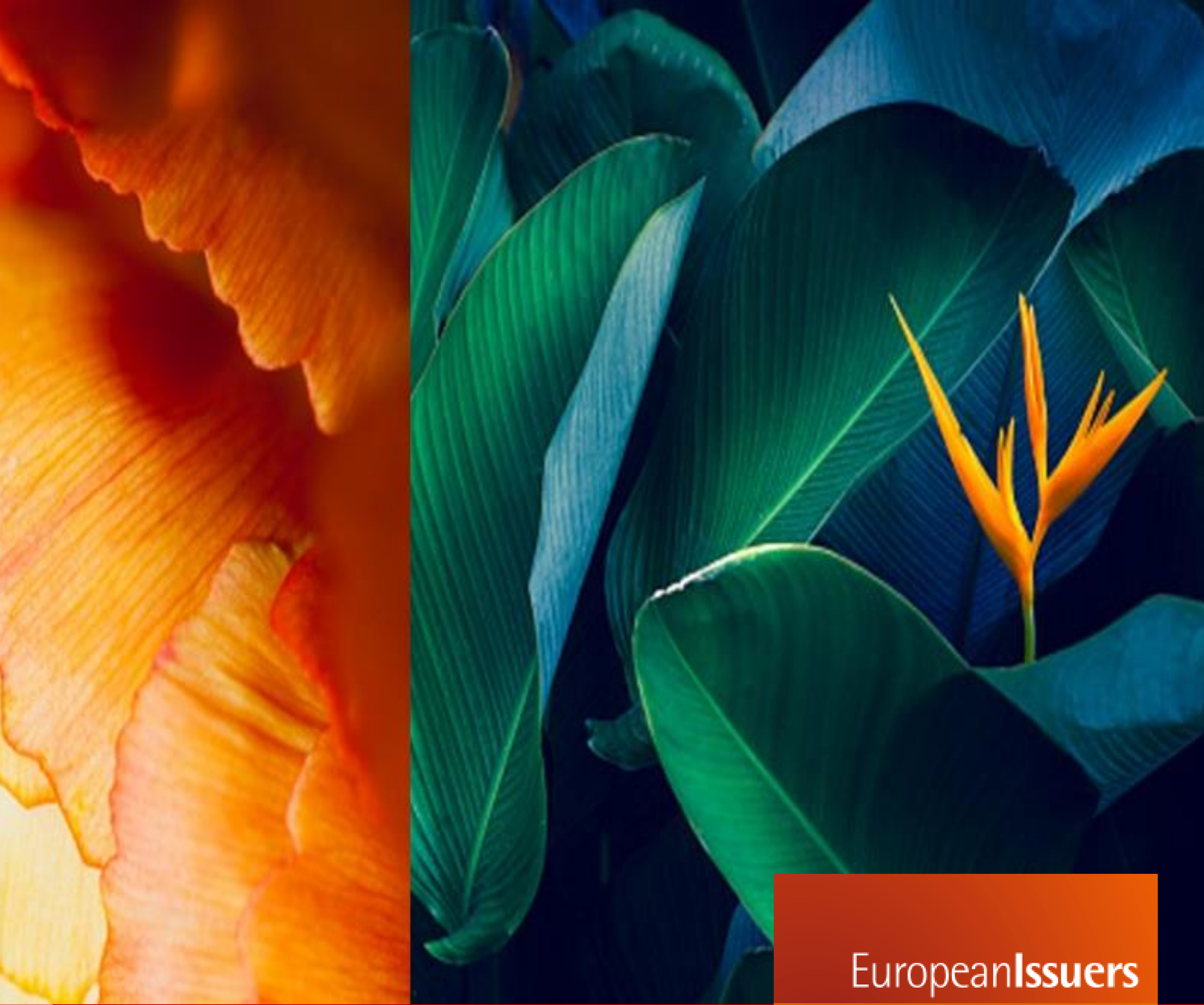

Executive Summary

Sustainability Reporting Conference 2023

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About the Sustainability Reporting Conference

Since 2008, EuropeanIssuers has been developing its advocacy activities and technical expertise. In the current political context, it has never been so important to place our focus on EU sustainable finance legislation. Stricter regulatory and reporting requirements for listed companies increase the cost of capital and may put at a disadvantage EU company competing globally. On 2 October 2023, EuropeanIssuers hosted its first edition of the Sustainability Reporting Conference. During this unique event, we provided a forward-looking overview of the EU Sustainability regulatory developments, with a particular emphasis on Sustainability Reporting and the European Sustainability Reporting Standards. The event offered insights into political and regulatory challenges and opportunities on the horizon. The Forum attracted more than 100 senior professionals from all over Europe, both in person and virtually. The one-day program included high-profile speakers from various industries, EU institutions, national governments, and sustainability experts. It brought together leading industry specialists to discuss key policy areas shaping their future environment.

