Sustainable Finance – overview
ESG/Climate change and internal auditors

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Agenda

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- ESG and EBRD
- EU Sustainable Action Plan
- Taxonomy
- SFDR & CSRD
- Future trends
- Role of the auditor

ESG – what is this

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- “ESG” is the consideration of environmental, social and governance factors (positive and negative potential and actual impacts) in the decision-making process for investment activities.

- UN PRI identifies three core components which provide the path to comprehensively understanding an entity’s ESG risks and opportunities, environmental and social performance, and contribution to wider outcomes.
  - Social goals and planetary thresholds – Nationally, regionally, or internationally recognised environmental and social targets, norms and responsibilities within which entities operate from a sustainability perspective.”
  - ESG risks and opportunities - ESG factors likely to impact the financial condition or operating performance of an entity (financial materiality).
  - Sustainability performance – How an entity’s operations and products impact (positively and negatively) stakeholders and the environment.

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Key elements to manage ESG risks and performance

- ESG Policy
- Processes
  - Risk (and opportunity) identification
  - Managing risks and taking actions
  - Setting metrics and targets
- Reporting
  - Internal
  - External, incl. regulatory requirements (if any)
- Organizational capacity and training
- Emergency preparedness

Good ESG performance starts by identifying relevant ESG risks, supports ESG performance through management systems, and facilitates financing through consistent and reliable ESG reporting

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Lender Finance - why does it matter

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All Project need to secure financing, this will often include combination of debt and equity. This applies for both public and well as private sector Projects. Some sources of financing can be:

- Multilateral Development Banks (MDBs) – EBRD/IFC/World Bank/EIB/AIIB etc.
- National development Agencies or State Development Banks (kfw, DEG, JBIC, US OPIC etc)
- Private sector banks
- Investors and private equity, etc.

Most financial investors will apply environmental and social standards and safeguards, MDBs and Development Banks will finance projects in the form of long-term loans at market rates, very-long-term loans below market rates, and through concessional grants.

- IFC Performance Standard (PS) commonly used (EBRD Performance Requirements (PRs) – akin to IFC but EU focused). Many commercial Bank's have signed up to Equator Principles.
- Investors are developing Green Financing tools and reporting and disclosing Environmental and Social Governance (ESG) information

Overall increasing pressure on disclosure and reporting and investors will shy away from risky project or project that can have a negative impact on reputation etc.

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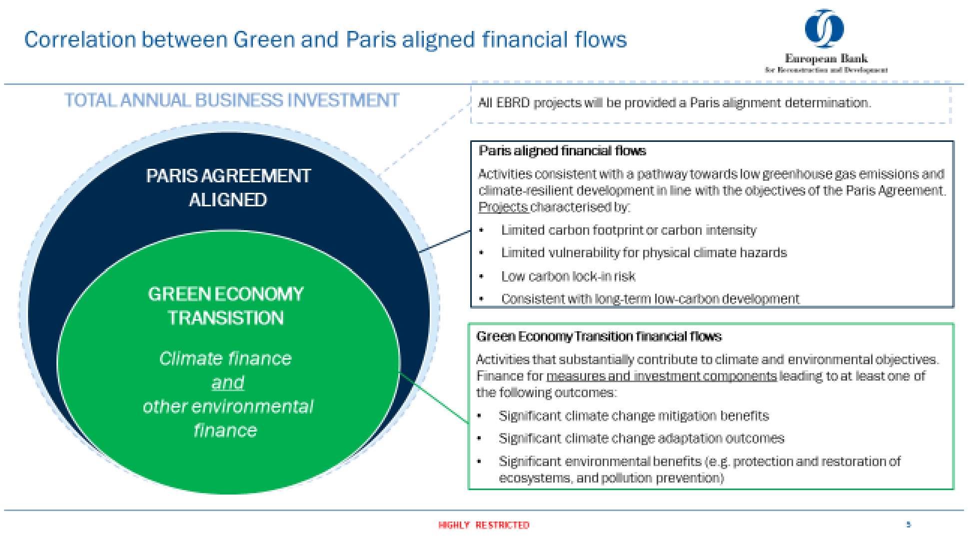
The *Agreement Establishing the EBRD* commits the Bank:

“to promote in the full range of its activities environmentally sound and sustainable development.”

- ESG issues are at the heart of the Bank’s approach to ESG through our approach to sound Banking, Transition, Sustainability and Additionally criteria. The Bank has been doing ESG for (nearly) 30 years.
- EBRD Green Economic Transition (GET) approach aims to increase the financing of projects that advance the transition to an environmentally sustainable and low-carbon economy. GET 2.1 under development and aim for 50% of all Projects to attain GET qualifying principles and criteria.
- All Projects to be Paris Aligned



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How we Approach Project

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- We finance Project developed by Sponsors (Clients), often permitted and sometimes providing finance to existing Clients (i.e. for existing portfolio).
- For each Project we undertake an Environmental and Social Due Diligence to ascertain compliance with National law and our PR/PS.
- Projects are screened based on sensitivity and risk
- As part of agreement, an Action Plan (ESAP for EBRD) is agreed with client and part of financing agreement.
- All Project should have a monitoring program in place.
- The Bank is providing specific assistance in terms of climate reporting and new TC to assist Clients in developing and implementing climate governance

The EBRD's Environmental and Social Policy (ESP) is based on the "Do-no-significant-harm" principle, which is enshrined in the concept of the mitigation hierarchy. It applies broadly to environmental (including climate, biodiversity etc.) and social issues

EU Sustainable Finance

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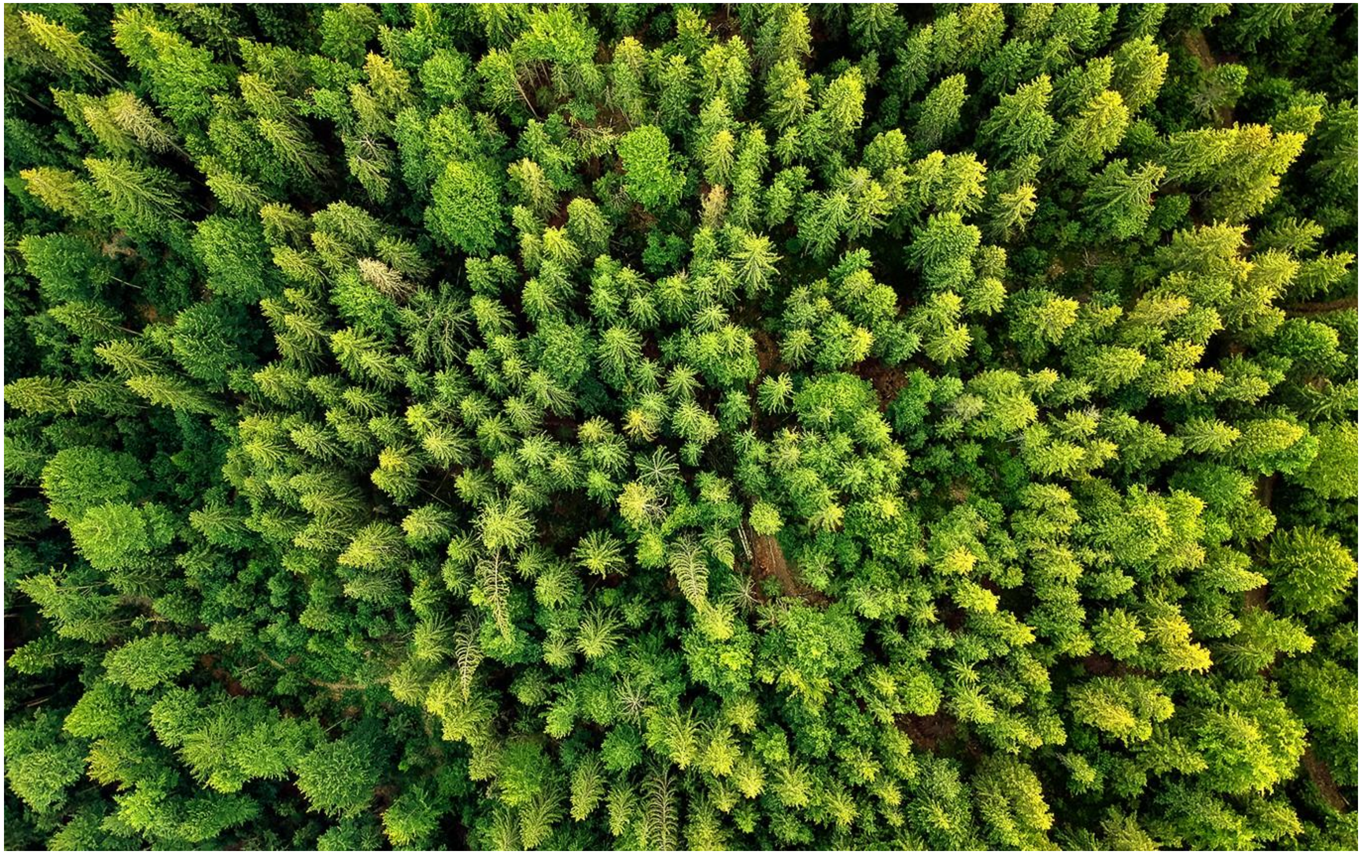

EU Sustainable Finance Strategy

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Over the past years, the EU has been building a sustainable finance framework to:

- support the flow of private finance towards sustainable economic activities
- make the transition to a carbon neutral economy by 2050 possible

2018: THE EU LAID THE FOUNDATIONS FOR SUSTAINABLE FINANCE

1. EU TAXONOMY

A common classification of economic activities substantially contributing to environmental objectives, using science-based criteria.

