CIRCULAR BUSINESS ACADEMY

Topic 1.3
Sustainable finance

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Sustainable finance

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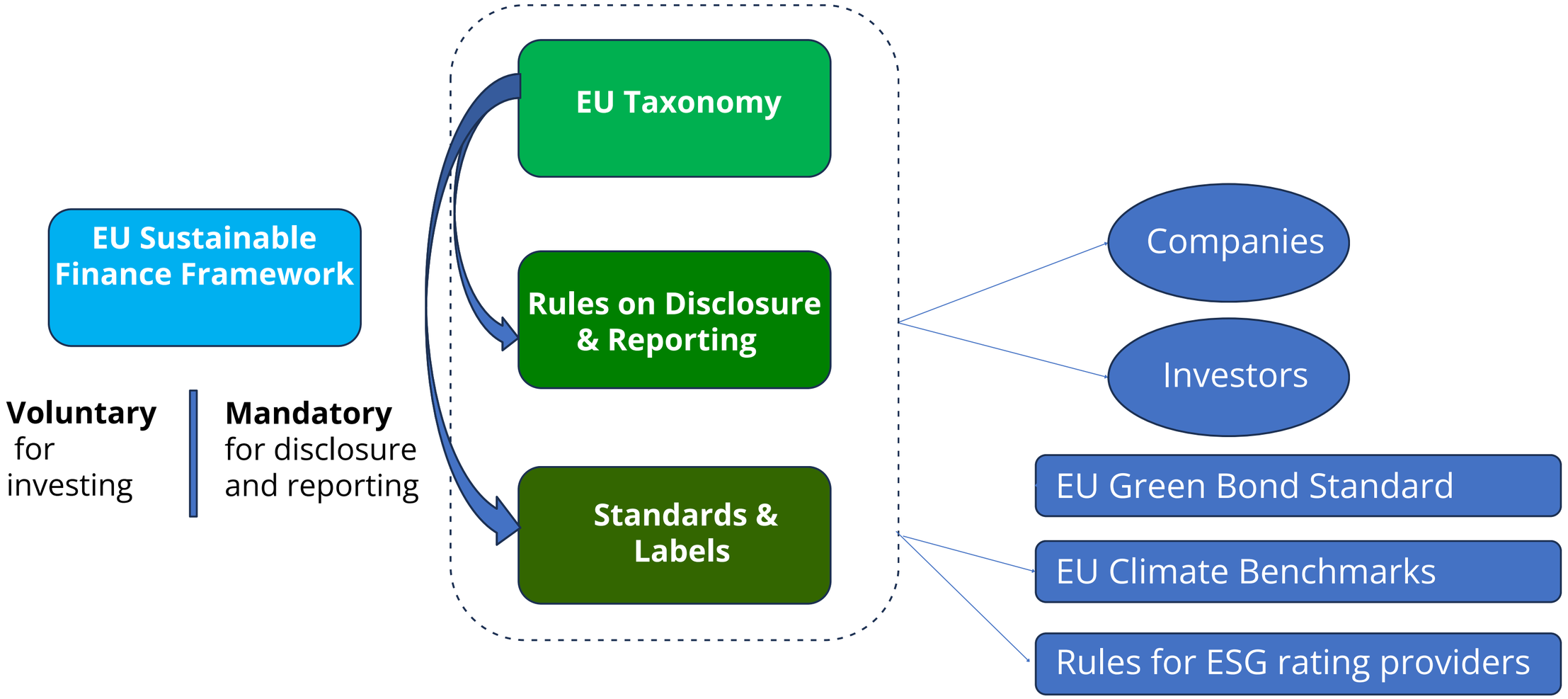
THE SUSTAINABLE FINANCE FRAMEWORK

Sustainable finance refers to the **incorporation of environmental, social and governance considerations in investment and financing decisions**.



EU TAXONOMY

A classification framework for environmentally sustainable economic activities.