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Part One

Sustainability Reporting Conference 2023

Opening Speech by Mr Luc Vansteenkiste, Chairman, EuropeanIssuers

Mr Vansteenkiste set the tone for the conference with a heartfelt and inspirational address on sustainability. He drew upon the famous words of Martin Luther King, stating, "I have a dream." He emphasized that "full sustainability" might be a dream, but it's a dream that's vital for the well-being of current and future generations. He underlined the urgency of addressing sustainability challenges, pointing out that time is running out to create a world where everyone can enjoy a decent life while ensuring economic viability. Recognizing the complexity of the European Sustainability Reporting Standards and the criticisms surrounding them, Mr Vansteenkiste explained that this complexity mirrors the intricate nature of our globalized world. He stressed the close connection between economic viability and sustainability, underscoring their pivotal roles in a company's survival and longevity, but simultaneously emphasising the pressing need for innovative solutions, making it clear that sticking to "business as usual" is no longer a viable option.

Highlighting the significance of coordinated EU action and possible financial support, he provided insights into the sustainability reporting system. This included concepts such as materiality, the value chain, and interoperability with other standards. Mr Vansteenkiste mentioned initiatives aimed at reducing reporting requirements for smaller companies and the development of guidance for materiality and value chain. He placed EFRAG's role in addressing questions related to the standards into the spotlight.

In a spirit of encouragement and optimism, he viewed the reporting system as a dynamic tool to lead the way in sustainability. He urged companies to not just adopt this instrument but to actively

"Full sustainability might be a dream, but it's a dream that is vital for the well-being of current and future generations"

contribute to its improvement, viewing it to become leaders in sustainability.

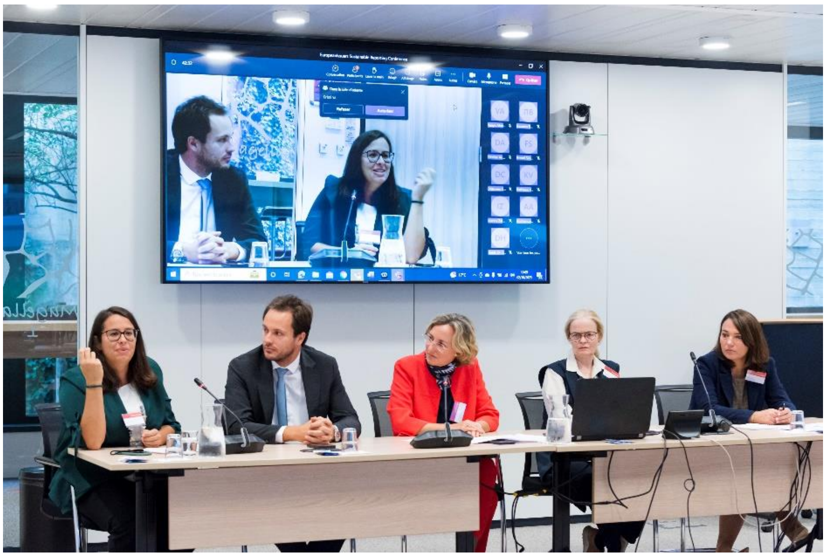
Panel One: Value Chain

Speakers

- ***Jane Thostrup Jagd****, We Mean Business Coalition, Net Zero Finance Director, and Accountancy Europe's Sustainability Reporting Standards WP member.*
- ***Jonela Lula Chamay****, Pictet Asset Managers, Head of ESG analytics and leading, member of EFAMA*
- ***Cristina Saporetti****, Head of Sustainability Monitoring, Reporting and Communication, Eni*
- ***Alexander Stevens****, Chief Executive Officer, Greenomy*

Moderator

- ***Florence Bindelle****, Secretary General, EuropeanIssuers*



During the first panel, the performance of ESG reporting was crucially defined as a process requiring deep cooperation within a company – this internal synergy still needs to be upgraded from the level it has today. The speakers have engaged in a discussion on the extent of the definition of Value Chain, on the main challenges for companies and for

ESG reporting platforms, and on the ways to bolster efficiency in reporting ESG-relevant information.

