

EU Green Policy for Corporate Sector

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**CLOSE TO 1 MILLION
PROFESSIONALS**



**26 EU
MEMBER STATES**



49 INSTITUTES



35 COUNTRIES

WHAT WE DO



Facilitate members cooperation



Dialogue with policymakers



Help shape the profession's future

3

OUR STRATEGIC PRIORITIES

Support a sustainable and just transition

Advance the corporate governance ecosystems

Shape the profession's future & attractiveness

ONGOING ACTIVITIES

- Corporate reporting
- SMEs (LCE)
- Tax
- Anti-money laundering
- Public sector
- Ethics
- Professional bodies' role
- Digitalisation ...

Recent developments in sustainability

- Main EU Sustainability Acquis
 - Corporate Sustainability Reporting Directive (CSRD)
 - Sustainable Finance Disclosure Regulation (SFDR)
 - EU Taxonomy for Sustainable Activities (the Taxonomy)
 - Corporate Sustainability Due Diligence Directive (CSDDDD)
 - Carbon Border Adjustment Mechanism (CBAM)
- More broadly:
 - International public sector reporting standard for climate change
 - OECD Platform for Sustainable Finance for SMEs
 - Continuing work of IASB, SASB, GRI etc

EU context: what's in the mind of policymakers?

**“Competitiveness, European
resilience & its financing”**



- Advancing the EU Green Deal & Clean Industrial Deal
 - February's sustainability omnibus proposed changes to CSRD, CSDDD, Taxonomy, CBAM
 - Clean energy: energy independence & lower prices
 - Circular economy: reduced reliance on critical raw materials
- Security & defence, migration, international trade
- Promoting economic competitiveness, incl. other omnibuses (small midcaps, tax, more?)
- Financing for EU's defence & twin transition (digital & sustainability):
 - Private financing through new EU funds & Savings & Investments Union – EU Invest omnibus
 - Public financing through new levies, taxes, EU own resources

Corporate Sustainability Reporting Directive (CSRD)

- Law to be transposed by EU Member States **by 6 July 2024**
- Expands **scope** to all listed & large companies, from 12k to 45k EU companies
- **Digital tagging** of sustainability information in accordance with EU taxonomy for sustainable activities
- **Requirement for limited assurance** of sustainability reports
- Limited carve-out and protections for **SMEs**
- Reporting using **European Sustainability Reporting Standards (ESRS) Set 1** - future additions including sector-specific standards

Corporate Sustainability Reporting Directive : Omnibus proposed changes (I)



Timeline

- ‘Stop-the-clock’ proposal
- postpone CSRD requirements application for **wave 2** (reports in 2026) & **wave 3** (reports in 2027) companies by **2 years**



Scope

- **reduced** to large undertakings and parent undertakings of a large group with **1000 employees** on average and either exceeding **€ 25 million** total on a balance sheet or **€ 50 million** turnover
 - exclusion of listed SMEs
 - If adopted, impact on companies in wave 1
- **changing** thresholds for third-country companies generating **€450m** million net turnover in the EU and having a large subsidiary or a branch generating **€ 50 million** turnover

CSRD: proposed changes to scope

Scope & timing

- **2025 reporting:** PIEs with **500** employees
- **2026 reporting:** other large companies, exceeding
 - € 25 million total balance sheet
 - € 50 million net turnover
 - 250 employees on average
- **2027 reporting:** listed SMEs that do not exceed
 - € 25 million total balance sheet
 - € 50 million net turnover
 - 250 employees on average
- **2029 reporting:** non-EU companies that
 - generate more than € 150 million in the EU, and
 - a subsidiary fulfilling the criteria of a large company or listed SME or
 - EU branch generating more than € 40 million net turnover

- no changes to reporting/application date
- if scope changes adopted, impact on these companies

- 'stop-the-clock' proposal to postpone by two years

- **large companies + 1,000** employees on average (€ 25 million total on a balance sheet or € 50 million turnover)

- non-EU companies generating more than € 450 million in the EU, and
- Subsidiary fulfilling the criteria of a large company, or
- EU branch generating more than €50 million net turnover

Sustainability reporting standards

EC intends to revise the first set of ESRS and adopt a delegated act at the *latest six months* after the entry into force of the Omnibus

ESRS: proposed future changes

- Reduce mandatory datapoints
- prioritise **quantitative** datapoints
- distinguish **mandatory and voluntary** datapoints
- improve **consistency** with EU laws
- enhance **alignment** with international standards
- clarify how to apply **double materiality**
- other modifications from the first ESRS reporters

