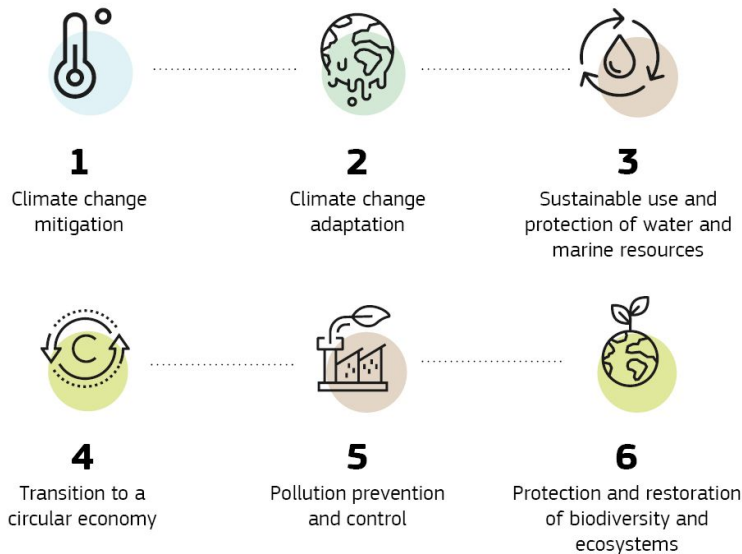
EU's sustainable finance framework and an important market transparency indicator of sustainable activities.

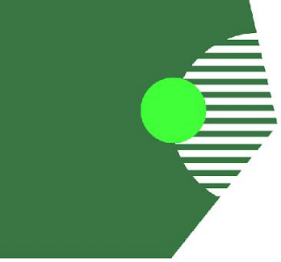
A classification system establishing a list of environmentally sustainable economic activities, by substantial contribution to at least **one of the EU's climate and environmental objectives**.

# THE EU TAXONOMY REGULATION 2023

**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.





# 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 have to report in their annual reports to what extent their activities are
  - 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)
- Exception for broader set of large companies and listed SMEs

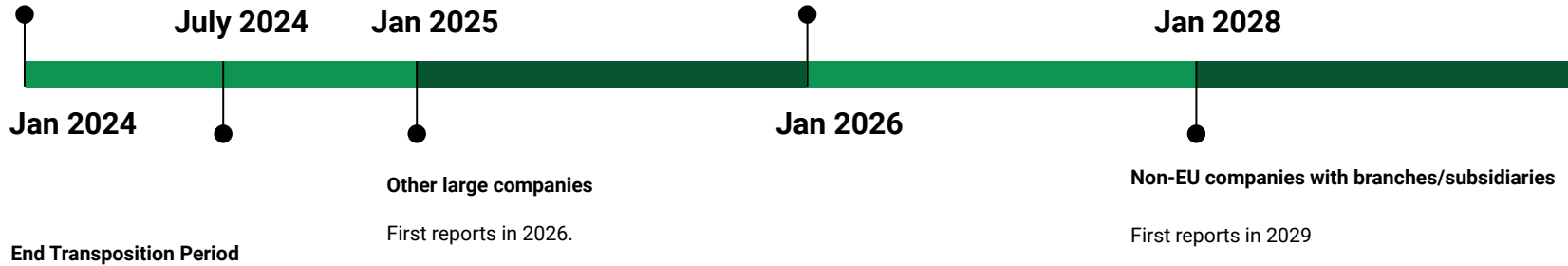
# CSRD, WHEN RULES WILL START APPLYING?

## Companies within scope of the NFRD

First reports in 2025 for companies in scope of the NFRD

## Listed SMEs

First reports 2027



## End Transposition Period

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

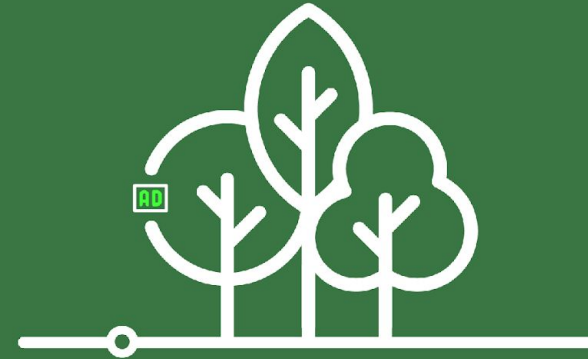


Each MS when transposing the CSRD into national law, they will introduce its own penalties



File Name	Corporate Sustainability Due Diligence Directive (CSDDD)	Green Claims Directive (GCD)
<b>Scope of Application</b>	<p>Large EU companies:</p> <p><b>Group 1:</b> +/- 9,400 companies - 500+ employees and net EUR 150 million+ turnover worldwide.</p> <p><b>Group 2:</b> +/- 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>
<b>Object</b>	<p>Ensure that businesses address the <b>harmful impacts</b> 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>
<b>Status</b>	<p>Started trilogue negotiations in June. Fourth trilogue planned in November 2023.</p>	<p>Consideration of the draft report joint Committee IMCO-ENVI 6-9 Nov</p>
<b>Risk</b>	<p>Low</p>	<p>TBC</p>

# WHAT WILL HAPPEN IN THE FUTURE?





## End of 2023

Finalisation of the Corporate Sustainability Due Diligence Directive

## June 2024

EU Parliament Elections

H2 2023

H1 2024

H2 2024

2024 - 2028

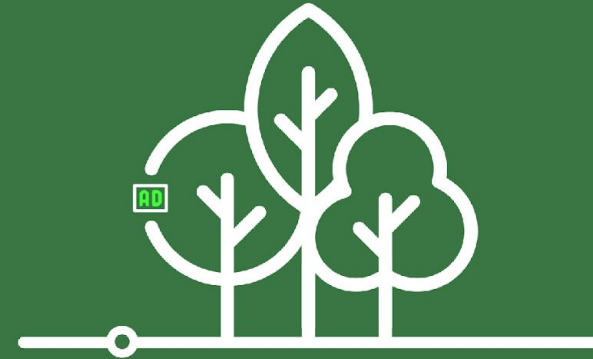
## Beginning of 2024

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 2030

QUESTIONS?



**Thank You**