According to Ms Jagd, a deeper level of cooperation should be attained by the financial and the sustainability departments – which, however, are drawn apart by their different skills and systems. As far as ESG systems are concerned, the extension and up-building of existing systems was seen as a more desirable path rather than creating a new system ex novo. Such existing tools could include, amongst others, financial bookkeeping/ERP, Payroll for the S-data, and Consolidation Systems.

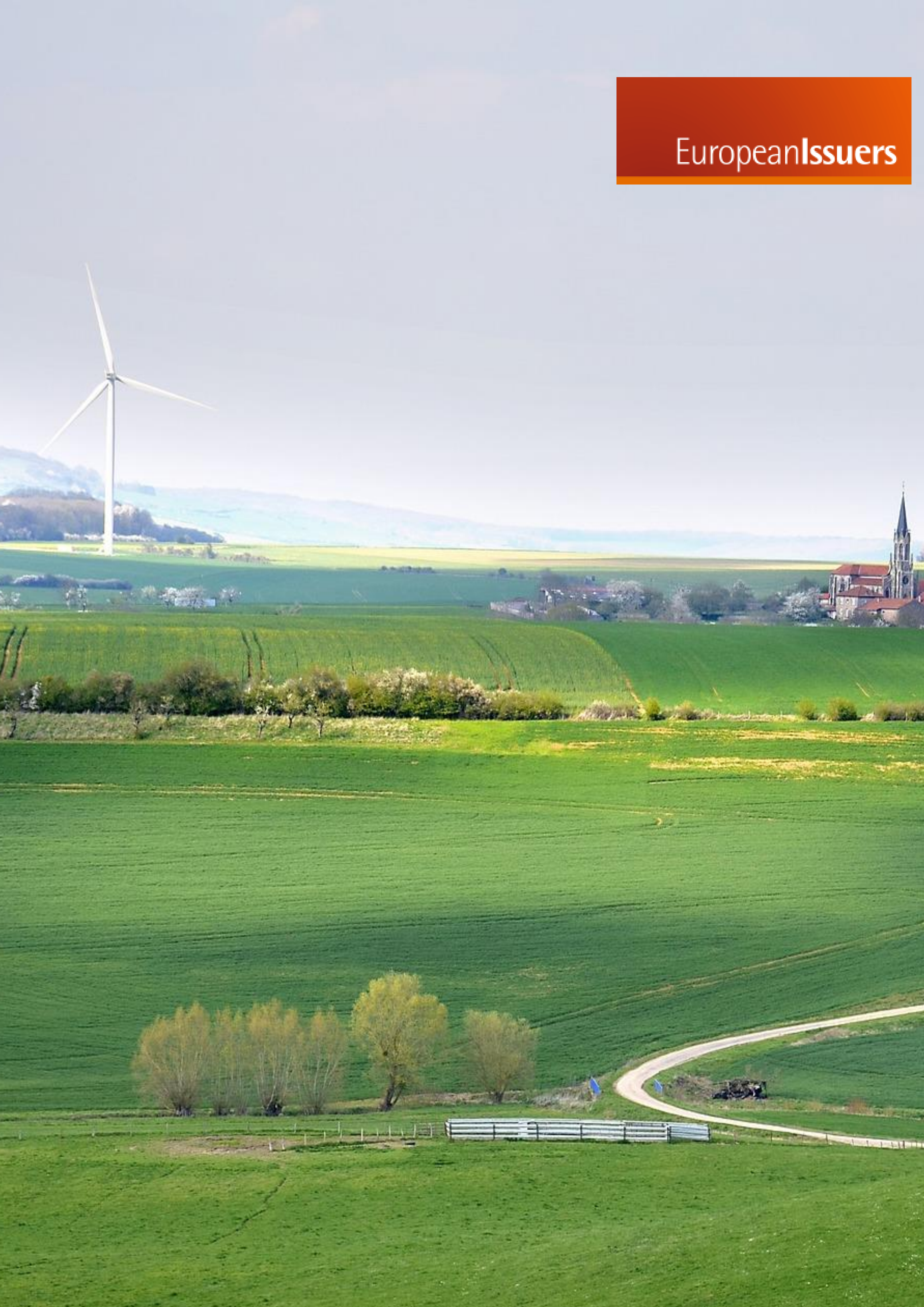
For Ms Jagd, postings could include the quantities, reducing the effort on the auditor to perform manual meter-readings, which increase the risk of human errors. By scanning invoices and receiving cost and quantities instantly (including indicators such as kWh, GJ, liters of water used, meters cubed of waste), the company would be able to extract datasets and assess the presence of a match between the two. Such controls would establish a stronger dialogue between the firm and the auditor if compared to claims fully based on manual readings, collection, and accumulation. Concerning Payroll for the S-data, such a system would ensure more completeness, as it holds information related to hourly salaried employed usually not found in HR-systems. On Consolidation Systems, the company can reassure the auditor that group reporting is comprehensive of all the affiliates, and that they are consolidated in the same way as they are in financial reporting. Furthermore, the company could perform internal checks to verify whether certain subsidiaries are overperforming or underperforming the parent's targets. In this regard, the already stated need for cooperation should also be aimed at establishing internal control mechanisms to ensure that data are valid, complete, and, hence, auditable.