 ESRS 1 General Requirements	 ESRS 2 General Disclosures	 ESRS E1 Climate change
 ESRS E2 Pollution	 ESRS E3 Water & Marine Resources	 ESRS E4 Biodiversity & Ecosystems
 ESRS E5 Resource use & Circular Economy	 ESRS S1 Own Workforce	 ESRS S2 Workers in the Value Chain
 ESRS S3 Affected Communities	 ESRS S4 Consumers & End-users	 ESRS G1 Business Conduct

Other reporting standards

- no **LSME** reporting standard
- no **sector-specific** standards
- delegated act to be adopted with a **voluntary standard** for companies outside CSRD scope
- **value chain cap** limited to information specified in the voluntary standard and/or commonly shared information in the sector

CSRD: other proposed changes

Assurance

- EC should adopt limited assurance standard by 1 October 2026
- EC should adopt reasonable assurance standards if positively assessed



- **no more deadline** to adopt the limited assurance standard by **1 October 2026**
- no more requirement for **reasonable assurance**
- EC targeted assurance guidelines to be delivered by 2026

Digital tagging

- companies shall mark up their sustainability reporting to upload them to the ESAP



companies are not required to comply until a delegated regulation on **marking up** sustainability reporting is adopted

Taxonomy Article 8

- full compliance with Art.8



more flexibility for undertakings with more than 1,000 employees and net turnover below €450 million to report under EU Taxonomy requirements

Corporate Sustainability Due Diligence Directive

- Published in the EU Official Journal in July 2024
- For large EU companies & non-EU companies active in the EU
- **Take action to prevent, identify & mitigate any adverse impact on human rights or the environment** in the “chain of activities”
- Sanctions: monetary penalties & civil liability
- Optional 3rd party verification to ensure compliance in supply chain



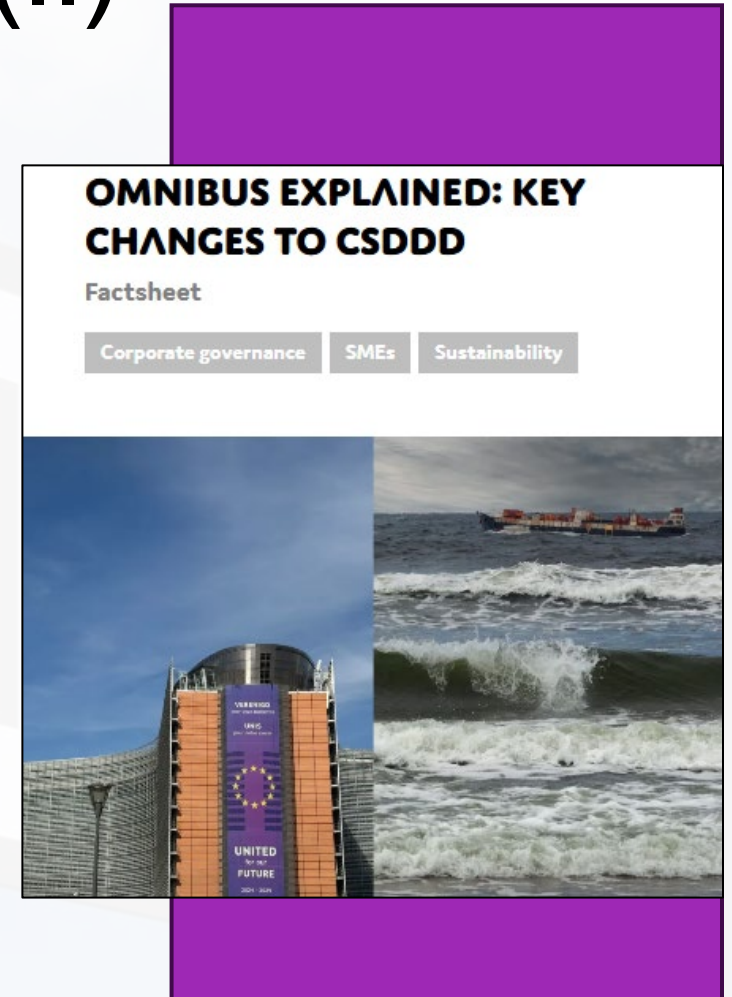
Omnibus: CSDDD proposed changes (I)

- narrowed **definition** of 'stakeholder' – “directly affected”
- MS restricted from introducing stricter rules to **tackle human rights and environmental abuse**
- value chain due diligence limited to **direct suppliers**
- companies required to consider **SMEs support measures**
- monitoring every **five years** – not annually
- ‘**put into effect**’ obligation on a transition plan **removed**



