

Sustainability: from “nice to have” to business case?

- » **The EU economy is going green:** EU Green Deal gets serious for businesses – the Commission plans to introduce sustainable finance and supply chain regulations
- » **Sustainability as a new *must-have*:** Commission created a „green list“ of economic activities which are to be considered sustainable
- » **EU climate neutrality until 2050:** targeting investments towards more sustainable technologies and businesses
- » **Due diligence for companies:** Compliance with human rights and environmental standards along global supply chains



Green Taxonomy

1) EU Taxonomy Climate Delegated Act

- » **Technical screening criteria** determine whether economic activities significantly contribute to climate change mitigation
- » **Who?** about 40% of listed companies in sectors such as energy, forestry, manufacturing, transport and buildings
- » These economic activities cover **80% of direct greenhouse gas emissions in Europe**

2) Corporate Sustainability Reporting Directive (CSRD)

- » **Reporting standards on sustainability information** of companies' economic activities (sustainability and governance matters, global supply chains, etc.)
- » **Who?** All large companies and listed companies, except listed micro-enterprises
- » **Voluntary standards for non-listed SMEs**

3) Delegated Acts on fiduciary duties, investment and insurance advice

- » **Obligations** on financial firms to **integrate sustainability criteria** in their procedures and investment advice



Sustainable Corporate Governance “EU to act on supply chains”

- » Long-term **sustainable value creation** instead of short-term benefits
- » Compliance with human rights and environmental standards by introducing stricter **controls of the supply chain**

Possible implementation in practice:

1) Due diligence for companies

- » **Mandatory reporting on environmental standards and human rights** along the value chain
- » **Civil liability** for companies
- » Requirement of having **sustainability or human rights expertise** in companies' boards of directors

2) Sustainable corporate governance

- » Integration of **sustainability risks** into the company's strategy
- » **Mandatory sustainability metrics** for remuneration

The next steps

2021

- **End of the year**
Proposal on sustainable corporate governance

2022

- **January**
EU taxonomy climate act enters into force
- **2. Quarter**
Trilogues on supply chain law
- **October**
Acts on fiduciary duties, investment and insurance advice enter into force
- **End of the year**
Adoption of EU sustainability reporting standards

2023

- **2023**
Expected adoption of proposal on sustainable corporate governance

2026

- **January**
Listed SMEs fall under CSRD

Quick Check by PANTARHEI

Transformation into the unknown

- » Politics: business models are to be radically transformed towards sustainability in the next 10 years. The outcome is uncertain.

An economy made by the state

- » Non-market factors such as regulations will become increasingly decisive for functioning business models.

Follow the money

- » Decision-making framework for investments and lending to large wholesale clients will become tighter. „Green“ and ESG as the new underlying.

Follow the rules?

- » Will the supply chain law and mandated sustainability be a locational advantage or a competitive disadvantage?