Ms Jagd restates that these projected developments, grounded in a solid foundation of real-world practical experience, would yield to a stronger and more efficient solution for a company in fulfilling its reporting obligation - with clear benefits being accrued to its investors.

WeMeanBusiness Coalition cooperated with the International Federation of Accounts, with the support of A4S, GAA and WBCSD, to release the "Enhancing Greenhouse Gas Reporting" – including a set of eight steps to attain an investor-grade level of GHG reporting. Moreover, the WBCSD Internal Control Guidance works as an additional guideline for ESG internal controls.

Shifting the focus onto the main challenges related to the identification of IROs and the collection of data along the Value Chain for an issuer – ENI, in this isntance, disclosures appear as one of the focal aspects of the CSRD. By bringing her company experience, Ms Saporetti pointed out how firms have great expectations for the updated version of the Value Chain Implementation Guidance – set to be delivered by EFRAG. On this topic, the factors of identifying counterparties should be re-prioritised – as the definition of Value Chain appears to be excessively comprehensive, especially on multinational companies. A viable option would be to limit the extension of the value chain to the prevailing supply chain for the first years of implementation as a phase-in measure. Furthermore, it is challenging to request for and to perform Assurance on data not directly managed by the undertaking – which enhances the risk for duplication of information and for a lessened effectiveness of the internal control system on sustainability-related data. According to Ms Saporetti, the finalised version of the Value Chain Implementation Guidance should pivotally provide a guide for companies in understanding requriements and in developing an organic and unambiguous reporting approach necessary to bolster the reliability and comparability of ESG targets and performances. With regards to ENI's engagement in ESG-related value chain reporting, Ms Saporetti shared her experience with her company's holistic approach. Value Chains are deemed to be crucial in the journey towards sustainability, as the success in achieving the sustainable transition relies on a system moving i the same direction. As ENI's inherent characteristics impose a discussion on the extent of the value chain definition, the Italian firm has set out a procurement development strategy aimed at engaging suppliers towards an alignment with long-term ESG goals. To this aim, ENI launched a digital platform in partnerhsip with Google and Boston Consulting Group with the name of Open-es. The latter is fruible for both suppliers and clients, providing a framework for measuring, monitoring, and sharing of sustainability performances across a wide range of stakeholders through a gradual approach. Such dilution in time allows companies of all sizes to be able to interact with the platform, which aims at becoming as encompassing and as inclusive for all kinds of undertakings confronted with ESG reporting obligations. In the context of the issuer's perspective on the value chain assessment, Ms. Lula Chamay played a significant role in delineating the issues faced by asset managers, who are the users of ESG data provided by companies. Her contribution was valuable in providing insights into practical examples highlighting the disparities between regulatory standards and practical applications when analyzing ESG data for investment decisions, especially in cases where data might be absent.

