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Aligning sustainability goals with EU legislation

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Who are Ethos Sustainability?

Building Physics

- Design for Performance
- Passive Design Analysis
- Advanced Energy Modelling
- Façade Studies
- Natural Ventilation Studies
- Part L compliance
- HVAC Systems analysis
- Thermal Comfort
- Daylight
- Sunlight Studies
- Glare Analysis
- Climate Based Daylight Modelling

Third Party Rating Schemes

- LEED
- BREEAM
- WELL
- Home Performance Index (HPI)
- ILFI Living Building Challenge
- ILFI Zero Carbon
- BER

Sustainable Materials

- Sustainable Procurement
- Material Frameworks
- Healthy Materials Plans
- Life Cycle Analysis (LCA)
- Life Cycle Cost (LCC)

Carbon Foot printing & GHG Consulting

- Net Zero Carbon Services & Roadmaps
- Embodied Carbon
- Operational Carbon
- Energy Audits
- GRESB
- CSRD / GRI reporting
- Science Based Target (SBTi)

EU Taxonomy

- Feasibility & Gap Analysis
- EU Taxonomy Compliance Guidance and Management
- Material Reviews
- Due Diligence Reviews

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Big Picture - Race to Net Zero

2015
UN Sustainable Development Goals

2016
Paris Agreement
limit global warming to well below 2, **preferably to 1.5 degrees Celsius**, compared to pre-industrial levels.

2018
EU Action Plan
Financing Sustainable Growth

2019
EU Green Deal
Sustainable Growth Strategy & Policies

2020
Ireland Climate Action and Low Carbon Development Bill

2021 – 2022

EU European Climate Law

Taxonomy Regulation
Disclosure Regulations

2024 – 2028

Corporate Sustainability Reporting Directive

2030
Fit for 55

Halving emissions by

2050
NET ZERO
GLOBAL ECONOMY

EU Taxonomy

EU Taxonomy came into force on 1st January 2022

The EU Taxonomy is a **green classification system** that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes.

- Establish and maintain clear criteria for activities to define what it means to make an **environmentally sustainable** contribution and what it means to **do no significant harm**.
- **A transparency tool** that will introduce **mandatory disclosure obligations** on some companies and investors, requiring them to disclose their share of Taxonomy-aligned activities.
- **Create a common language** around green activities

EU Taxonomy in Practice

Three groups of Taxonomy users:

1. Financial market participants offering financial products in the EU, including occupational pension providers;

2. Large companies who are already required to provide a non-financial statement under the Non-Financial Reporting Directive

3. The EU and Member States, when setting public measures, standards or labels for green financial products or green (corporate) bonds.

Company Disclosure:

Mandatory -

- **Large financial and non-financial companies** that fall under the scope of the **Non-Financial Reporting Directive** (**large public-interest companies with more than 500 employees**, including listed companies, banks and insurance companies) will have to disclose

- Financial market participants (such as asset managers) will have to disclose to what extent the activities that their financial products fund meet the EU Taxonomy criteria.

Voluntary use – Guide for investments

- Companies can use the criteria of the EU Taxonomy as an input to their environmental and sustainability transition strategies and plans.

- Can choose to meet the criteria of the EU Taxonomy with the aim of attracting investors interested in green opportunities.

- Can choose to use the EU Taxonomy criteria in their due diligence for screening and identifying sustainable investment opportunities aiming to achieve a positive environmental impact.

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EU Taxonomy – 13 Sectors and 102 Activities

Sectors

- Forestry
- Environmental Protection and Restoration
- Manufacturing
- Water supply, sewerage, waste management and remediation
- Professional, scientific and technical activities
- Financial and insurance activities
- Education
- Human health and social work activities
- Arts, entertainment and recreation
- Energy
- Transport
- Information and communication
- Construction and real estate activities

7 Activities in Construction and Real Estate

1. Construction of new buildings
2. Renovation of existing buildings
3. Acquisition of buildings

Installation, maintenance and repair of –

4. energy efficiency equipment
5. charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
6. of instruments and devices for measuring, regulation and controlling energy performance of buildings
7. renewable energy technologies

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EU Taxonomy - Structure

The Taxonomy sets performance thresholds (referred to as '**technical screening criteria'**) for economic activities which:

Substantially Contribute

- Climate change mitigation,
- Climate change adaptation,

+

Do No Significant Harm

- Transition to a circular economy,
- Water Resource Management
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems.

+

Comply with minimum safeguards

- OECD Guidelines on Multinational Enterprises
- UN Guiding Principles on Business and Human Rights

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Corporate Sustainability Reporting Directive

EU is implementing the **Corporate Sustainability Reporting Directive (CSRD) in 2024**, which aims to deliver a comprehensive corporate reporting framework with qualitative and quantitative information to facilitate the assessment of companies' sustainability impacts and risks.

