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
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
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

* 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

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

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

≈ 49 000 companies
The ESRS will be phased-in until 2029

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NFRD &gt; 750 emp</strong></td>
<td>Light phase-in</td>
<td>Light phase-in</td>
<td>Light phase-in</td>
<td>Full reporting</td>
<td>Full reporting</td>
</tr>
<tr>
<td><strong>NFRD &lt; 750 emp</strong></td>
<td>Strongest phase-in</td>
<td>Moderate phase-in</td>
<td>Light phase-in</td>
<td>Full reporting</td>
<td>Full reporting</td>
</tr>
<tr>
<td><strong>Non-NFRD &gt; 750 emp</strong></td>
<td>No reporting</td>
<td>Light phase-in</td>
<td>Light phase-in</td>
<td>Light phase-in</td>
<td>Full reporting</td>
</tr>
<tr>
<td><strong>Non-NFRD &lt; 750 emp</strong></td>
<td>No reporting</td>
<td>Strongest phase-in</td>
<td>Moderate phase-in</td>
<td>Light phase-in</td>
<td>Full reporting</td>
</tr>
<tr>
<td><strong>Listed SME</strong></td>
<td>No reporting</td>
<td>No reporting</td>
<td>May opt out*</td>
<td>May opt out*</td>
<td>Full reporting*</td>
</tr>
</tbody>
</table>

**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
The disclosure architecture

EU Taxonomy

CSRD

Taxonomy alignment
% of Taxonomy aligned revenue, CapEx and OpEx

reporting info goes to

Financial Market Participants and financial advisers

Products with env. characteristics (Art 8)

Products with env. ‘sustainable investment’ objective (Art 9)

Other end users
(civil society, customers etc)

Other CSRD info on environmental, social and governance issues (ESRS standards)

Large and listed companies

publicly report

Sustainable Finance Disclosures Regulation (SFDR)
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