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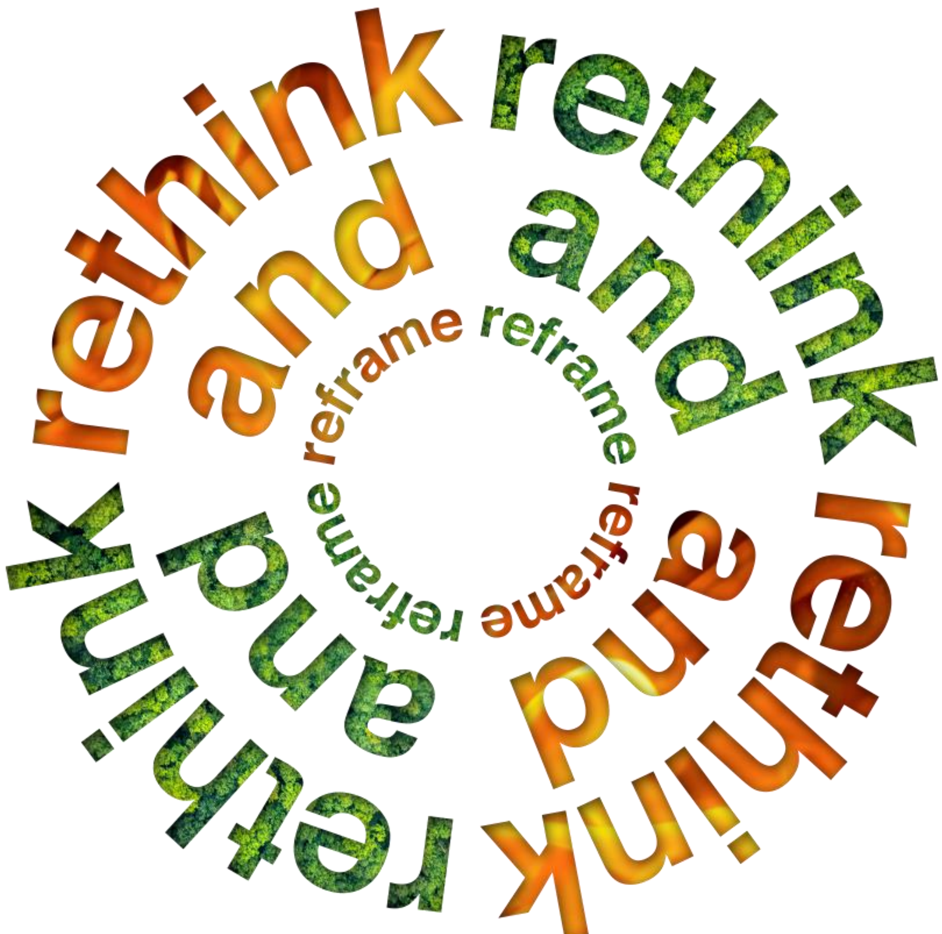

Sustainability Reporting

Update: EU Taxonomy and new reporting Directive

NL Corporates
May 2021

How does the EU Taxonomy fit within the different sustainability reporting frameworks?

The taxonomy will be used in **disclosures of financial products** and in **reporting by large and listed companies.**

What is the EU Taxonomy?
EU Taxonomy is a common classification of economic activities significantly contributing to environmental objectives, using science-based criteria

Large and listed companies

have to publicly report…

Other CSRD information on environmental, social and governance issues

% of activities aligned with the EU Taxonomy*
Companies to report the % of their current revenues coming from activities aligned with the **EU Taxonomy** and % of their future revenues (capital expenditure) coming from activities aligned with the **EU Taxonomy**

…reporting information goes to

Other end users
(civil society, customers…)

Financial Market Participants**
(asset managers, insurance companies, pension funds, etc.) and
Financial Advisers**

SFDR (Sustainable Finance Disclosure Regulation)
disclosure when selling sustainable financial products

Products with environmental or social characteristics
may partially pursue 'sustainable investment' as objective – the 'light green' products'

Products with 'sustainable investment' objective
Activities aligned with the **EU Taxonomy** are included in the definition of 'sustainable investment' (investment contributing to an environmental or social objective)

Proposed CSRD (Corporate Sustainability Reporting Directive)
Reporting done by large and listed companies on their sustainability risks and impacts i.e. impact of their business on the climate and impact of climate change on their business.

