



Institute for  
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Policy

# EU Commission proposal for a Delegated Act on Sustainability Reporting (09.06.23)

Critical analysis from an ESG perspective (Biodiversity)

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# Main points

- ☞ Unfortunate watering down of the [EFRAG](#) proposal (November 2022)
- ☞ Weak position on **double materiality**, due to the postponement of reporting on community impacts
- ☞ **Incoherence** with **science** (delaying crucial env reporting when scientist identify an env emergency), **policy** (EU claims to want to be leader in environmental action & finance), and **international** (Kunming-Montreal Pact and Nagoya Protocol) and **EU law** (CSRD and SFRD).
- ☞ The COM allows in its DA a tailor-made reporting when it introduces a **materiality assessment criterion**, which reduces the scope of **mandatory disclosure** (it makes some disclosures voluntary regardless of their **materiality**).
- ☞ This way the COM ended up supporting a **wait-and-see approach**, instead of setting the basis for **reliable and comparable information**, as necessary to address **greenwashing** (companies can now omit entire disclosures or specific details within a simple disclosure...if they do not consider it material...according to their own assessment methodology).

## Where is the regulatory coherence ...within the EU regulatory framework itself?

- Art 19A/1 **CSRD** requires information to be inserted in the management report which now the companies can decide themselves whether it is relevant to report.
- According to **SFDR**, key climate (E1) and social (S1) metrics should have mandatory reporting
  - Biodiversity is certainly one of them, since 35-54% of the financial assets held by financial institutions are highly/very-highly dependent on ecosystem services
  - How can risks be assessed and financial stability managed without this information being available?

# Where is the Just Transition?

Reporting on non-employee workers not required

- This exclusion promotes precarious working, in contrast with the European Pillar of Social Rights and the fact that inclusive growth is acknowledged by the EU as a requirement for competitiveness.
- If we do not manage to have a Just Transition, we might not have a Transition at all!

# Lost opportunity?

## The Kunming-Montreal Pact

- One of the main outcomes of the **COP15 Biodiversity** conference in Montreal
- Outlines 23 targets for action that should evolve from voluntary to mandatory (as it was the case with TCFT)

The COM proposal ignores these international responsibilities!

## Lost opportunity? (cont.)

### Target 14

- Requires signatories to ensure full integration of developments in biodiversity and nature-based reporting into policies
- By 2030, biodiversity reporting should be treated similarly to emissions-based scope 1, 2 and 3 reporting

### Target 15

- Especially relevant for financial institutions
- First step towards mandatory nature-based reporting
- Requires signatories to implement Access & Benefit Sharing (ABS) ([Nagoya Protocol](#)) regulation (EU Regulation 511/2014 applies to all use of genetic material)
  - Compliance with this Protocol is difficult to monitor due to lack of information
  - The DA proposed is a loss opportunity for compulsory reporting of ABS, which would support the application of the protocol and EU regulation.

## Lost opportunity? (cont.)

**Target 18** requires the rollback of biodiversity harmful subsidies (identified by 2025, reduced at least \$500 b/y by 2030)

**Target 19** incentivise the implementation of national biodiversity financing strategies to mobilise at least \$200 b/y by 2030

New financial incentives should be created for biodiversity finance to address the investment gap of \$700 b/y, according to the [EIB Report](#)

Difficult to understand how this can be done when information is not available!

## Is there a concern about interoperability?

Not moving boldly might express a concern about interoperability...

The ISSB plans to research incremental enhancements that complement their S2 Climate standards, and this includes natural ecosystem, biodiversity and human capital aspects of the just transition.