- Taxonomy Regulation: adopted on 18 June 2020

2. DISCLOSURES

Comprehensive disclosure regime for both non-financial and financial institutions to provide investors with the information necessary to make sustainable investment choices.

- Sustainable Finance Disclosure Regulation (SFDR) applies since March 2021
- Corporate Sustainability Reporting Directive (CSRD) proposed by the Commission in April 2021
- Sustainability preferences: adopted by the Commission in April 2021

3. TOOLS

Broad toolbox for companies, market participants and financial intermediaries to develop sustainable investment solutions, while preventing greenwashing.

- EU Climate Benchmarks Regulation applies since April 2020
- Standard for European green bonds (EuGB), proposed by the Commission today

New Actions under EU Action Plan

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Reorient capital flows towards sustainable investment, in order to achieve sustainable and inclusive growth

1) Establishing an EU classification system for sustainability activities

2) Creating standards and labels for green financial products

3) Fostering investment in sustainable projects

4) Incorporating sustainability when providing investment advice

5) Developing sustainability benchmarks

Mainstreaming sustainability into risk management

6) Better integrating sustainability in ratings and research

7) Clarifying institutional investors and asset managers' duties

8) Incorporating sustainability in prudential requirements

Foster transparency and long-termism in financial and economic activity

9) Strengthening sustainability disclosure and accounting rule-making

10) Fostering sustainable corporate governance and attenuating short-termism in capital markets

Time Table

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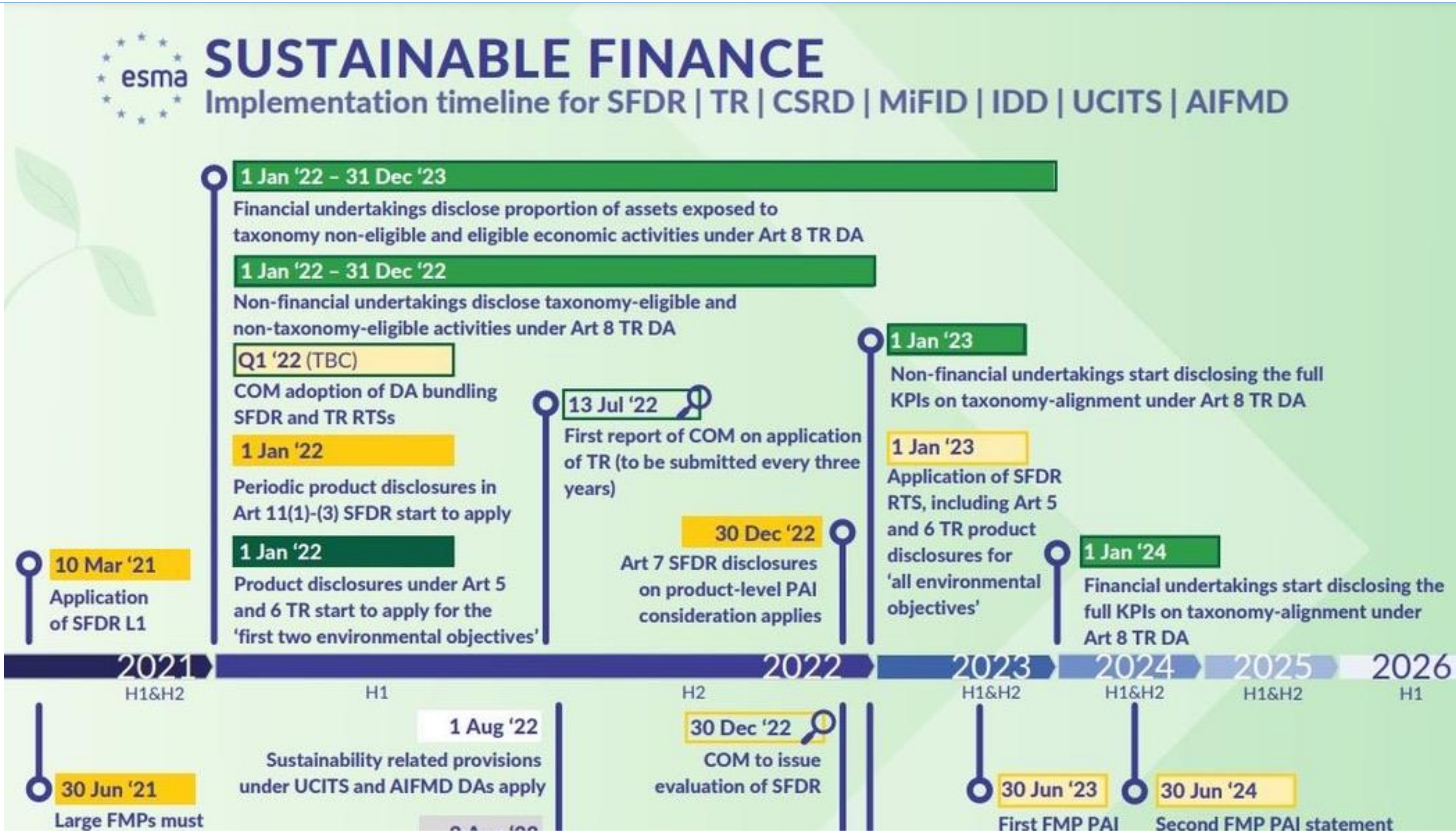

Action 1, EU Taxonomy

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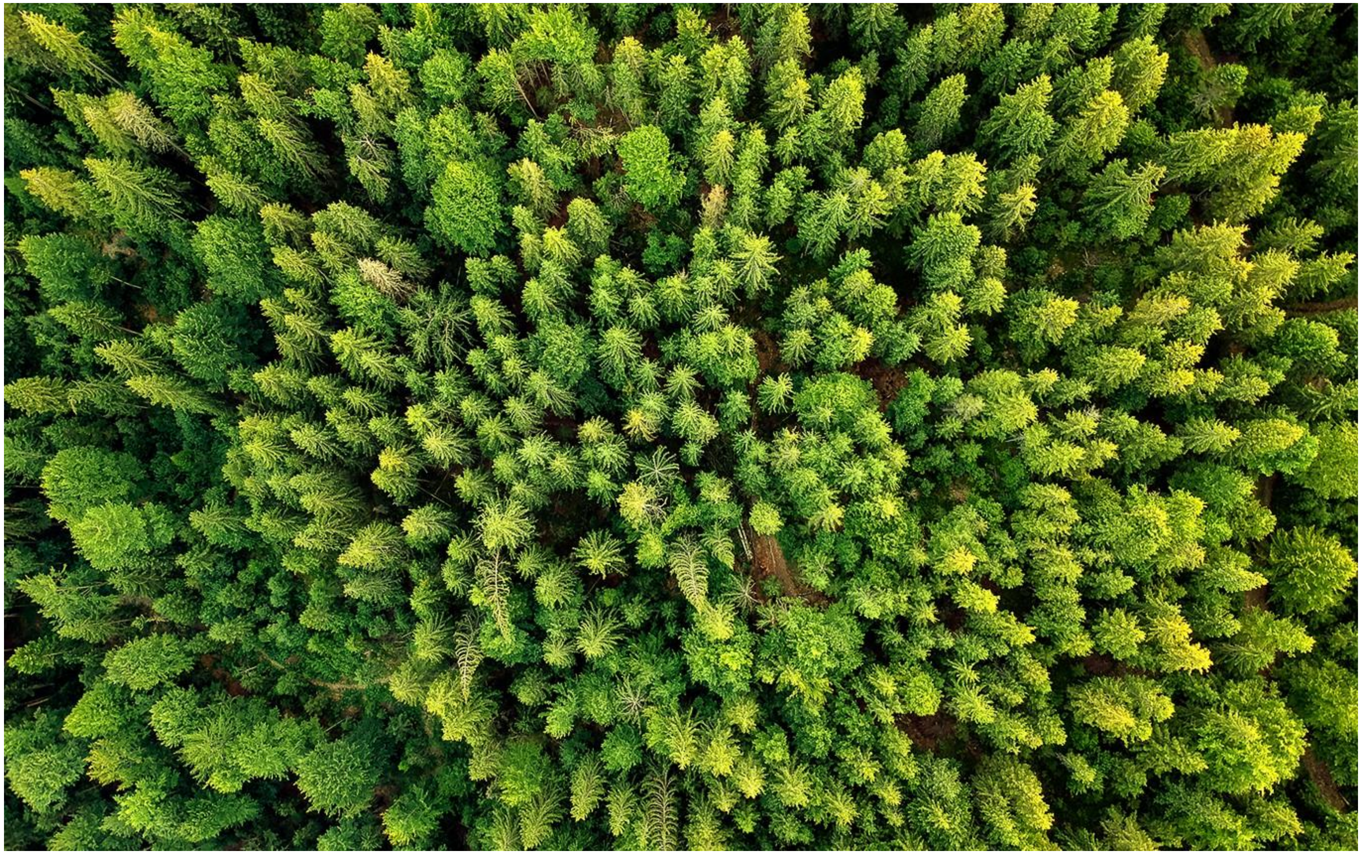