*This document is based on the requirements in the draft EU Taxonomy Article 8 Delegated Act which is currently open for comment, it is anticipated to have implications for disclosure from 1 January 2022 to provide limited quantitative and qualitative information on the share of an organization's economic activities that are Taxonomy aligned. We anticipate significant qualitative and quantitative disclosure implications from 1 January 2023, including the need for comparatives and forward-looking information.
** The SFDR which applies to Financial Market Participants and Financial Advisers is not the focus of this briefing document.

Timeline for the new Corporate Sustainability Reporting Directive

SCOPE

Listed companies with more than 500 employees
~ 11,000 companies in the EU
In force since 2014

All listed companies[2] + large companies that exceed 2/3 of the following:
- Balance sheet total: EUR 20M
- Net revenue: EUR 40M
- 250 average number of employees during the FY

~ 50,000 companies in the EU

EU NFRD

CSRD (proposed revision to EU NFRD)

REPORTING REQUIREMENTS

FY2020
- EU Non-Financial Disclosure Directive (EU NFRD)

FY2021
- EU NFRD
- EU Taxonomy[3]: Disclosures on extent to which activities[1] contribute to **climate change mitigation & adaptation**

FY2022
- EU NFRD
- EU Taxonomy: Disclosures as set out in FY2021 **plus** extent to which activities[1] contribute to:
  1. Protection of water & life in water
  2. Transition to a circular economy
  3. Pollution prevention
  4. Protection of biodiversity

FY2023[4]

FY2024
- **Mandatory EU sustainability reporting standards[5]** that will be developed by the European Financial Reporting Advisory Group (EFRAG), addressing the following with regards to ESG matters:
  - Business **model & strategy**
  - **Targets & progress**
  - Role of the **administrative, management & governance bodies**
  - **Policies**
  - Most significant **negative impacts**
  - **Principal risks**, including **dependencies** and **how risks are managed**
  - The way **information** reported on has been **identified**
- Qualitative, quantitative, forward-looking, retrospective information covering short, medium & long-term time horizons.
- Application of a **double materiality** lens in reporting on both how sustainability matters affect their business and the **external impacts** of the company's activities on people and the environment.
- Information about the company's **value chain**, including the company's own operations, products & services, business relationships & supply chain.
- EU Taxonomy related disclosures (as set out in FY2022).

Format

FY2020	FY2021	FY2022	FY2023[4] / FY2024
Annual Report (NL)	Annual Report (NL)	Annual Report (NL)	Externally published Management Board Report Mandatory digital reporting in ESEF format

Assurance

FY2020	FY2021	FY2022	FY2023[4] / FY2024
If required by law	If required by law	If required by law	Mandatory (limited) assurance of reported information[6]

1. Revenues, costs and investments associated with taxonomy-eligible activities should be classified according to these topics.
2. All listed companies (on EU regulated markets), except listed micro-enterprises. Includes SMEs with securities listed on regulated markets.
3. Technical screening criteria for these will be issued by the end of 2021.
4. As of FY2026 for listed SMEs.
5. 1st draft standards to be adopted by October 2022. EU Member States must incorporate the Directive into law by 1 December 2022 and ensure that its provisions apply to companies for financial years starting on/after 1 January 2023.
6. We expect the limited assurance requirement to eventually shift to reasonable assurance for selected KPIs.

What should be done now?

Phase 1

Baseline Assessment

- (Re)assess **existing sustainability reporting process** (including internal controls and governance) to understand the baseline.
- Consider **auditor's perspective** on materiality process and the KPIs that are currently in place.
- Assessment of the baseline – **benchmarking with selected industry peers**.
- Interviews with key internal stakeholders to get an understanding of existing **data management process** (design, capture, record, calculate, compile).
- Map out **global supply chain** and assess sustainability topics using double materiality concept.

Phase 2

Getting assurance ready

- **Regulation scan:** Which regulatory obligations will come into force and when?
- **Training plan** for key employees on EU regulations.
- Create a **matrix per strategic KPI** on the requirements of limited and reasonable assurance.
- Analyse the **existing carbon reporting process** and **investigate the feasibility** of replicating this for other KPIs.
- Implement **internal control framework** on non-financial information.

Phase 3

Create roadmap

- Create an **actionable roadmap** with key internal stakeholders to get assurance ready (limited and eventually to reasonable assurance).
- Develop a **taxonomy mapping** and a **governance plan**.
- **Data management framework** and insights on the required audit documentation.
- Consider **digital solutions** for more efficient data management, **effective internal controls** and valuable insights to ensure reliable environmental, social & governance (ESG) (aka sustainability) reporting.

Contact us

Do you want to learn more about transparent ESG reporting and what you can do now? Please connect us:

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