



Recommendations for the proposed EU Omnibus Legislation

Streamlining the Taxonomy Regulation, CSRD, CSDDD and CBAM



Investors for a new now

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This position paper serves as a basis for discussion of the present topic with the relevant stakeholders and, regardless of their experience, is not intended for investors. With this analysis and paper, we want to contribute to an objective and constructive discourse. We emphasise that despite careful consideration, these assessments, analyses and positions may be subject to change over time.

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Executive summary

- Alignment of the EU's sustainable finance rules is needed, not only to ensure cost-efficient implementation, but also to preserve the integrity and effectiveness of the Green Deal framework. When making changes to the Taxonomy, CSRD, CSRD, and CBAM, we need to take into account mirroring requirements in other pieces of legislation, above all the SFDR.
- SMEs can use the (draft) SME reporting guidance to reduce reporting complexity while ensuring investors receive comparable data on material topics, without needing costly indirect information from data providers.
- For the ESRS, we can significantly reduce the number of mandatory data points. 20 sets of questions (~56 questions in total) for large companies are sufficient.
- Sectoral guidance can further streamline reporting by defining key materiality topics per industry. Moreover, digital and satellite data solutions could help reduce the reporting burden and improve data accuracy.
- Policymakers should simplify Taxonomy definitions and define more corporate Taxonomy activities. Defence sector investments should receive clearer classification to facilitate access to finance.
- CSDDD should only focus on direct business partners. The Civil Liability Clause (Art. 29) should be deleted.
- CBAM should apply to major supply chain emitters while avoiding loopholes through smart monitoring.

Change to boost European competitiveness

We appreciate the European Commission's initiative to enhance regulatory coherence through the proposed Omnibus Directive, particularly regarding the Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD) and the Carbon Border Adjustment Mechanism (CBAM). DWS supports efforts that align sustainability goals with the European competitiveness agenda while ensuring regulatory efficiency and transparent market information. For the last two years, we have published a number of research reports with recommendations¹ on European Transformation, which align with many of the Competitiveness Compass actions.

By addressing the outlined challenges and streamlining these frameworks, the Commission can enhance the effectiveness of the regulatory environment significantly while empowering asset managers to direct capital flows toward sustainable development and competitiveness goals. We are happy to engage further and provide additional insights as the Omnibus Directive progresses.

Simplification should not mean dilution of Europe's overall ambitions. But more effective implementation can enhance long-term resilience, competitiveness and value creation. The proposed postponement of CSRD compliance for SMEs is not relevant for us as a reporting company, as we will publish our first CSRD-aligned report on 13 March 2025. In this paper, we will explain how digital solutions for SME could reduce reporting burden and improve accuracy. Any postponement of CSRD reporting would require changes to SFDR reporting. However, the SFDR is (as of now) exempt from the Omnibus Proposal. Duplicate disclosure requirements at entity level under SFDR should be abolished. Instead, CSRD should be applied across all sectors with simplification. DWS previously responded to the Commission's SFDR consultation, calling for improvements².

Furthermore, we agree with many of the points made in the letter to the Commission by the German Federal Government in December and by Chancellor Scholz this year. To maximise the effectiveness and impact of these measures, we respectfully submit the following recommendations for reducing administrative burdens, enhancing data usability, and improving the investment environment in Europe.

¹ <https://www.dws.com/insights/globalresearch-institute/european-transformation-research-hub/>

² <https://download.dws.com/download?elib-assetguid=5f443c7f68dc494bad1d75a3357be00e>

1. Easing and clarifying the reporting burden across frameworks

Currently, significant discrepancies exist in the **underlying scope, methodology and disclosure requirements** under the Taxonomy, CSRD, and CSDDD frameworks, leading to inefficiencies and duplicative processes for financial market participants and investee companies.

Our European fund management association, EFAMA³, has outlined that asset managers need corporate sustainability data to guide their sustainable investing and comply with our own regulatory reporting. From an investor's perspective, the proposal to streamline and clarify the data requirements with the objective to lower the associated compliance costs is welcome, but investors still need comparable data on material topics for investment decisions and stewardship. Data published directly by companies is more recent, precise and lower cost for investor use, than estimated or indirect information from data providers.

The proposals to change reporting thresholds for small and mid caps has less direct impact on DWS as our public markets investments are generally with larger firms. However, we are working to expand our Direct Lending to small and medium sized companies and other private debt investment solutions and so a certain level of transparency is necessary also from SMEs. As well, improved and streamlined disclosure from SMEs is important to support corporate supply chain investments and for banks and direct lending funds to analyse and support their SME lending clients. If companies with fewer than 1,000 employees could use the (draft) SME reporting guidance, this would reduce the reporting burden. This should be reviewed after 2-3 years.

We recommend the expansion of digital solutions to reduce reporting burden and improve accuracy, as explained in Section 5 and Appendix 1. Another way to reduce the cost and burden of reporting would be to allow companies the option to conduct semi-annual assurance. This could reduce audit costs approximately 50%.