International Platform for Suistaibale Finance is developing internarial Taxonomy; China, Russia etc. have developed own Taxonomies – all similar philosophy. We can only address global environmental issues is we all work together

Action 1: Establishing an EU classification (Taxonomy) system for sustainable activities

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A clear EU taxonomy will provide much-needed clarity and guidance on which activities can be viewed as supporting the flow of capital into environmentally and socially sustainable sectors and provide a more robust foundation for EU legislation, standards and labelling.

The EU Taxonomy is a tool to help investors understand whether an economic activity is environmentally sustainable, and to navigate the transition to a low-carbon economy. Setting a common language between investors, issuers, project promoters and policy makers, it helps investors to assess whether investments are meeting robust environmental standards and are consistent with high-level policy commitments such as the Paris Agreement on Climate Change.

The Taxonomy Regulation entered into force on 12 July 2020. Delegated Act sets out a list of Technical Screening Criteria for the first two objectives:

- Climate Change Mitigation
- Climate change adaptation

From October 2020 the TWG of the Platform for SF has been working on set of technical criteria for the remaining 4 environmental objectives. The results of the Platforms work were published for consultation in August 2021 and are expected to be formalised in the Delegated Act in 2022.

2 February 2022, the Commission approved in principle a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy.

Action 1, EU Taxonomy

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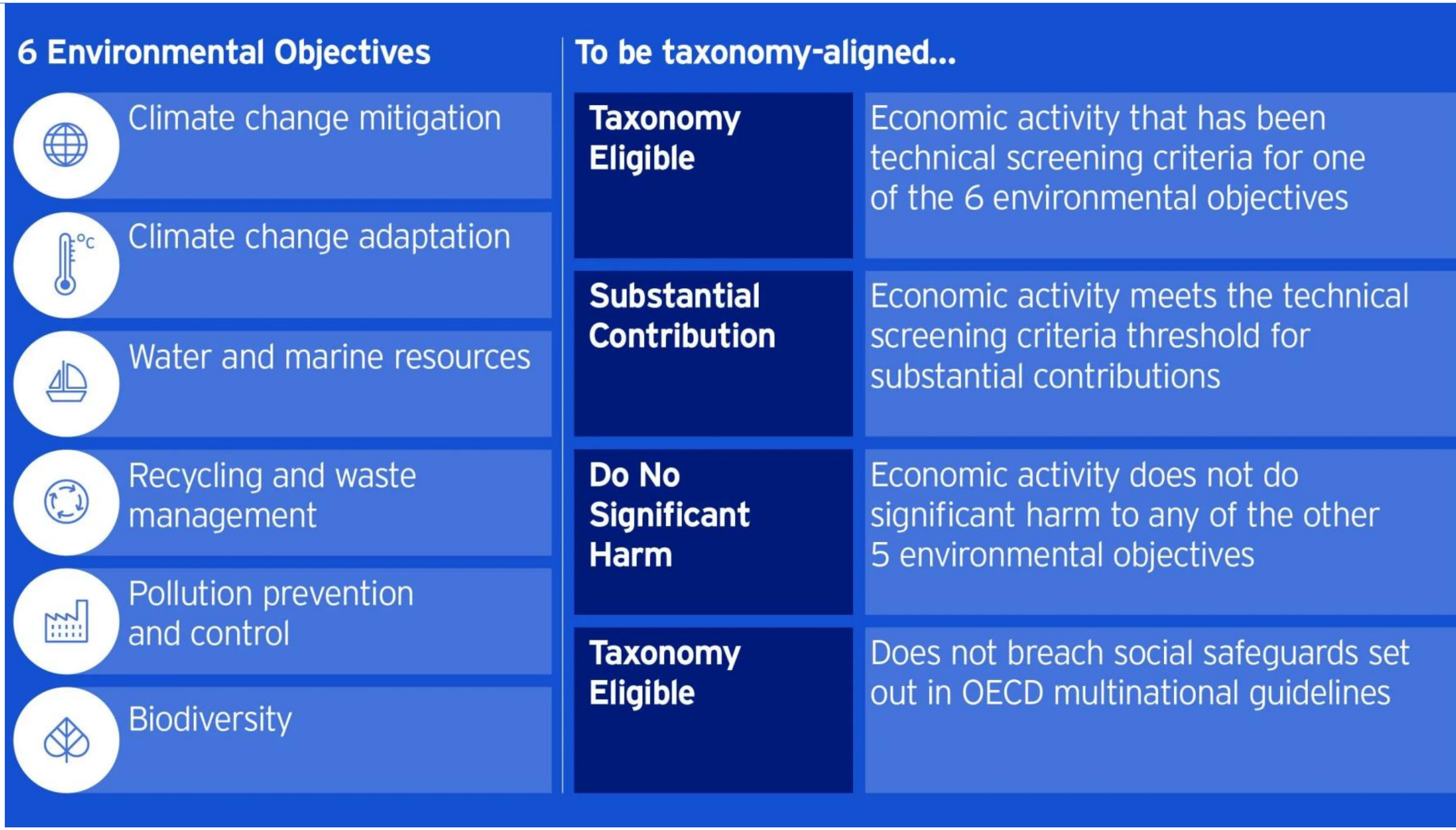
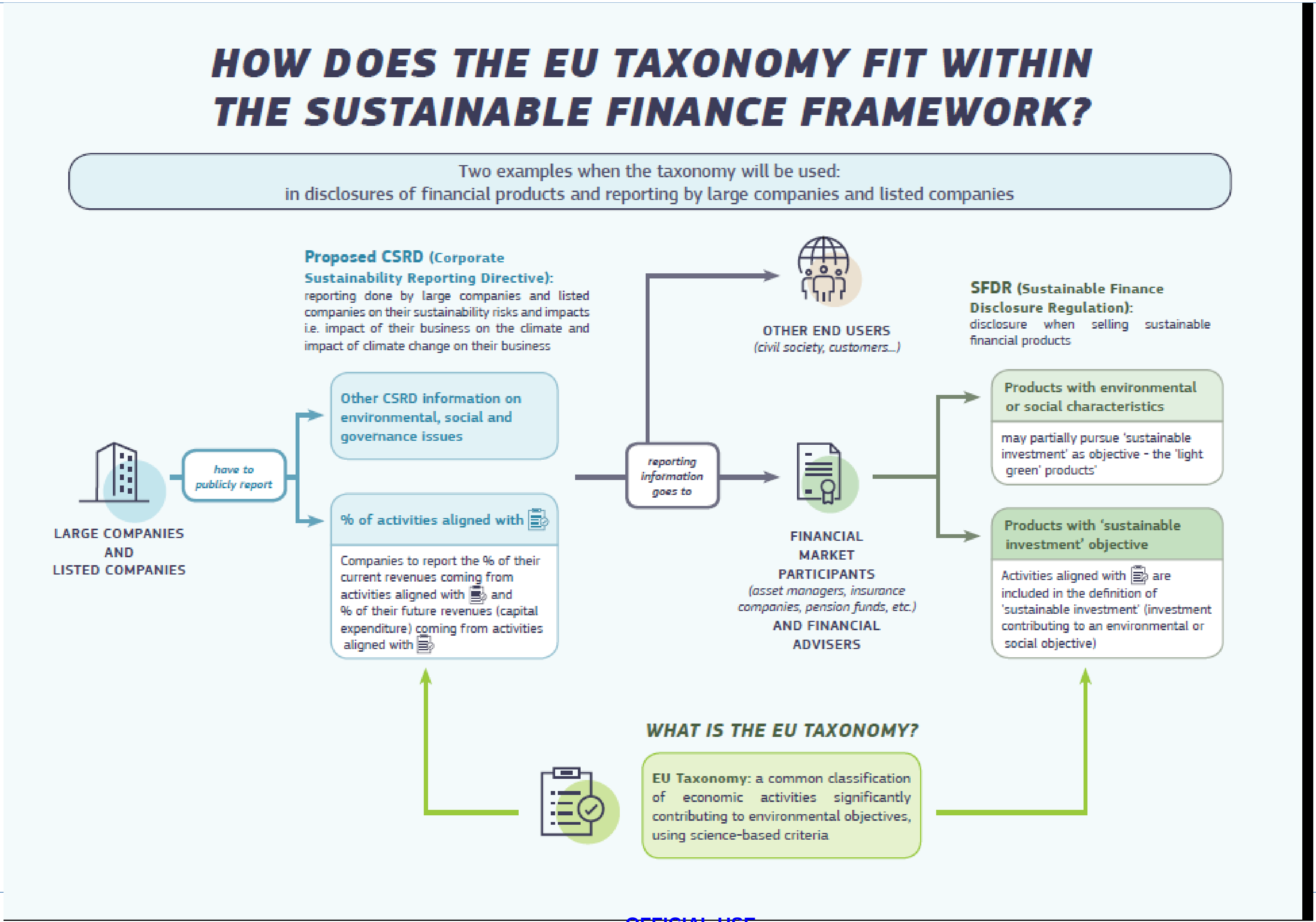