Dynamic

Six environmental objectives

1. **Climate** change mitigation
2. **Climate** change adaptation
3. Sustainable use and protection of **water & marine resources**
4. Transition to **circular economy**
5. **Pollution** prevention & control
6. Protection & restoration of **biodiversity and ecosystems**

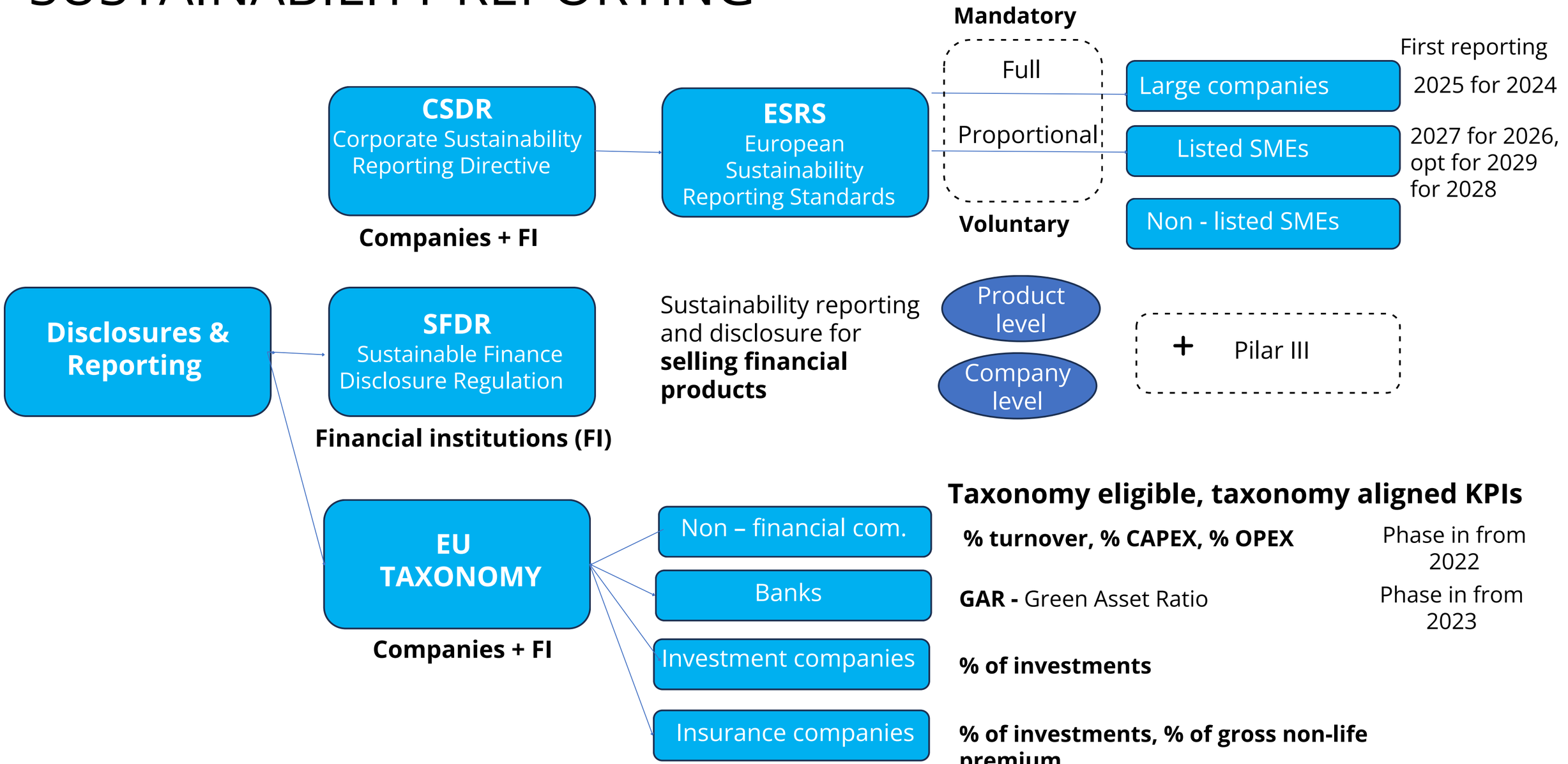
Environmentally sustainable economic activity

- **Substantial contribution** to at least one objective
- **Do not significantly harm** any other objective
- **Minimum** (social) **safeguards**
- Comply with relevant **technical requirements**

Eligible

Aligned

SUSTAINABILITY REPORTING



ESRS – European Sustainability Reporting Standards

High level alignment with ISSB + GRI

Cross Cutting Standards

ESRS 1 General requirements

ESRS 2 General disclosures

Environmental Standards

ESRS E1 Climate change

ESRS E2 Pollution

ESRS E3 Water and marine resources

ESRS E4 Biodiversity and Ecosystems

ESRS E5 Circular Economy

Social Standards

ESRS S1 Own Workforce

ESRS S2 Workers in the value chain

ESRS S3 Affected Communities

ESRS S4 Consumers and end-users

Governance Standards

ESRS G1 Business Conduct

Sector Specific Standards

Future adoption

- **Material sustainability matters**
- **Double materiality**

- **Governance**
- **Strategy**
- **Impact**
- **Risk and Opportunities**
- **Targets and Metrics**