We recommend a dialogue process open to relevant company and financial industry experts and stakeholders to examine specific opportunities to clarify, streamline and improve useability of metrics under the relevant Regulations and Directives⁴.

Moreover, ambiguity regarding real estate related metrics should be resolved. The Institutional Investors Group on Climate Change (IIGCC) is leading the Addressing Real Estate Sustainability Indicators (ARES) project, which will publish proposals across real estate metrics in the Energy Performance in Building Directive (EPBD), Taxonomy and SFDR in March 2025 for market and policymaker feedback. Reduced ambiguity could support investment in Europe's buildings which is the sector with the largest climate investment gap according to the Commission. The forthcoming recommendations from the ARES project could become integrated in the wider EU effort to clarify sustainability metrics and also support the future work of the EU Commission/UNEP FI's Energy Efficiency Finance Coalition.

As a fiduciary we mainly focus on financially material factors, but social and environmental issues can become financially material for companies and investors suddenly or gradually. Impact materiality focused metrics are also important for some of our climate and other engagement expectations for companies and to be able to cater to clients with long-term sustainability objectives. For instance, asset owners, such as pension funds and insurance companies, invest with long-term time horizons and across a wide range of asset classes, geographies, and economic sectors. As such, they are particularly vulnerable to the risk of climate change and other systemic environmental and social issues. Taking a double materiality perspective supports our work with clients that have adopted this perspective.

³ EFAMA (23 January 2025) [Asset managers need corporate sustainability data to guide their sustainable investing and comply with regulatory reporting](#)

⁴ For instance, an architect of the Taxonomy (Dawn Slevin, Member of the Technical Expert Group 2018-20), completed a review of the Annex 1 and 2 of Technical Screening Criteria for the Platform for Sustainable Finance, finding significant opportunities to simplify, improve clarity, and international useability. This review could be discussed by relevant sector experts and stakeholders alongside the Platform's "Draft Report on Activities and Technical Screening Criteria to be Updated or Included in the EU Taxonomy".

2. Streamlining CSRD practical implementation for all businesses

We note that CSRD allows companies to omit information if it is not material: the 1,000 data points are highly unlikely to be required by a single company. The Association of German Banks (BdB), the German Insurance Association and the Association of German Public Banks (VÖB) published a joint ESG data catalogue for large companies in 2024 which contains only 20 sets of questions (around 56 questions in total).⁵ This provides a workable solution to streamline data points. Sectoral guidance to use the agnostic standards could provide the same assistance as sector-specific standards. This could reduce reporting burden by reaching agreement between real economy sectors, financial institutions and broader stakeholders on the key double materiality topics by sector.

While the CSRD materiality assessment generally aims at reducing reporting requirements to content that is material to the company's business model, the materiality assessment itself as well as justification of the results create a significant burden with currently limited value add for disclosing companies. As well, the results of materiality assessments vary significantly across different companies that have relatively homogenous business models: significant discretion by disclosing companies is allowed. This raises the questions of whether each company defining its own idiosyncratically material topics is the best approach.

It would be better to implement a process that defines double materiality maps of relevant topics for sub-industries to disclose against. Current standards should be tailored to sub-industries, similar to what SASB (Sustainability Accounting Standards Board) did by developing in cooperation with companies and financial institutions over several years, sector-specific financial materiality maps⁶. For instance, under SASB, across 77 sub-industries, each sector on average has 5 out of 26 financially sustainability issue areas to disclose against. Only five sectors have 10 or 11 of the 26 financially sustainability issue areas to report on. This is shown in Appendix 2.

Examples that define material topics from a double-materiality point of view include ENCORE for environment / nature-related issues (recommended by the Task-Force for Nature-related Financial Disclosures and the EBA Guidelines on the management of environmental, social and governance risks⁷) or the UNEP FI Human Rights Guidance tool⁸ for human-rights related issues. This definition of material topics should also be used consistently throughout all other regulations, such as CSDDD / German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*) and SFDR.

This is pivotal for us as an asset manager, as we for our own disclosures rely on the information published by the companies we are invested in. Unless information is published by these companies, we can neither report on the issues nor use the data points for investment decisions or product structuring. Hence, for example, if the scope of CSRD is reduced or streamlined (e.g. with clear sector specific double materiality maps), then this also needs to be reflected in a change under SFDR by moving away from the full data coverage to a materiality approach for all binding criteria under SFDR (e.g., as already implemented for real-estate investments). Similarly, assessment of companies in our upstream value chain according to CSDDD / German Supply Chain Act should be limited to those where the materiality map indicates that human rights issues might be material.