Social Taxonomy – draft published 28.02.2022

Action 1, EU Taxonomy



Action 2 EU Green Bonds Standards

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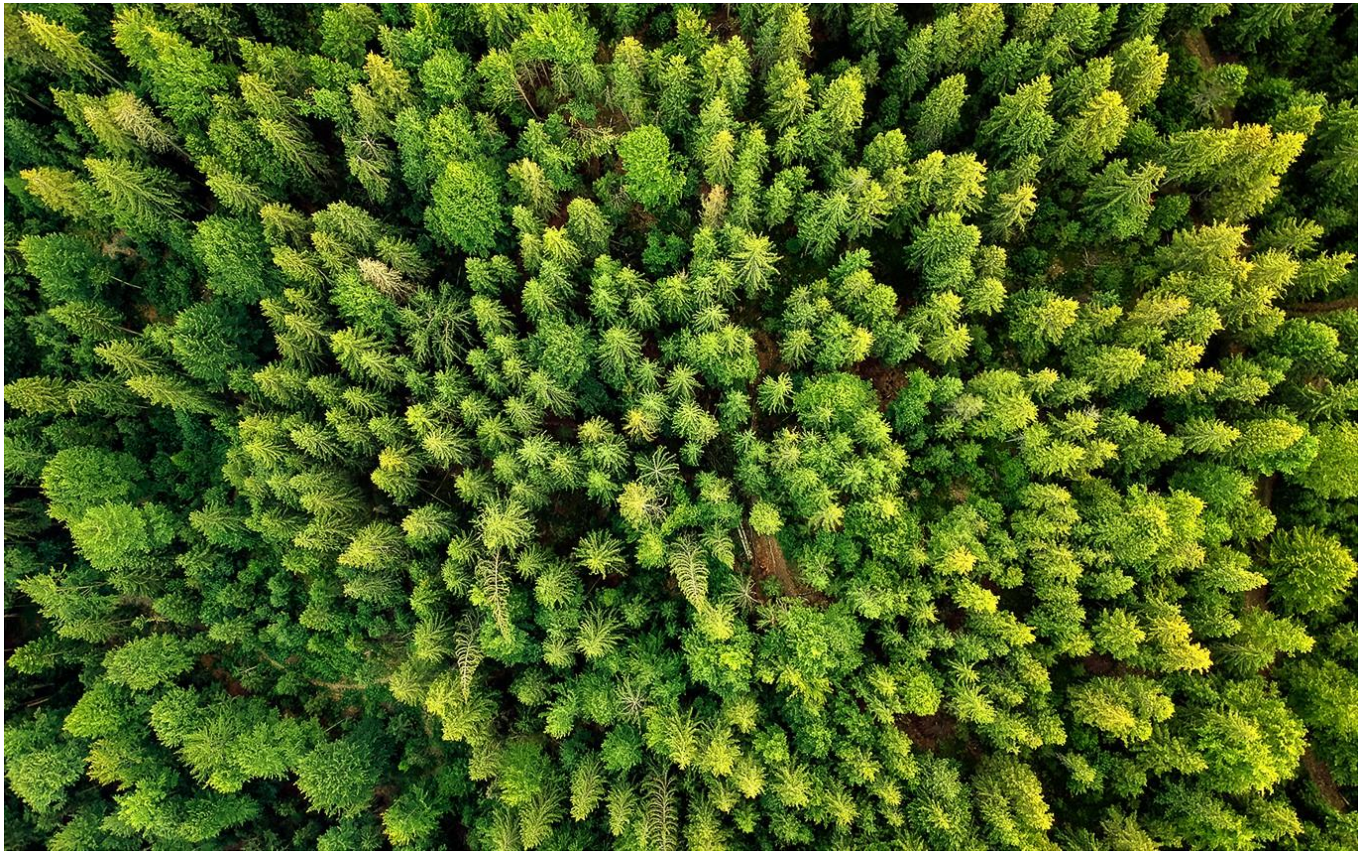

Action 2 EU Green Bonds Standards

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Action 2: Creating standards (EU Green Bond Standard) and labels for green financial products

Confusion and greenwashing involving green financial products reduces confidence in the market and diverts capital away from activities that can deliver sustainable outcomes. The creation of standards and labels for green financial products – such as green bonds – will increase investors' confidence and encourage more capital flow to these products.

On the 6th July 2021 the EU is proposed a new regulation to create the EU Green Bond Standard (EuGBS)

Issues to Consider:

ICMA Green Bond and Sustainability Linked Bonds principles used. These are not Taxonomy based.

Q. Will ICMA be same as EU Green Bond?

Green and Sustainability Linked Bonds

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We will see more and more use of capital market instruments to finance projects.

Such projects need to have clear KPIs to define what is green:

- Green Bonds – use ICMA Guidelines in future EU Green Bond criteria (ie taxonomy. Climate Bond Initiative is developing guidance for Green bonds definition for existing and new plants (mainly for GHG emission).
    - Definite real targets and green criteria will be essential
- Sustainability linked bonds – definition or KPIs and verification.

Good advice is need and Second Party Opinion (SPOs). For the steel sector the definition of what is green and what are realistic targets will be key

The bonds will require annual reporting, this will be done internally and externally.

