Sustainable finance reporting obligations in construction

Presentation at the Circular Talk ‘Preparation of a circular construction/infrastructure project – an investor’s perspective’

15 December 2023

Piotr Kowalczyk

ENV.E.1 Green Finance and Investments

Agenda

1. The wider context
2. Overview of the Taxonomy
3. Overview of the CSRD
4. The disclosure architecture

The wider context

European Commission

Sustainable finance is crucial to deliver the European Green Deal

€620 bn

Yearly green investment gap

Public funding

EU and Member States

Private funding

Channelled by financial markets participants
(e.g. investment & pension funds, banks, insurance)

Overview of the Taxonomy

European Commission

The Taxonomy's design principles

1. A **classification** and **disclosure** system…
2. …built on **science**-based criteria…
3. …Which helps define the **degree of sustainability** of a financial product…
4. …But which **does not impose** to meet the criteria it sets and **does not constitute a mandatory list** to invest in

Taxonomy activities must meet TSCs* and minimum safeguards

Substantial contribution

To one environmental objective

+

Do no significant harm

To any other objective

+

Minimum safeguards

Social, human rights, governance

Technical screening criteria

** TSCs = Technical screening criteria*

TSCs are defined against six environmental objectives

Climate objectives

- Climate Change Mitigation
- Climate Change Adaptation

Other environmental objectives

- Sustainable use and protection of water and marine resources
- Pollution prevention and control
- Transition to a circular economy
- Protection and restoration of biodiversity & ecosystems

The Taxonomy includes 13 activities directly relevant to construction

Substantial contribution	CCM	CCA	CE
Construction of new buildings	✓	✓	✓
Renovation of existing buildings	✓	✓	✓
Installation, maintenance and repair of energy efficiency equipment	✓	✓	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	✓	✓	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	✓	✓	
Installation, maintenance and repair of renewable energy technologies	✓	✓	
Acquisition and ownership of buildings	✓	✓	
Demolition and wrecking of buildings and other structures			✓
Maintenance of roads and motorways			✓
Use of concrete in civil engineering			✓
Preparation for re-use of end-of-life products and product components			✓
Product-as-a-service and other circular use and result-oriented service models			✓
Marketplace for the trade of second-hand goods for reuse			✓

Overview of the CSRD

European Commission

The CSRD updates and supersedes the Non-Financial Reporting Directive (NFRD)

Reporting	Modernises and strengthens the rules about the environmental and social information that companies have to report
ESRS	Companies subject to CSRD will have to report according to the European Sustainability Reporting Standards (ESRS)
Digitalisation	Digitalisation of sustainability reporting in XHTML on-line format
Assurance	Adoption of limited assurance standards by October 2026, reasonable assurance standards by October 2028

The CSRD will apply to all large companies

≈ 49 000 companies

1. All companies with more than 250 employees and €50 million turnover
2. All listed companies (incl. listed SMEs but not listed micro-SMEs)
3. Non-EU companies with branches or subsidiaries in the EU above certain thresholds

European Commission

The ESRS will be phased-in until 2029

	FY 24 (report 25)	FY 25 (report 26)	FY 26 (report 27)	FY 27 (report 28)	FY 28 (report 29)
NFRD > 750 emp	Light phase-in	Light phase-in	Light phase-in	Full reporting	Full reporting
NFRD < 750 emp	Strongest phase-in	Moderate phase-in	Light phase-in	Full reporting	Full reporting
Non-NFRD > 750 emp	No reporting	Light phase-in	Light phase-in	Light phase-in	Full reporting
Non-NFRD < 750 emp	No reporting	Strongest phase-in	Moderate phase-in	Light phase-in	Full reporting
Listed SME	No reporting	No reporting	May opt out*	May opt out*	Full reporting*

NFRD *= companies previously subject to Non-Financial Reporting Directive: large listed companies, large banks, large insurance companies, all if they have more than 500 employees. Includes non-EU listed companies with more than 500 employees.*

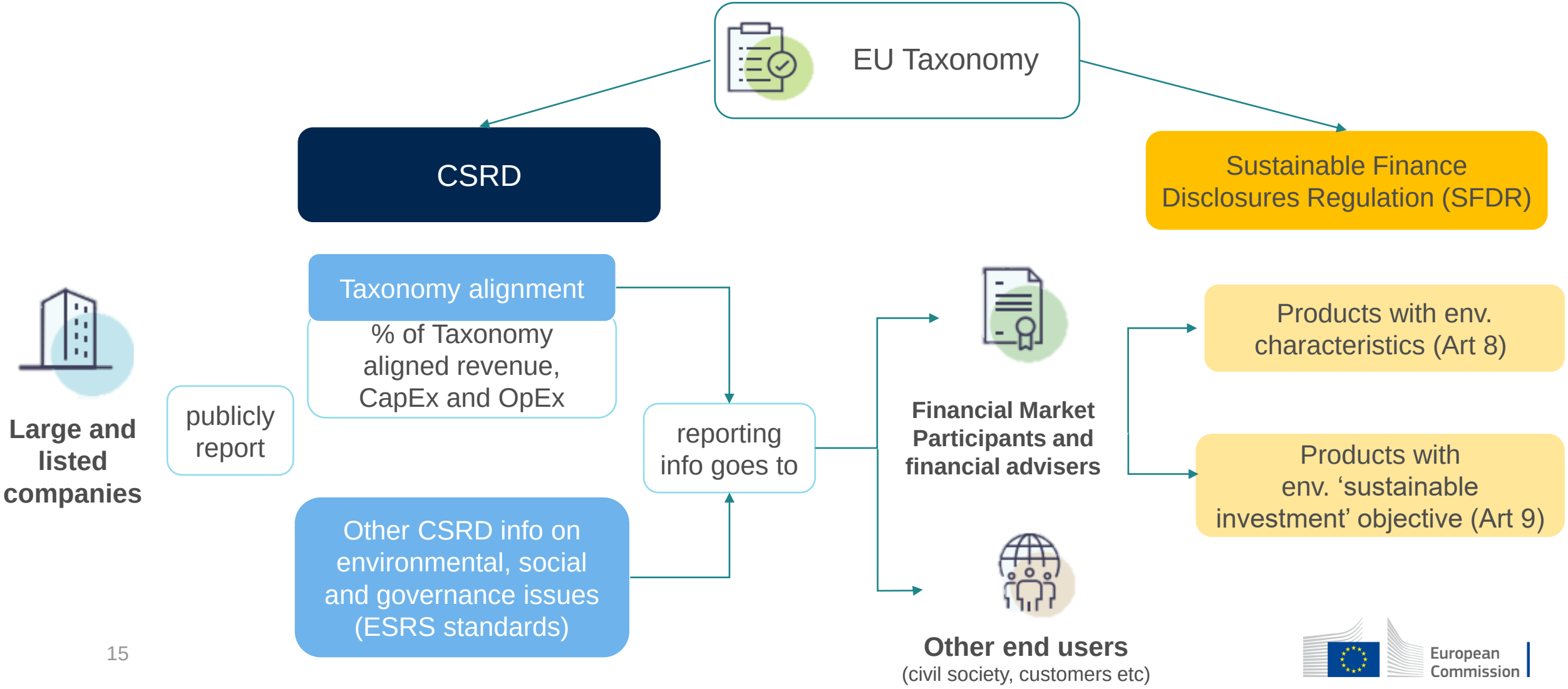
Non-NFRD *= all large companies (non-SMEs) not covered by NFRD. It is mainly large non-listed companies.*

** Listed SMEs may use separate, proportionate standards*

The disclosure architecture

European Commission

The disclosure architecture



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