Mr Stevens discussed the role Greenomy plays in supporting corporates to correctly comply with the CSRD mandates, including Double Materiality, the Gap Assessment, and in collecting data along the value chain. Such data are then shared to investors or banks. By drawing a closer focus on the value chain, cost arises as a concerning flashpoint. In parallel to the experience of the ICC Climate Disclosures in the United States, European Standards which are possibly more encompassing and cost-demanding may result in greater burdens for EU undertakings and to potential effects on the market. Such aspect is particularly pressing for SMEs – who would need to gather greater capacity to comply with the CSRD and more resources to be demanded. Banks are already interested in receiving ESG data from SMEs, which contributes in creating ambiguity under which framework such information should be fetched from – if through existing tools or through in-development Standards for Listed SMEs and Voluntary Standards under definition at EFRAG.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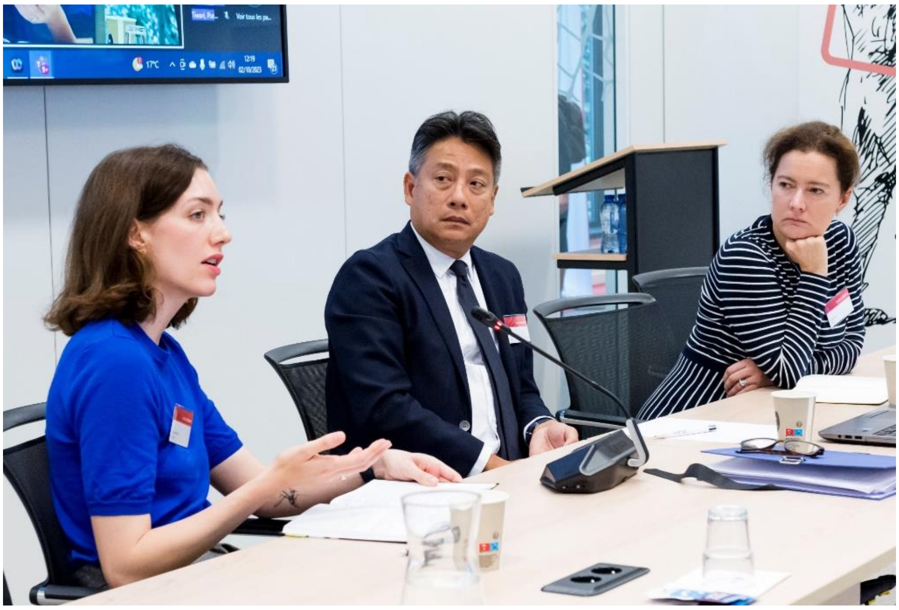
Panel Two: Materiality

Speakers:

- ***Gilly Lord**, Global Leader Public Policy and Regulation, PwC*
- ***Leontine Schijf**, Sustainability Reporting Manager, L'Oréal*

Moderator

- ***Le Quang Tran Van**, Director for Financial Affairs, AFEP*



During the panel on materiality, Ms Schijf, from L'Oréal, shared valuable insights from her company's experience with sustainability reporting. She emphasized the significance of the Double Materiality assessment, which L'Oréal already started analysing in 2022 as a collaborative project between the legal, sustainability, risk, and sustainable finance teams. Currently, the ESRS have evolved into their final form and therefore the company is updating its new Double Materiality assessment. To do so, the company has drawn guidance from EFRAG and sought external experts to ensure a robust scoring system of material topics. Transparency and documentation are essential, especially to be able to explain to external stakeholders as well as auditors which assumptions were taken to arrive at the final list of material topics, that will be published in 2025. More practically, L'Oréal's approach to assessing materiality involves a sequential process starting

"As sustainability topics become more interconnected, teams such as human rights and biodiversity must collaborate more closely. The challenge here lies in establishing a common language."

with defining impact materiality methodology, followed by the financial materiality assessment. A crucial consideration is that companies will need to report the financial effects of certain sustainability topics in the future. This process is complex and becomes even more challenging for global companies complying with different reporting standards worldwide.

Ms Lord, from PwC, shed light on the role of auditors in this process. Sustainability reporting differs significantly from financial reporting. Determining materiality begins with the issuer, and companies often struggle to discern whether a topic is truly material. Ms Lord witnessed that the challenge often arises from the broader spectrum of stakeholders involved in sustainability reporting, encompassing groups impacted by sustainability matters, even if not financially invested in the firm. To address this, she stressed that a comprehensive Stakeholder Engagement Programme becomes paramount, enabling issuers to maintain constant communication and understand stakeholder priorities.

With regards to stakeholder engagement, L'Oréal's experience reveals that, as sustainability topics become more interconnected, teams such as human rights and biodiversity must collaborate more closely. The challenge here lies in establishing a common language across different teams, necessitating a mutual learning process. While from an auditor's perspective, Ms Lord highlighted that auditors' responsibilities include acquiring detailed information about the company's business model, key stakeholders, and forming a comprehensive and independent view. Indeed, both speakers agreed that this new workload will demand extensive training programs for companies and a broader pool of assurance professionals well-versed in various topics.

On another note, concerning the assurance levels mandated by the CSRD, as highlighted by Ms Lord, there may be some reservations within the market about its readiness to embrace this information and adapt to the shift from limited to reasonable assurance. Certainly, as qualifications in reports of large, listed companies come under intense public scrutiny, the transition to reasonable assurance indeed brings a substantially increased workload for auditors. They must now ensure the material accuracy of the report, marking a significant departure from the previous requirements of limited assurance. However, companies that effectively convey their decisions and provide assurance are likely to gain market acceptance for their explanation. This makes the transition from limited to reasonable assurance a complex yet vital step for the greater public interest.