Action 7 Sustainable Finance Disclosure Regulations

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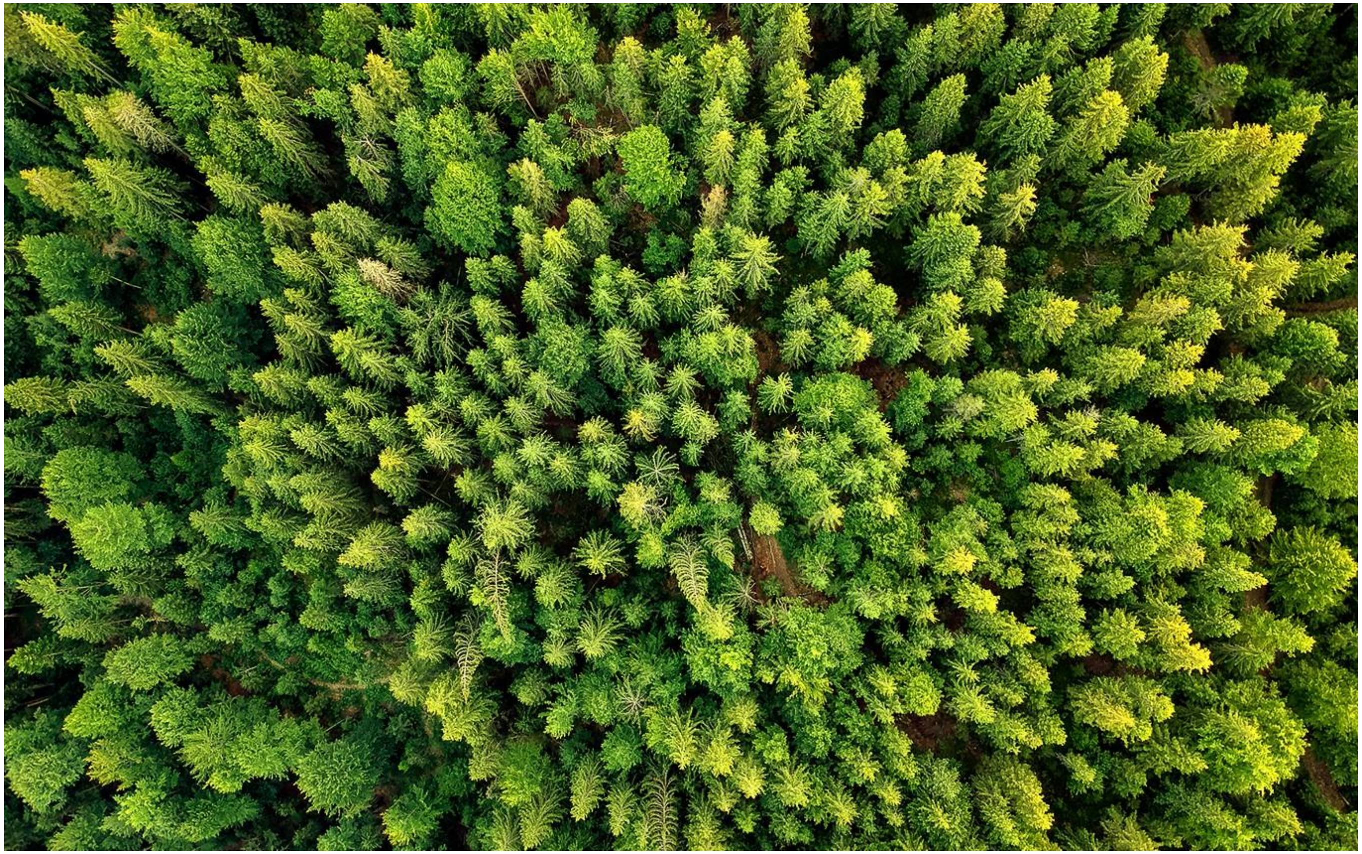

Action 7 Institutional investors' and asset managers' duties

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Institutional investors and asset managers are required by law to act in the best interests of their end investors or beneficiaries. This is commonly referred to as "fiduciary duty". Current EU rules on the duty of institutional investors and asset managers to consider sustainability factors and risks in the investment decision process can be clarified[1].

On the 10 th March 2021 the [Sustainable Finance Disclosure Regulations] came into force. The SFDR requires certain financial market participants to make mandatory high level environmental, social, and governance (ESG) disclosures (**PAI - Principle Adverse Impacts**) and **disclosure information on sustainability risks**.

Whilst these disclosures are required for all AMs, including those without a ESG focus, **SFDR specifically requires further disclosures for Article 8 funds which promote environmental characteristics alongside other characteristics, and Article 9 funds that have sustainable investment as their objective.**

SFRD

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Key facts	**– Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment** **– Published in the Official Journal on 22 June 2020 and entered into force on 12 July 2020**
Goals	Focuses on the “E” in ESG to: – define what’s green vs not – mitigate the risk of greenwashing
Who it applies to	The regulation has various strands – one is to amend the SFDR to require **additional** product level disclosures (e.g. around pension products, insurance-based investment products, UCITS, PEPPs, alternative investment funds etc. and as distinct from entity level disclosures). This strand applies to firms in scope of SFDR – e.g. asset and fund managers, insurers in relation to insurance based investment products, etc
What it does	– Framework to allow for the progressive development of an EU-wide classification system for environmentally sustainable economic activities (i.e. what is considered “green”) – Will ultimately be the mandatory reference point for sustainable financial products in the EU (including any European Green Bond Standard or Ecolabel for Financial Products) – For asset/fund managers and other SFDR “in scope” – in the main, requires “top up” disclosures for products with environmental characteristics or objectives, to disclose their alignment with the taxonomy
When	Commences in a staged way from 1 January 2022 (Level 1) Regulatory Technical Standards (RTS) on product disclosure requirements expected to come into force 1 Jan 2023

Key aspects of SFDR – “why” & What

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Prevent greenwashing

Transparency

Steer private capital into “ESG”

MANDATORY KPI

ENVIRONMENTAL	**CORPORATE INVESTMENTS**	
	1.	GHG emissions (Scope 1, 2 and from 1 January 2023, Scope 3 and total GHG emissions)
	2.	Carbon
	3.	GHG intensity of investee companies
	4.	Share of investments in companies active in the fossil fuel sector
	5.	Share of non-renewable energy consumption and production
	6.	Energy consumption intensity per high impact climate sector
	7.	Activities negatively affecting biodiversity- sensitive areas
	8.	Emissions to water
	9.	Hazardous waste ratio
	REAL ESTATE INVESTMENTS	
	10.	Exposure to fossil fuels through real estate assets
	11.	Exposure to energy-inefficient real estate assets
	SOVEREIGN AND SUPRANATIONAL INVESTMENTS	
	12.	GHG intensity

SOCIAL	**CORPORATE INVESTMENTS**	
	13.	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	14.	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	15.	Unadjusted gender pay gap
	16.	Board gender diversity
	17.	Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)
	SOVEREIGN AND SUPRANATIONAL INVESTMENTS	
	18.	Investee countries subject to social violations

“**Sustainability risk**” is defined in the EU’s Sustainable Finance Disclosure Regulation (2019/2088) **as an environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment.**

Examples of **sustainability risks** which are **potentially likely to cause a material negative impact on the value of an investment**, should those risks occur, are as follows:

- environmental sustainability risks may include climate change, carbon emissions, air pollution, rising sea levels or coastal flooding or wildfires;
- social sustainability risks may include human rights violations, human trafficking, child labour or gender discrimination; and
- governance sustainability risks may include a lack of diversity at board or governing body level, infringement or curtailment of rights of shareholders, health and safety concerns for the workforce or poor safeguards on personal data or IT security.

Key aspects of SFDR – "when"

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10 March 2021	Jan 2022	Jan 2022	Dec 2022	Jan 2023	Jan 2023	June 2023
new regime begins (Level 1)	begin to make SFDR prescribed periodic disclosures (Level 1)	product disclosure requirements under Taxonomy Regulation come into force (environmental objectives (a) and (b)) (Level 1)	product disclosure for "principal adverse impacts" (PAI) begins to apply	Level 2 expected to come into effect (SFDR/taxonomy RTS)	further taxonomy disclosures required (environmental objectives (c) to (f))	full PAI disclosures expected to be required

Action 9, Sustainability Disclosure
Corporate Sustainability Reporting Directive (CSRD)

