



Business for
Biodiversity
Ireland

THE JOURNEY TO NATURE POSITIVE

Goal A3: Step 1

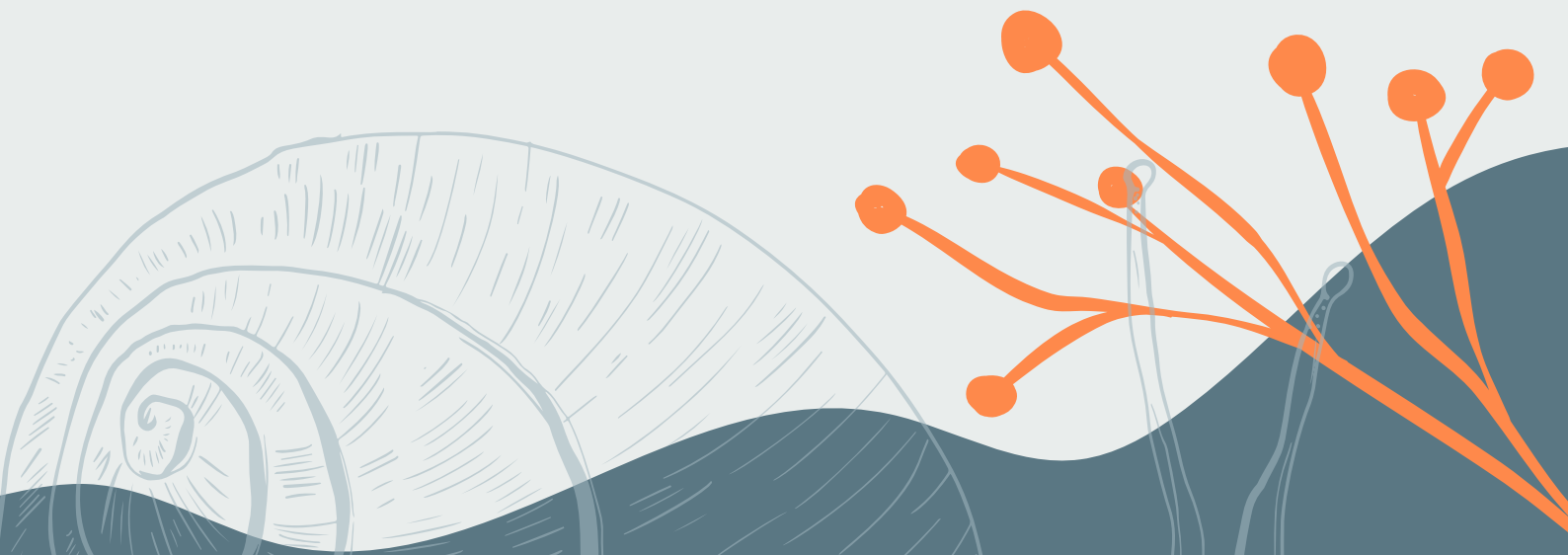
Know your Obligations
Corporates and Finance

Goal A3.1_Nature Disclosures: Know your Obligations_ V1.0
March 2024

DO CORPORATES NEED TO REPORT ON NATURE?

YES!

Corporates and financial institutions previously subject to the Non-Financial Reporting Directive (NFRD) will be required to report under both CSRD and the EU Taxonomy by 2025, for the 2024 financial year.





RELEVANT DIRECTIVES

PREVIOUSLY...

Non-Financial Reporting Directive, 2014 (NFRD)

What is the NFRD?

Since 2014, the NFRD required certain large companies to disclose relevant non-financial information to provide investors and other stakeholders with a more complete picture of their development, performance and position and of the impact of their activity.

You were required to report under NFRD if:

- You average more than 500 employees annually
- Your annual balance sheet exceeds €20m
- Your net turnover exceeds €40m
- You are a Public Interest Entity (PIE)

What is a PIE?

- o A traded company on a regulated market
- o A bank
- o An insurance company
- o A company carrying out insurance market activity

AND NOW...

Corporate Sustainability Reporting Directive, 2023 (CSRD)

The Corporate Sustainability Reporting Directive is the new EU regulation for sustainability reporting that came into force in January 2023. It replaced the NFRD.

Companies that were previous subject to NFRD reporting are required to report under CSRD in 2025, for the financial year 2024.

Company categories (undertakings) for reporting under CSRD as defined by the European Commission are set out in the table linked below.

[CSRD Criteria Table](#)



CSRD Modifications

Under CSRD, companies will have to report according to the European Sustainability Reporting Standards (ESRS) or other aligned standards (see *BFBI Roadmap Step A3.2 Standardising Reports*).