- CSRD released in **January 2023**
- As part of the European green deal the Commission committed to reviewing the NFRD. Resulting in the development and implementation of the CSRD that replaced the NFRD
- NFRD mandatory reporting for **11,000 companies**
- CSRD mandatory reporting for **50,000 companies**
- Companies subject to the **CSRD** will have to report according to **European Sustainability Reporting Standards (ESRS)**

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What is ESG?

- This term refers to demonstrating the **company's corporate responsibility in non-financial terms**, i.e. information that demonstrates how environmentally correct, socially responsible, and the parameters of excellent corporate governance the company has incorporated.
  - In other words, ESG is used as a **"type of metric"** to demonstrate good business practices and **to show "how"** a company works to **identify, monitor and mitigate the non-financial risks** that can impact the value of its products and services.
- The main focus is that companies that adopt these practices **are less exposed to external risks.**
  - Good ESG practices help to **reduce** the possibility of legal and labour problems, fraud lawsuits, and environmental penalties.

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What are the pillars of ESG?

- This pillar refers to a company's practices regarding the **conservation of natural resources and its performance** with regard to issues such as:
  - The company's effort to seek sustainable alternatives, aiming to reduce the impact of the production process on the environment;
  - Initiatives aimed at reducing the excessive use of natural resources;
  - The reduction in the emission of pollutants and establishment of targets for reduction;
  - The company's good practices with packaging, generation, care and disposal of plastics;
  - The efficient and correct management of waste disposal;
  - The adoption of measures aimed at environmental protection and preservation projects.

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What are the pillars of ESG?

SOCIAL

- This pillar concentrates on issues such as the **company's relationship with people**, such as employees, relationships with the community and creation of values with stakeholders. That is, the concerns that the business has with issues such as:
  - Improvement in how the company relates to people and society;
  - Adherence to labour rights;
  - Valuing health and safety in the work environment;
  - Support for diversity and inclusion;
  - Focused concern with the consumer experience at all stages;
  - The company's positioning in social and charitable causes.

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What are the pillars of ESG?

GOVERNANCE

- This pillar contains matters related to the **administration of the business**. In general, examples can be cited, such as:
  - The adoption of policies and practices aimed at controlling the company;
  - Institutional behaviour in relation to anti-corruption policies;
  - Values, moral and ethical posture in business;
  - How much does management value transparency, equity, accountability and corporate responsibility;
  - The non-involvement of the company and directors in fraud, denunciations, scandals, convictions in court and the like;
  - Relations with government entities;
  - Internal and external audits;

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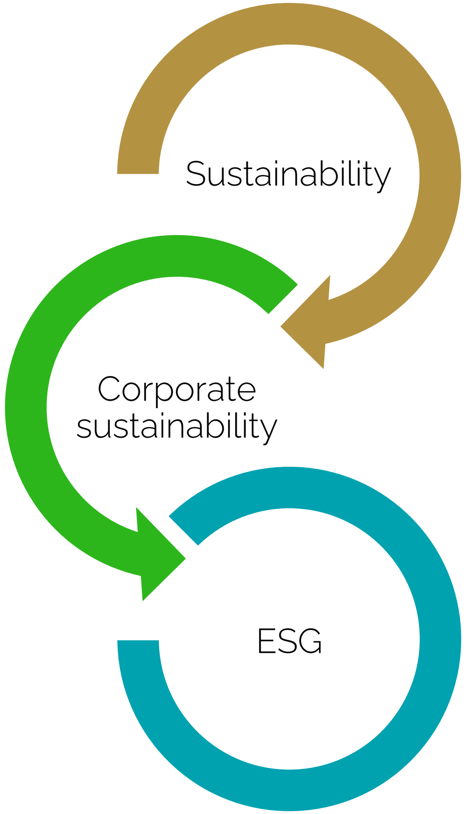
Differences between ESG and Sustainability



"ESG sounds like, but is not the same as sustainability",

- **Sustainability** focuses on changing what a company does to make it better for the world now and in the future. It is about values, decision-making, business strategy and value creation,

- **Corporate sustainability** acts on the business model and aims to improve the company through sustainability.
  - *Example: Sustainability is the process of making internal capital investments (such as installing LED lighting or taking other energy-saving steps)*

- **ESG** is how the financial market incorporates Environmental, Social and Governance concerns within its risk exposure analysis.

  - *ESG is sustainability management oriented towards the demand of shareholders and investors.* ***Its focus is on reducing non-financial risk.***

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Why adopt ESG values in corporate practices?

- Companies that focus on ESG have **comparative advantages in the market**, allowing them to reduce costs and increase profits in the medium and long term.