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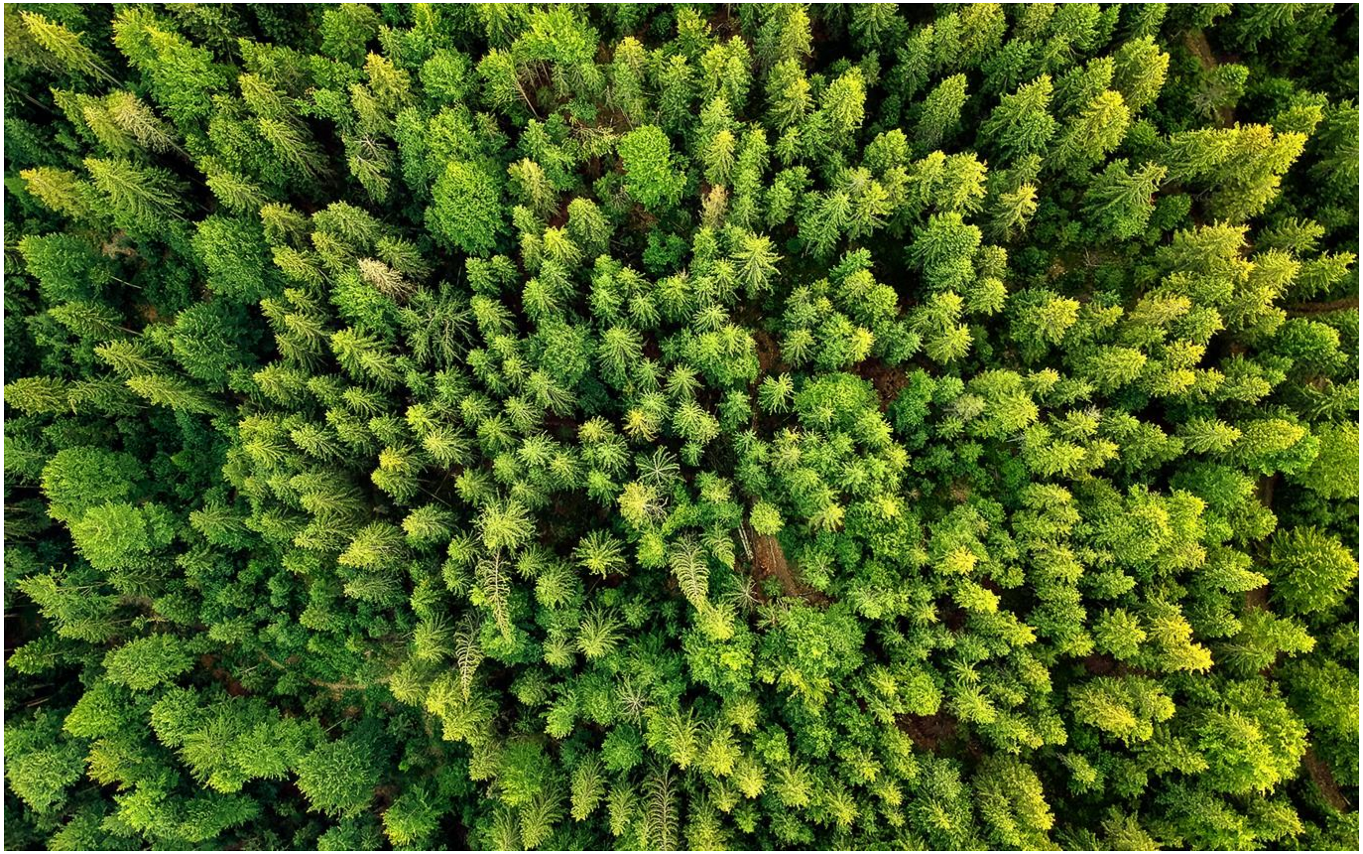

Action 9 Sustainability Disclosure –

Strengthening sustainability disclosure and accounting rule-making

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Corporate disclosure

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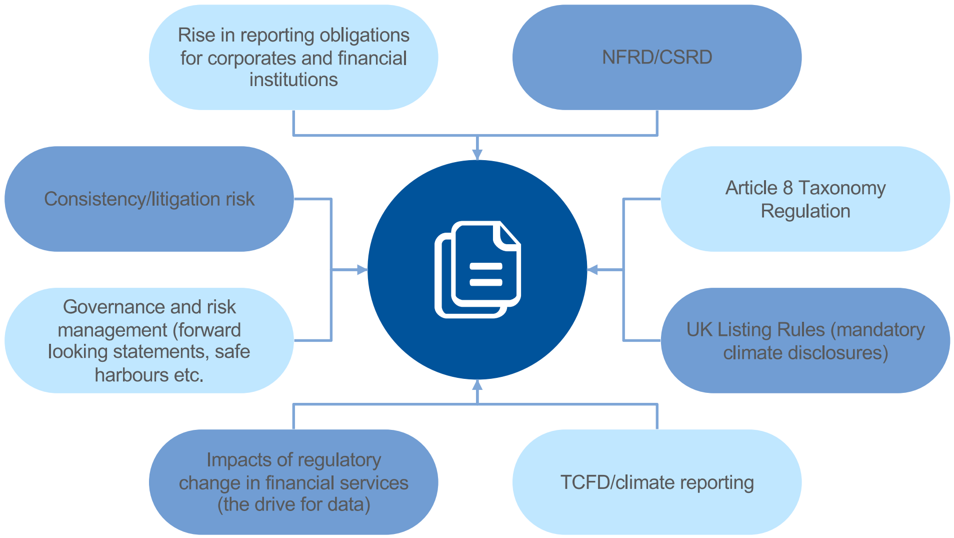
- Corporate reporting on sustainability to provide sufficient information to guide investors.
- Commission **guidelines on reporting climate-related information** (June 2019) through the non-financial Reporting Directive.
- 21st April 2021 the EU published a new package of measures including the proposal on the Corporate Sustainability Reporting Directive (CSRD), which will replace the NFRD from 2022.



NFRD vs CSRD

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11,600 companies

APPLICABLE TO

49,000 companies

NFRD

- Large public interest entities with **more than 500 employees** and meeting 1 out 2 financial criteria (total assets > EUR20 million or net turnover > EUR40 million)
- Some countries have applied more strict criteria

CSRD

- **All large companies** (meeting 2 out of 3 criteria: **>250 employees**, total assets >EUR 43 mln or turnover >EUR 50 mln)
- **All companies** (including non-EU companies) **with securities listed on the EU regulated markets** (with >10 employees)

Expanded reporting requirements: Key changes to NFRD

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In contrast to the NFRD, it is explicitly confirmed (for example) that the following should be reported on by an obligated undertaking/group:

– Its **targets related to sustainability matters**, and the progress it has made towards achieving its targets;
– the **role of its administrative, management and supervisory bodies** with regard to sustainability matters;
– the **principal actual or potential adverse impacts connected with its value chain, including its own operations, its products and services, its business relationships and its supply chain** (which is more explicitly framed than the equivalent provision within the NFRD); and
– any **actions it has taken**, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts.

It is expressly confirmed that obligated undertakings/groups should also disclose information on intangibles, including information on intellectual, human, and social and relationship capital.

It is further expressly confirmed that the report should take account of short, medium and long-term horizons, and should contain forward-looking and retrospective information, as well as qualitative and quantitative information.

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CSRD Standards

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CSRD builds on the NFRD reporting requirements and substantially expands them to cover all three areas of corporate sustainability (environment, social, and governance). **It also clarifies the concept of “Double materiality”, i.e. sustainability risks affecting a company and the company’s own impact on sustainability.**

Generally, using uniform reporting standards set by the EU, companies have to disclose forward-looking and retrospective information, and qualitative and quantitative information on:

Legal basis	Category	Example information required	Type of information
Article 19a CSRD Proposal	Company (and value chain) profile	• business model and strategy • sustainability risks and opportunities, targets and progress, policies • alignment with Paris Agreement • due diligence processes relating to sustainability • principal adverse impacts (actual or potential) • intellectual, human, and social and relationship capital	qualitative & quantitative
Article 19b CSRD Proposal	Environmental sustainability	• Strategy, implementation and performance regarding the six EU Taxonomy objectives: – climate change mitigation – climate change adaptation – water and marine resources – resource use and circular economy – pollution – biodiversity and ecosystems	qualitative & quantitative
	Social sustainability	• gender equality, inclusion of people with disabilities • working conditions, health and safety, work-life balance • wages, bargaining, involvement of workers • respect for human rights, fundamental freedoms, democratic principles and standards	t.b.d
	Governance sustainability	• role of administrative, management and supervisory bodies in sustainability matters, and their composition • business ethics and corporate culture, anti-corruption and anti-bribery • political engagements incl. lobbying • management and quality of relationships with business partners • internal control and risk management systems	t.b.d., likely qualitative

EFRAG is developing the Standards that are currently under consultations (internal() and are to be developed in June. Consultation is ongoing. Key issues such as EU BAT and liability definition as well as value chains.