There have been some modifications to reporting obligations in the published draft ESRS to take account of the difficulties and complexity of gathering sustainability information, in particular for listed SMEs. Below are some of the modifications to the previous draft ESRS as outlined by the EU Commission.

Phase-in provisions

This mainly applies to companies with <750 employees (in addition to those provisions already in the previous version of the draft ESRS). The new phase-in provisions will allow certain companies to postpone reporting for 1 or 2 years, depending on the topic. Consideration was given to:

- **Reporting costs:** They are relatively higher for smaller companies
- **Experience:** Many of these companies were not previously subject to sustainability requirements
- **Time:** It allows time for smaller companies to prepare for delivering on their sustainability reporting obligations
- **Complexity:** This takes account of what the EU Commission consider to be challenging issues for companies to report on, which include climate change (ESRS E1), biodiversity (ESRS E4) and certain social issues (ESRS S1).



Materiality

For those that fall under the scope of CSRD, all standards and disclosure requirements within each standard will be subject to a materiality assessment (with the exception of ESRS 2 'General Disclosures' [1]).

If, following a materiality assessment, a company considers a standard topic is not material, it does not have to report on it. However, a detailed explanation of a company's conclusion of materiality assessments will need to be explained in detail if a topic is not considered material.

The modifications to the ESRS are to enable certain businesses to deliver on their sustainability reporting obligations by providing some flexibility for companies to get started.

[1] Cross-cutting standard ESRS 2 ('General Disclosures') requires essential information to be disclosed irrespective of which sustainability is being considered.





CSRD and Biodiversity

The European Sustainability Reporting Standards (ESRS) have been developed to help structure reporting under the CSRD. One of the environmental topical standards, E4 is specifically addressing reporting on biodiversity and ecosystems.

Businesses will only have to report against ESRS E4 if biodiversity is considered a material topic after a materiality assessment has been completed.

Reporting against E4 will not be required in year 1.

Currently, there are ten disclosure requirements on biodiversity detailed in ESRS E4:

1. Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050
2. Policies implemented to manage biodiversity and ecosystems
3. Measurable targets for biodiversity and ecosystems
4. Biodiversity and ecosystems action plans
5. Pressure metrics
6. Impact metrics
7. Response metrics
8. Biodiversity-friendly consumption and production metrics (optional)
9. Biodiversity offsets (optional)
10. Potential financial effects from biodiversity-related impacts, risks and opportunities





CSRD - Useful Links

Questions and Answers on CSRD

EU Commission 21-04-2021

Questions & Answers on sustainability reporting.

EU Commission 31st July 2023

CSRD

EU 2022/2464

Accounting Directive 2013/34/EU

includes criteria for company categories

Delegated Directive (EU 2023/2775)

Amending Accounting Directive, adjusting size criteria



EU Taxonomy, 2020

You must align with EU Taxonomy if you qualified as an NFRD company.

This regulation is targeted at financial market participants with financial products that make environmental claims. Financial Market Participants are Investors, Financial Institutions, Stockbrokers and Shareholders.

Large financial and non-financial companies that fall under the scope of the Non-Financial Reporting Directive (NFRD) will have to disclose to what extent the activities that they carry out meet the criteria set out in the EU Taxonomy. Likewise, 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.





EU Taxonomy and Biodiversity

Biodiversity exists within one of the six environmental objectives set out in the EU Taxonomy. An organisation can report on economic activity that contributes substantially to the environmental objective of the protection and restoration of biodiversity and ecosystems, in several ways, including by protecting, conserving or restoring biodiversity and ecosystems, and thereby enhancing ecosystem services.

These services are grouped into four categories:

- provisioning services, such as the provisioning of food and water;
- regulating services, such as the control of climate and disease;
- supporting services, such as nutrient cycles and oxygen production;
- cultural services, such as providing spiritual and recreational benefits.

Businesses are also required to disclose the proportion of turnover, capital expenditure ('CapEx') and operating expenditure ('OpEx') or on their green asset ratio associated with economic activities that qualify as environmentally sustainable.



EU Taxonomy - Useful Links

[A User Guide to the EU Taxonomy for Sustainable Activities, 2023](#)

[EU Taxonomy Navigator](#)

The EU Commission has developed a user-friendly online tool, the EU Taxonomy Navigator, which provides an online resource to help users understand the EU Taxonomy and facilitate its implementation and supports companies in their reporting obligations.



THE NEXT STEPS...

Standardised Reports for Corporates and Finance

The next step on this journey is to understand what reporting standard is expected of your business. Click on the link below to learn more about the European Sustainability Reporting Standards (ESRS).

Reporting Standards



Assessment Frameworks for Corporates and Finance

How do you get started on assessing your impacts and dependencies on nature? BFBI has set out some recommendations tailored for you.

Assessment Frameworks