Value chain perspective

Phase in Implementation

SFRD – 3 Level Classification for Investment Products

Labeling of investment funds sold in EU

Article 6: Funds, that do not integrate any kind of sustainability into investment process

Article 8: Funds, that promote environmental or social characteristics among other characteristics **(light green)**

Article 9: Funds that have sustainable investment as their target **(dark green)**

ESG PRINCIPLES

Core elements of the sustainability imprint or ESG rating

ENVIRONMENTAL | **SOCIAL** | **GOVERNANCE**

CLIMATE

GHG emissions

- Scope 1,2,3 (gross)
- Emission intensity
- GHG removals & carbon credits

Energy

- Energy consumption mix (energy sources, exposure to coal, oil, gas)
- Renewable energy deployment
- Energy intensity (per revenue)
- Energy efficiency (buildings)

WATER

Water consumption, water management

- Water consumption , water sourcing, water discharges
- Water intensity
- Activities in areas of high-water stress or water risk
- Water recycling
- Water pollution

RESOURCE USE

Resources and circular economy

- Resources inflow (renewable, non-renewable)
- Resources outflow
- Waste & waste management
- Resource efficiency, particularly with critical raw materials and rare earth
- Usage of secondary raw materials (recyclates)
- Packaging
- Application of circular design
- Application of circular business practices (value retention)

BIODIVERSITY

Biodiversity & Ecosystems

- Effects on biodiversity and ecosystems (loss, degradation)
- Respecting of planet boundaries
- Impact on the biodiversity risk areas
- Impact on threatened spicies
- Introduction of alien spicies

POLLUTION

Actual and potential pollution

- Air pollutants
- Emissions to water,
- Pollution to soil
- Substances of concern

ENVIRONMENTAL

SOCIAL

GOVERNANCE

WORKFORCE (own & value chain)

Working conditions

- Secure environment
- Social dialogue
- Adequate wages
- Health & Safety…

Equal treatment & opportunities

- Gender equality, equal pay
- Training & skills
- Inclusion of persons with disabilities
- Preventing harassment & violence

Other work-related rights

- Child labour, forced labour
- Adequate housing
- Privacy

COMMUNITIES

Communities‘ social and economic rights

- Adequate food & housing
- Clean water & sanitation
- Land & security related impacts

Communities‘ civil and political rights

- Freedom of expression & assembly
- Impacts on human rights defenders

Rights of indigenous peoples

- Free, prior and inform consent
- Self determination
- Cultural rights

CONSUMERS & END-USERS

Information & privacy

- Privacy
- Freedom of expression
- Access to quality information

Personal safety

- Health & Safety
- Security
- Protection of children

Social inclusion

- Non-discrimination
- Responsible market practices
- Access to product & services

ESG PRINCIPLES

Core elements of the sustainability imprint or ESG rating

ENVIRONMENTAL | SOCIAL | **GOVERNANCE**

A lot of **analytical data** is /will be needed to satisfy relevant stakeholders: shareholders, banks, investors, buyers, consumers, communities, regulators,…

BUSINESS CONDUCT

Business Conduct Matters

• Corporate culture & business ethics
• Protection of whistle-blowers
• Animal welfare
• Political engagement and lobbying activities
• Relationships with suppliers including payment practices
• Corruption and bribery

KEY TERMINOLOGY

ESG – Environmental, Social and Governance

CSRD – Corporate Social Reporting Directive

SFRD – Sustainable Finance Disclosure Directive

ESRS – European Sustainability Reporting Standards

GHG emissions

- Scope 1 – direct emissions from sources under the control of the company (e.g. company vehicles,…)
- Scope 2 – indirect missions from the purchased electricity, heat, cooling, steam
- Scope 3 – emissions from the value chain (purchased goods and services, waste disposal, business travel,…)

Appendix – Links to Additional Material

EU Sustainable Finance Package
https://finance.ec.europa.eu/publications/sustainable-finance-package-2023_en

European Sustainability Reporting Standards explained
https://www.efrag.org/lab6?AspxAutoDetectCookieSupport=1

ESRS pubished by the EU Commission
https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/corporate-sustainability-reporting-directive_en