Fireside Chat: Usability of Post-ESRS Information

Speakers:

- ***Adam Kostyal***, *Vice President of Listing Services, Nasdaq*
- ***Marc Lefèvre***, *Head of Western Europe, Scope*

Moderator

- ***Luc Vansteenkiste***, *Chairman, EuropeanIssuers*

In this discussion, the perception of gaps in sustainability reporting was a central theme. Mr Lefèvre emphasized that incomplete sustainability reports can significantly impact a company's reputation among investors. These reports serve as the foundation for informed investment decisions, and any gaps can be seen as a sign of negligence or a lack of commitment to sustainability initiatives. It's not just about data; it's about demonstrating a genuine dedication to sustainability, and comprehensive reports are crucial for building trust.

“It’s not just about data: it’s about demonstrating a genuine dedication to sustainability, and comprehensive reports are crucial for building trust.”

From the perspective of stock exchanges, Mr Kostyal stressed how the abundance of information can indeed add value to the market, particularly when it comes to sustainability. Quality data is essential in this context. However, the challenge lies in catering to the diverse needs of companies, especially SMEs. Over time, technology, and best practices, like the NASDAQ Green Designation, may offer solutions for better clarity. Mr Kostyal also emphasized that it's crucial to ensure that the appeal of sustainability reporting benefits not only companies but also captures the interest of institutional investors, not just retail ones. For instance, a recent poll revealed that ESG factors have become the fourth priority for retail investors. ESG is no longer solely about portfolio returns; it reflects a higher purpose in a company's operations. Investors are increasingly concerned about whether their funds are being used for impactful purposes, which has generated a strong demand for data and transparency in the corporate world.

Another key point addressed was the differences in the information provided by companies. Various firms have their unique approaches to aggregating data, varying in quality, quantity, and methodologies for defining material topics. Mr Lefèvre explained that rating agencies anticipate that despite the implementation of ESRS could foster greater consistency and convergence in reporting, achieving complete alignment of methodologies may remain a challenge. Nevertheless, this diversity can benefit investors, if there is transparency in explaining the rationale behind these choices.

Regarding the readiness of financial markets, smaller companies appear somewhat hesitant about new regulations, with concerns of potential delisting waves in Europe. From the perspective of stock exchanges, Mr Kostyal witnessed the critical need to engage with investors and establish a balanced approach that supports smaller firms. These smaller enterprises require easy access to the market to fund their transition towards sustainability. The lack of regulatory clarity could impede their ability to seize opportunities for positive change, highlighting the need for a delicate balance between implementing regulatory changes and ensuring smaller enterprises can thrive in an evolving financial landscape.

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Part Two

Sustainability Reporting Conference 2023

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Fireside Chat: Usability of Post-ESRS Information

Speakers

- ***Yves Chapot***, *General Manager – Group Chief Financial Officer, Michelin*
- ***Sven Gentner***, *Head of Unit for Asset Management, European Commission Directorate General for Financial Stability, Financial Services and Capital Markets Union*

Moderator

- ***Philippe Lambrecht***, *Special Advisor to the CEO, FEB-VBO*

In this discussion, Mr Chapot highlighted the critical importance of sustainability reporting, putting it on par with financial reporting at Michelin. The company set up a strategic balanced scorecard with 12 Key Performance Indicators (KPIs) highlighting the commitments from Michelin's All Sustainable model of Michelin based on the 3 dimensions People, Planet, Profit. This approach helps the dialogue with different business units to gather feedback and suggestions, underlining their strong commitment to sustainability.

In terms of remaining competitive in a regulatory environment, the discussion between Mr Chapot and Mr Gentner emphasized the benefits of standards for comparison with EU counterparts and across industries. However, there are discussions about the necessary level of detail for compliance, and uncertainties remain on the applicability of EU rules to third-country firms. While standardization is seen as positive, there is a concern about overwhelming companies, financial markets, and institutions with a too complex framework which could be contrary to the EU's goal of promoting a sustainable economy.

Mr Gentner emphasised the Commission's priorities and next steps include the recent approval of sector-agnostic ESRS standards, with a focus on establishing standards for listed SMEs. Within this context, EFRAG has worked to avoid excessive regulatory burdens and to prioritize coherence to save future costs. The Commission also plans to introduce a delay in sector-specific standards, to facilitate a smoother implementation period and to provide additional support on certain issues such as Materiality and the Value Chain definition.