PTF-ESRS Batch 1 working papers –
Cover note and disclaimers

Appendix 1: [Draft] index for the European Sustainability Reporting Standards

Name of the standard	Code
Strategy, governance, impacts, risks, opportunities	
General provisions	ESRS 1
Strategy and business model	ESRS 2
Sustainability governance and organisation	ESRS 3
Sustainability material impacts, risks and opportunities	ESRS 4
Definitions for policies, targets, action plans and resources	ESRS 5
Sector-agnostic standards	
Environment: Climate change	ESRS E1
Environment: Pollution	ESRS E2
Environment: Water & marine resources	ESRS E3
Environment: Biodiversity & ecosystems	ESRS E4
Environment: Circular economy	ESRS E5
Social: Own workforce – general	ESRS S1
Social: Own workforce – working conditions	ESRS S2
Social: Own workforce – equal opportunities	ESRS S3
Social: Own workforce – other work-related rights	ESRS S4
Social: Workers in the value chain	ESRS S5
Social: Affected communities	ESRS S6
Social: Consumers/ End-users	ESRS S7
Governance: Governance, risk management, internal control	ESRS G1
Governance: Products and services, management and quality of relationships with business partners	ESRS G2
Governance: Responsible business practices	ESRS G3
Sector-specific standards	
Sector classification	ESRS SEC1
Presentation	
Sustainability statements	ESRS P1
Conceptual guidelines	
Double materiality	ESRG 1
Characteristics of information quality	ESRG 2
Time horizons	ESRG 3
Boundaries and levels of reporting	ESRG 4
EU and international alignment	ESRG 5
Connectivity	ESRG 6

CSRD interaction with Taxonomy Regime

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Taxonomy Regulation and Delegated Regulation 2021/2178

- The Taxonomy Regulation applies to all entities that make NF statements (and others).
- It establishes additional provisions **obliging entities that make NF statements to disclose how and to what extent their activities are associated with environmentally sustainable economic activities** (Article 8(1)).
- The information must, *for non-financial undertakings*, include the proportion of their:
  - **turnover derived from products/services associated with economic activities that qualify as environmentally sustainable; and**
  - **the proportion of their capital expenditure and operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable (Article 8(2)).**
- Delegated Regulation 2021/2178 provides KPIs for *financial undertakings* (i.e. credit institutions, asset managers, investment firms, and insurance undertakings).
- The Delegated Regulation also specifies the content and presentation of the information to be disclosed by all undertakings and the methodology to comply with the aforementioned Article 8 disclosure.
- The Delegated Regulation complements the CSRD by providing a common reference point for taxonomy-related reporting requirements under the two Directives.

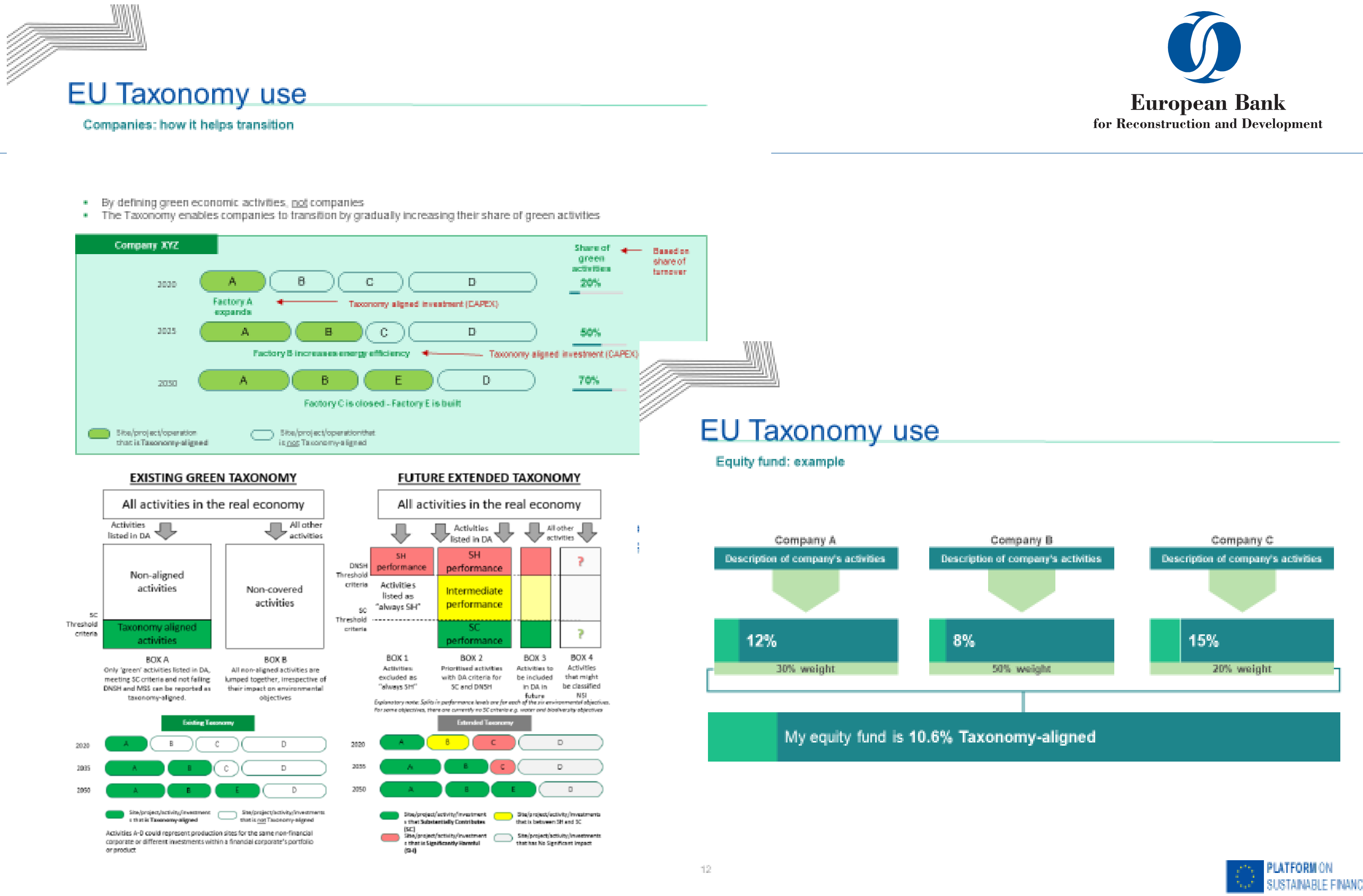

Figure 4-2. Extension of the Taxonomy can facilitate clarity and improved understanding of environmental performance of portfolios of activities and can thereby support improved transition strategies and access to financing.

Mandatory EU sustainability reporting standards adoption timeline

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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 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).

	FY2020	FY2021	FY2022	FY2023–FY2024
Format	Annual Report (NL)	Annual Report (NL)	Annual Report (NL)	Externally published Management Board Report Mandatory digital reporting in ESEF format
Assurance	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.

Overview of Standards and future trends

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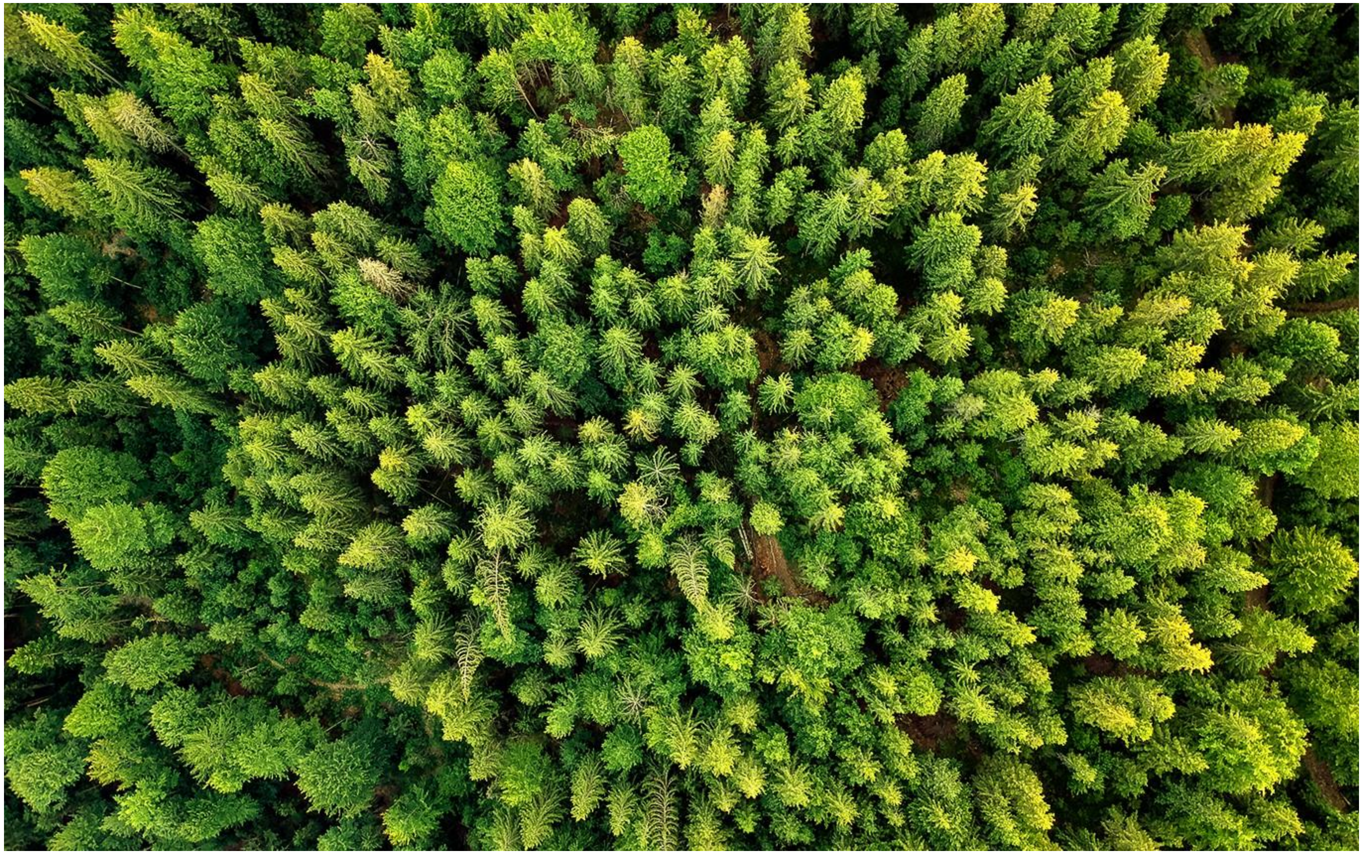