- As consumers are more demanding of corporate responsibility, meeting ESG practices makes companies more responsible and prepared to be more efficient.
  - **90%** of consumers are willing to pay more for a brand that gives back to society.
  - **Reputational advantages**: Increased brand value for investors and society in general;
    - Source: KMPG (2021)

- More **transparency between companies**, helping investors, clients and partners to identify the best companies to do business with
  - **Financial advantages**: Differential rates for credit lines for sustainable practices;
  - **Investment attraction**: Greater chance of attracting conscious and long-term investors.

- Compliance with legislation (Corporate Sustainability Reporting Directive (CSRD))
  - With the exception of micro-enterprises, all publicly listed businesses in the European Union are required by law to report on the social and environmental dangers and possibilities presented by their operations

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EU Legislation – Why?

- One of the goals in the development of the CSRD and EU Taxonomy has been to target the **removal of green washing**. Green washing is becoming more and more prevalent as focus on the sustainability and ESG increase

- Funders, investors and auditors become **increasingly aware of the evidence** required to show compliance with EU Taxonomy and other green rating systems.

- Data collection and benchmarking. **Setting targets for future legislation**

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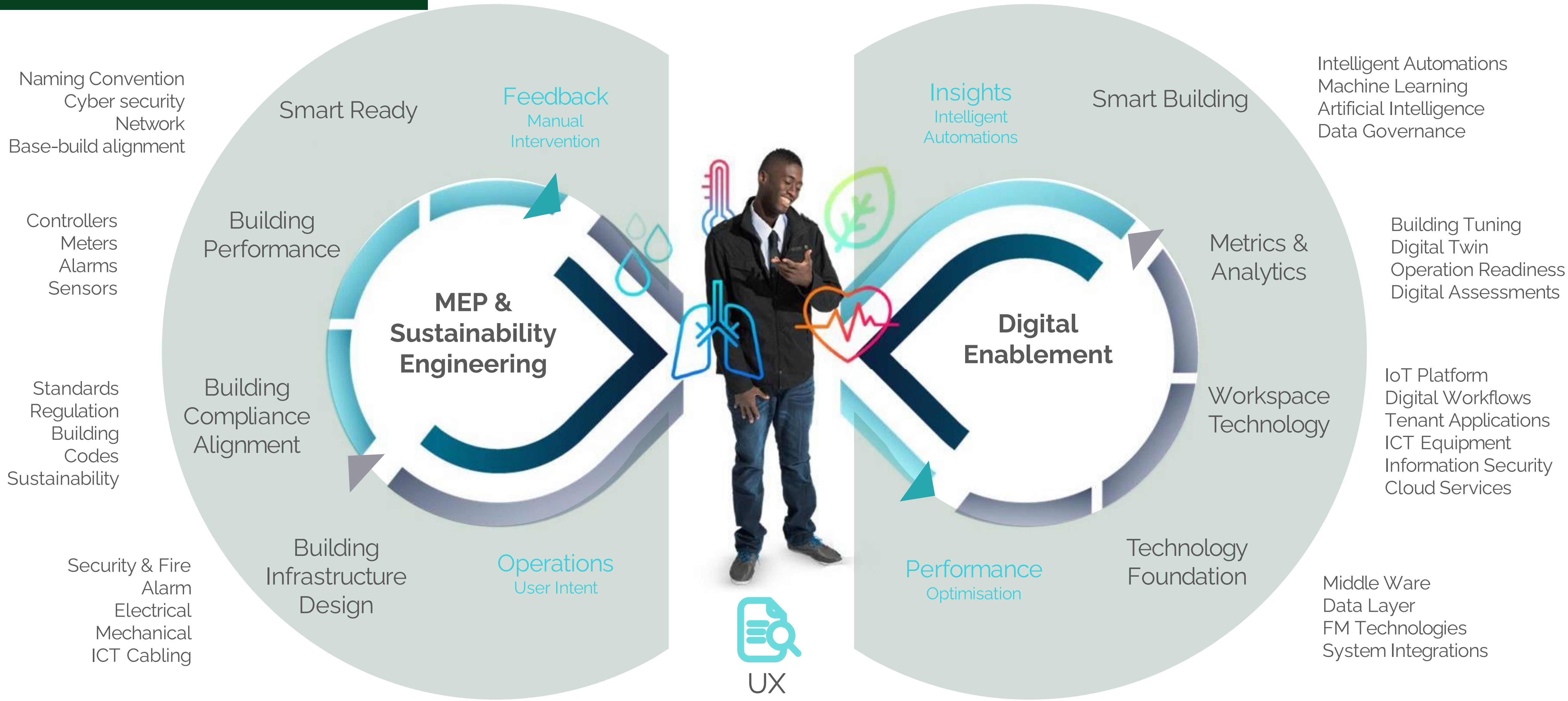
Clear and Transparent Reporting



Closing the loop with digital enablement.

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Thank You