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Panel Three: Interoperability with International Standards for Sustainability Reporting

Speakers:

- ***Jenny Bofinger-Schuster**, International Sustainability Standards Board, IFRS Foundation*
- ***Patrick de Cambourg**, chair of Sustainability Reporting Board, EFRAG*
- ***Antoine van Cauwenberge**, Alternate member, IOSCO Board*

Moderator:

- ***Luc Vansteenkiste**, Chairman, EuropeanIssuers*

In the realm of sustainability reporting, the quest for interoperability is paramount. Ms Bofinger-Schuster reported on the ISSB's efforts to develop globally applicable sustainability reporting standards with a sharp investor focus, marked by the drive for interoperability that aligns with international standards. In particular, she highlighted that progress has been made concerning Climate Standards and Materiality, and the roadmap ahead involves a Mapping Table project and digital tagging set for a 2023 debut, enhancing digital taxonomy's role. Expressing concerns about the challenges, Mr van Cauwenberge emphasizes the EU's ambition to align with the ISSB and the GRI standards, especially regarding Impact Reporting. Presently, a reasonable level of interoperability is said to be achieved. More specifically, with the ESRS Delegated Act approval in

July 2023, documents such as the Working Paper on Mapping Table and the Joint Statement on Interoperability have surfaced to ensure harmonization with ISSB and GRI standards. In addition, efforts are also directed towards improving Digital Taxonomy, where inter-readability and machine-readability are paramount, taking inspiration from the Net Zero Data Public Utility (NZDPU).

In parallel, Mr de Cambourg highlighted that significant efforts are underway from EFRAG, to provide implementation support and guidance, particularly in areas such as Materiality Assessment, Value Chain, and data points for Gap Analysis. Two Working Documents are in the works, and an Access Point for user and preparer clarification is planned.

With regards to the interoperability between ISSB standards and ESRS, Ms Bofinger-Schuster discussed the process of developing standards and the focus on key topics like Biodiversity, Human Capital, Human Rights, and Integration and Reporting, which lies in an alignment with the ESRS's mission. She emphasized the importance of avoiding redundancy and duplicate processes for preparers. For instance, the ISSB aims to create a Global Baseline by involving diverse stakeholders to provide high-quality information for investors and efficient communication for companies. In response, Mr de Cambourg stressed that companies are indeed willing to report without unnecessary redundancy, and that EFRAG is working towards implementing Digital Taxonomy by early 2024 to make Digital Tags available early. Narrative Information, a vital aspect of Sustainability Reporting, has to be meaningful and correctly addressed by legislation. Consequently, a three-tiered Tagging System enhances comparability in Narrative Information and facilitates the transition to digital reporting. For Mr de Cambourg, the key is to view all sustainability issues as an organic and comprehensive architecture, in which aspects reinforce each other. Moreover, sustainability should be a matter for all companies, not only larger ones – which explains the focus towards listed SMEs at the core of EFRAG's operations.

Furthermore, within this framework, IOSCO plays a pivotal role, having called for Sustainability Reporting standards in 2020 to the IFRS Foundation, ISSB S1 and S2 received swift endorsement upon their launch. IOSCO is supporting its membership to facilitate a proportionate approach in assisting jurisdictions in their adoption of the ISSB Standards, fostering the use of standards by companies. Their guidance extends to capacity building and offering examples for implementation. The bottom line is optimizing sustainability reporting globally, placing a focus on establishing a global baseline that elevates management and strategy rather than mere compliance, applicable to companies of all sizes, with particular attention to listed SMEs. For Mr van Cauwenberge, facilitating audit firms, assurers, and profession-agnostic standards is key, and an imperative is to avoid overburdening companies to maintain their market presence or go public.

Lastly, on the proposal for a 25 Percent Reduction of Reporting Requirements, Mr de Cambourg disclosed that the criteria for being considered a large entity may be revised, with a potential increase of the threshold reducing the number of firms under scope. Secondly, the deadline for sector-specific standards and for non-EU companies by 2024 will likely be postponed to 2026. Thus, by increasing the importance of the Materiality Assessment and by making some disclosures voluntary, the burden will be reduced.