Overview of the related standards

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List of key standards/guidance

#	Organisation	Initiative / Document
1	European Financial Reporting Advisory Group	**Draft European Sustainability Reporting Standards**
2	International Sustainability Standards Board	**Prototype Climate and General Disclosure requirements**
3	Task Force on Climate-related Financial Disclosures	**TCFD Recommendations**
4	Global Reporting Initiative	**GRI standards**
5	Value Reporting Foundation	**Relevant sectoral SASB standards**
6	Climate Disclosure Standards Board	**CDSB Framework**
7	CDP	**CDP data**
8	World Benchmarking Alliance	**WBA Benchmarks**
9	Greenhouse Gas Protocol	**GHG Protocol**

#	Organisation	Document
10	EU	**Accounting Directive/Corporate Sustainability Reporting Directive**
11	EU	**Sustainable Finance Disclosure Regulation (incl. delegated acts)**
12	EU	**Taxonomy Regulation (incl. delegated acts)**
13	EU	**Conflict Minerals Regulation**
14	Shift and Mazars	**UN Guiding Principles on Business and Human Rights Reporting and Assurance Framework**
15	OECD	**OECD Due Diligence Guidance for Responsible Business Conduct**
16	Science Based Targets Initiative	**SBTi tool**
17	The Paris Agreement Capital Transition Assessment	**PACTA tool**

CDP TCFD GRI SASB CDSB INTEGRATED REPORTING

The EU Sustainable Finance Action Plan is the EU's strategy for sustainable finance and is part of the implementation plan of Article 2(1)(c) of the Paris Agreement and the UN 2030 Agenda for Sustainable Development.

EU Taxonomy, SFDR, CSRD

EU Taxonomy

EU Benchmarks

Sustainable Finance Disclosure Regulation

ESG reporting guidance - ISSB set up at COP 26

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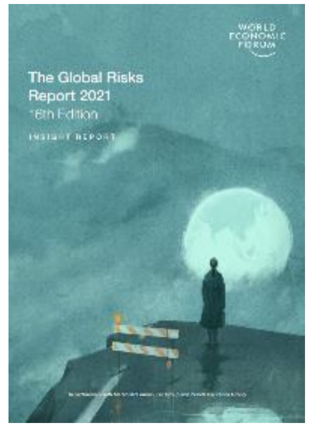

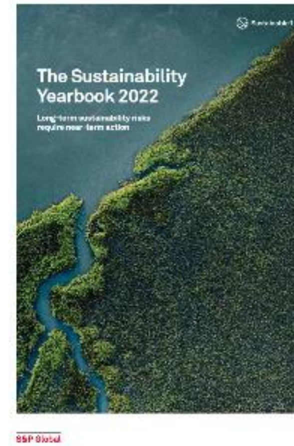

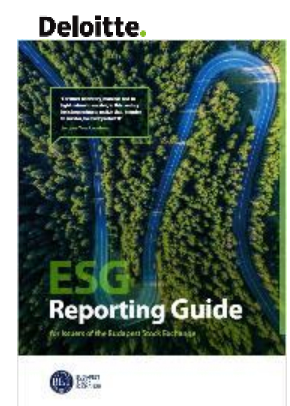

ISSB and EFRAG Climate Prototypes

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ISSB

the Climate Prototype (November 2021) sets out the requirements for the identification, measurement, and reporting of climate-related financial information - it is structured around the TCFD

Greenhouse gas emissions	Scope 1, 2 and 3 in metric tonnes of CO2 equivalent.
Transition risks	Amount and percentage of assets and business activities vulnerable to transition risk.
Physical risks	Amount and percentage of assets and business activities vulnerable to physical risks.
Climate-related opportunities	Proportion of revenue, assets or business activities aligned with climate-related opportunities (in amount or percentage).
Capital deployment	Amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities (in reporting currency).
Internal carbon prices	Entity's internal price for each metric tonne of GHG emissions.
Remuneration	Proportion of executive management remuneration affected by climate-related considerations in current period.

EFRAG

The Climate Standard Prototype (September 2021)

1 **Strategy Additional climate related disclosures**
- Business Straegy and Climate
- Climate Impacts, Risks & Opportuntities
- Climate Governance

2 **Implementation Additional climate-related disclosures**
- Policies & Targets
- Action & Resources

3 **Performance Measurement**
- Energy Consumption & Mix (absolute + intensity)
- Scope 1&2 GHG Emissions (Absolute + Intensity)
- Scope 3 GHG Emissions (Absolute + Intensity)
- EU Taxonomy for Sustainable Avtivities
- Financial Exposure to Physical & Transition Risks; Opportunities

Note:
PTF-ESRS Cluster 1 is currently developing Cross-cutting Standards on the reporting areas "strategy" and "implementation". The draft proposals in this document are limited to additional climate-related disclosures

– EFRAG is currently re-validating the compatibility of its Working Paper with the ISSB Prototypes.

– The ISSB's Climate Prototype may therefore directly influence upcoming EU rules.

EBRD - Latest ESG Reporting Guidelines – take into account SFDR, NFDR/CSRD

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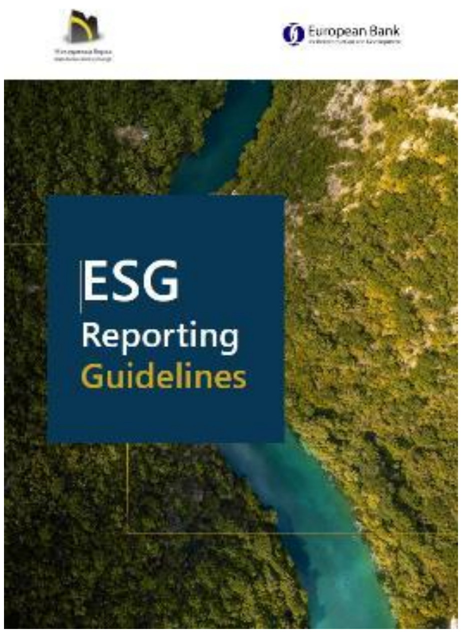

May 2021. Warsaw Stock Exchange Guidelines

ESG frameworks by EBRD; March 2022. Bucharest Stock Exchange Guidelines

Starting ESG frameworks by EBRD
Prague Exchange Guidelines - due end Sept/October 2022

So what does this means

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- SFDR is applicable already (EU law)
- NFDR (voluntary) replaced by CSDR (mandatory) end 2022
- Taxonomy in place, and Delegated Acts being developed
- Definition of what are the 'green' and how to monitor and report

Compliance today, future proof for future compliance

- Clients in EU will need to report on SFDR and CSRD from 2022-4
- Clients with interest in EU will need to report
- Compliance in EU and EU Accession
- Global standards and how companies will need to report internationally.
    - Consider Carbon Adjustment Mechanism (EU) and work on Corporate Sustainability Due Diligence directive focused among others on supply chains. This will require more internal audits

Risk

- SFDR and CSRD aim to address suitability risk avoid greenwashing and help with access to information and transparency
- We need to ensure to proof projects and investments
- Strategic approach to Sustainable Finance needed

Discussion

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- How will Reporting and disclosure influence the Market
- How will integrated reports change?
  - How will the internal audits review and verify
  - Interaction between internal and external verification
- What will be implication of EU legislation on international frameworks?
- What are the definition of Green under Taxonomy ; what will the definition be for Green Bonds and Sustainability Linked Bonds.
- What will be the main driver for your organization in terms of Sustainable Finance? And how to ensure adequate data is collected