Omnibus: proposed changes (II)

- companies are no longer obligated to **terminate** the **business relationship**
- revision to **pecuniary penalties** – reconsider the **5%**
- EU-wide **civil liability regime deleted**, leaving this to the discretion of Member States
- requirement for a **report on financial undertakings** by EC removed
- **application deadline postponed to 2028** whilst deadline for guidelines is brought forward



Sustainable Finance Disclosure Regulation & EU Taxonomy for Sustainable Activities

SFRD

- Mandates ESG disclosure obligations for financial markets participants
- Non-EU entities will be affected indirectly through EU subsidiaries, provision of services in the EU and market pressure
- Disclosures at organisational, service & product levels to prevent “greenwashing” & enable comparisons for sustainable investment decisions

Taxonomy

- A standardised classification system that establishes a framework for identifying economically sustainable activities for certain investment products
- Links six environmental objectives to entity’s revenue, capex & operating expenses

Taxonomy: proposed changes

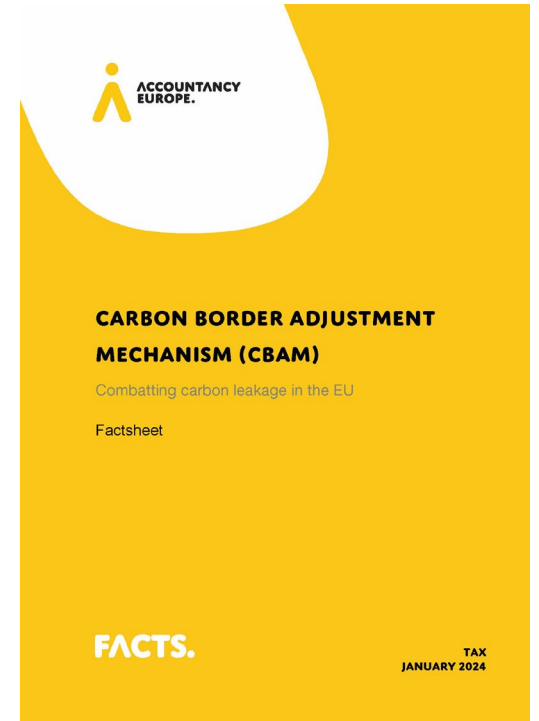


A draft delegated act proposing changes to the three EU Taxonomy Delegated Acts: Disclosures, Climate and Environmental

- introduction of a financial **materiality threshold**
- reduction of reporting templates by around **70%**
- **simplification of DNSH criteria** for pollution prevention and control related to chemicals
- exclusion from the GAR companies outside the future CSRD scope



The Carbon Border Adjustment Mechanism



First of its kind – but not for long

To provide a level playing field for EU businesses subject to the EU ETS

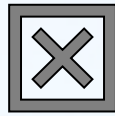
In principle, direct & indirect emissions of GHGs

- Initially, only direct (production) emissions for iron/steel, aluminium & hydrogen imports

Potentially a large increase on the price of such goods – depends on national situation

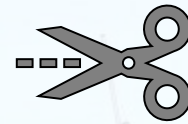


CBAM: what is new?



Exemptions

- 90% of importers out of scope
- new CBAM mass based annual **threshold (50 tonnes per importer per product type)**
- only **verification** of actual embedded emissions



Simplification

- extended **reporting deadlines**
- all 3rd country **carbon prices** deducted
- reduced % of certificates bought on account
- **calculation** of emissions



Outcomes

- **99% emissions** in scope
- extension of CBAM to **other ETS** sectors and downstream goods
- **reduced** scope for **speculation**
- stronger **penalties**
- more **effectiveness** in the long term

Final thoughts

- Legislators don't get everything right first time
 - the omnibus is an opportunity to correct deficiencies
 - but is subject to negotiation between EC, EP and Council
 - Simplification or deregulation?
- EU legislation can have dramatic impacts on third countries
 - alignment with EU aquis helps mitigate this
- Implementation should always take account of local environment
 - Belgium's transposition of CSRD illustrates how this can be done
- Reporting is a tool – change of behaviour is the aim
 - Businesses, especially SMEs, will require much targeted assistance

Resources

<https://accountancyeurope.eu/publications/omnibus-explained-key-changes-to-csrd/>

<https://accountancyeurope.eu/publications/omnibus-explained-key-changes-to-sustainability-reporting-standards/>

<https://accountancyeurope.eu/publications/omnibus-explained-key-changes-to-csddd/>

<https://accountancyeurope.eu/publications/csr-d-transposition-tracker/>

Thank you!



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