Case Study by Simon Braaksma, Senior Manager at Philips and EFRAG SRB Member

Simon Braaksma presented the evidence and experience related to ESG reporting and the implementation of the CSRD in the context of Royal Philips, a company positioning itself as a pioneer in adhering to these regulatory requirements. Philips has been releasing its Integrated Annual Report annually since 2008, amalgamating both financial and non-financial aspects into a comprehensive document. Their commitment to aligning the level of assurance between these two types of information began in 2012 when they started receiving Reasonable Assurance on all sustainability data, evolving towards a more cohesive reporting structure. By 2014, they adopted the IIRC Framework and, by 2022, implemented the GRI standards, responding to the growing investor demand for the Task Force for Climate-Related Financial Disclosure. ESG disclosures are now provided quarterly, reflecting their dedication to transparency.

In 2020, Philips introduced new ESG-related initiatives, such as the Country Activity and Tax Report, Carbon Accounting Methodologies, and Double Materiality, all designed to enhance transparency. Their approach to the 2022 Annual Report on Double Materiality involved identifying material topics from the ESRS Standards, including E1, E5, S1, S2, S4, G1. This was achieved by creating a visual graph that matched the external and internal importance of each issue, categorized under Environmental, Social, and Governance indicators.

Philips collected evidence from 955 data points, with a particular focus on E1 and S1. Compliance with these aspects necessitates the engagement of full-time experts, a potentially unsustainable burden for smaller enterprises. Following the Gap Analysis and Readiness Assessment, Philips' next steps include developing a Deployable Roadmap, its implementation, and finally, providing Assurance by 2024. However, auditor capacity remains a challenge and is especially concerning for smaller companies due to their lack of preparedness.

For less experienced firms, the readiness assessment can be approached in two key areas: addressing text gaps, which relate to external communication, and metrics gaps. The latter are more critical, as the absence of data and targets can hinder Directive compliance, particularly concerning the definition of metrics for nuanced objectives.

In conclusion, Mr. Braaksma emphasized that the implementation of the ESRS for large listed companies is a substantial endeavour, necessitating strong Board Support, Gap Assessment, prompt gap-bridging plans, and the establishment of internal controls. However, for smaller companies, the challenge lies in overwhelming requirements, as they are still acclimating to the new regulations and lack guidance on how to initiate the transition. Another significant concern is the readiness of smaller audit firms to handle this shift.

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Keynote Speech by Marcel Haag, Director for Horizontal Policies at DG FISMA, European Commission

The Commission officially adopted the ESRS on August 21st, outlining the mandatory requirements for companies to adhere to. Mr Haag expects these standards to enhance consistency and mitigate the risk of greenwashing by offering a unified framework, replacing the need for multiple voluntary standards, which will likely lead to reduced reporting costs in the medium to long term. In its pursuit of a balanced approach, the Commission made amendments to the draft prepared by EFRAG. The objective was to strike equilibrium between policy goals and the practical usability and proportionality of the requirements. The introduction of phase-ins and flexibility in determining material information for companies aims to align with these objectives. Furthermore, Mr Haag elucidated how the integration between the ISSB Standards and ESRS places the EU at the forefront and is seen as a priority by the European Commission. However, the success of this harmonization depends on continuous cooperation and achieving a high degree of interoperability.

Such measures are vital to establish a global baseline and help companies avoid redundant double reporting, especially those operating internationally.

Furthermore, the Commission is committed to advancing Digital Tagging. Additionally, there is a notable demand for guidance from companies. To address this need, EFRAG is preparing to publish information, alongside creating a virtual platform for questions and clarification. Mr Haag revealed that this discourse carries significant implications for competitiveness, as it is essential that EU companies are not disadvantaged by undue burdens, thus the Commission's efforts are directed towards achieving this balance. In the long term, these costs will be weighed against the overall benefits of advancing towards a sustainable economy and providing investors with essential information.

In conclusion Mr Haag explained that there is a proposal in progress to postpone the decision regarding sectoral standards from 2024 to 2026. This extension will provide companies with more time for preparation and enable EFRAG to fulfil its role in offering support and guidance. Companies have already initiated reporting their alignment with standards using Taxonomy, and the upcoming developments in this regard will be of paramount significance for them.

Closing Speech by Florence Bindelle, Secretary General, EuropeanIssuers

In her closing remarks, Ms. Bindelle emphasized that The Conference served as a vital platform for knowledge sharing and reflection on the insights gained. She stressed the importance of maintaining a balanced approach to pave the way for the success of the European economy. While the journey toward this goal remains long and challenging, it is crucial to bridge the gap between regulations and their practical implementation.

Despite the challenges posed by the complex framework, it should be viewed as an opportunity rather than a mere compliance exercise. It transcends being a mere requirement; it serves as a catalyst for driving positive change. The common goal of making sustainable reporting practical has fostered collaboration and cooperation among stakeholders, underscoring the significance of this collective effort.