For instance, we found that many of the ESRS agnostic standards are not applicable to DWS as a disclosing company, but currently requires us to write long explanations to justify why this is not the case, e.g. for child labour in our own operations. For CSDDD, regional materiality maps could also be helpful. We have consistently articulated, also through investment industry associations that we are a member of, the importance of as much harmonisation of regulatory requirements as possible. In particular, CSRD disclosures from companies provide the data we need to analyse companies and report in the SFDR. Moreover, CSDDD transition plans should align to the CSRD disclosure requirements and investor recommendations.⁹

⁵ <https://www.gdv.de/resource/blob/184770/a4f389e0a14a5017d0b14322d4d0c647/en-esg-data-catalogue-pdf-en-data.pdf>

⁶ <https://sasb.ifrs.org/standards/materiality-map/>

⁷ <https://www.eba.europa.eu/sites/default/files/2025-01/fb22982a-d69d-42cc-9d62-1023497ad58a/Final%20Guidelines%20on%20the%20management%20of%20ESG%20risks.pdf>

⁸ <https://www.unepfi.org/humanrightstoolkit/> and <https://encorenature.org/en>

⁹ <https://www.iigcc.org/resources/investor-expectations-of-corporate-transition-plans-from-a-to-zero>

ESMA has confirmed the core components for asset managers: Principal Adverse Impacts (PAI), Taxonomy and Sustainable Investment (SI) share. We still see insufficient coverage of corporate disclosure of PAIs and the Taxonomy-compliant data points. However, looking at the proposals from the Platform for Sustainable Finance, the Taxonomy will continue to be a central part of the classification of ESG products. Recommendations on the Taxonomy are below, but in general we cannot yet use it for investment management purposes and cannot structure products based on the data due to insufficient coverage (numbers of companies making disclosures to allow comparability), potentially quality (maturity of the data reported and underlying processes) as well as time lags (data is collected by data providers from companies' annual reports). However, we are already obliged to report on the Taxonomy for our investments products and some clients (mainly insurance companies) are increasingly asking for Taxonomy portfolio data and investment products.

Moreover, we (as a report preparer) see that the alignment between ESRS and ISSB is not as high as expected, one reason for this is the financial vs. double materiality view. An analysis of the overlap between E1 and ISSB S2 Climate and a first draft suggests that while there is a high overlap, the remaining gap could be laborious to close. As such, we would welcome if both standard setters could further refine their mappings and if necessary make adjustments to requirements.

3. Improving the usability of the EU Taxonomy

Taxonomy reporting is a significant, complex process for us as report preparer. It is highly dependent on the quality and availability of external data, subjective regulatory interpretation and a major organisational effort to comply. In its current state, both in terms of the early stages of regulatory implementation (requirements are still being phased in gradually) and the readiness of DWS processes, Taxonomy reporting is primarily a regulatory compliance check. Based on the internal feedback we received during the preparation of our forthcoming 2024 disclosures, the Taxonomy has low relevance for our product design and engagement processes or our overarching sustainability strategy. However, this low relevance may be more to do with the fact that not all companies are yet reporting on their Taxonomy alignment.

From an investor perspective, however, the Taxonomy is relevant: If Taxonomy data were available in sufficient quantities, the entire process of implementing sustainable finance would be much easier for us as asset managers:

- The dependence on data providers' estimates would be significantly reduced, saving significant costs for asset managers and their clients.
- The very complex approach for SFDR Article 2(17) would no longer be necessary.
- There would be a 1:1 relationship between the data reported by companies and our investments. But at this point in time we cannot use Taxonomy data due to the low level of data publication and the limited coverage of defined activities (including as social Taxonomy was postponed for several years).

On the other hand, the reporting requirements for us are already significant and the clarity and information of our SFDR reports are very limited due to the many taxonomy-related requirements. In addition, the Taxonomy definitions of building renovation and building acquisition are currently not aligned with the needs of real estate investors (as mentioned on p.4).

Which parts of the taxonomy can be improved and how?

We need more defined corporate Taxonomy activities, simpler Taxonomy definitions, and the different global Taxonomies (China, Singapore etc.) should ideally complement and be aligned. In addition, taxonomy definitions must be communicated clearly and unambiguously – the taxonomy for nuclear and gas at the time was counterproductive for us as investors.

Moreover, we recognise the growing importance of the European Defence Industrial Strategy (EDIS) in strengthening Europe's security and strategic autonomy. The European Commission states in the EDIS that the defence industry (excluding controversial weapons subject to prohibitions by international conventions) enhances sustainability given its contribution to resilience, security and peace. However, the current Taxonomy does not classify defence-related investments, such as the production of arms and security technologies, as sustainable. This gap in alignment limits the ability of institutional investors to invest funds in this sector. As the European Commission intends to facilitate access to finance for the defence sector, policymakers should consider revising the Taxonomy and give clearer guidance on the classification of defence-related activities. Furthermore, a harmonised approach across member states would provide investors with the necessary transparency on how to support the development of Europe's defence capabilities.

4. Aligning the regulatory requirements under CSDDD with the EU's competitiveness agenda

The CSDDD aims to enhance corporate accountability, but its implementation should reflect the operational realities of asset managers. Hence, we recommend:

- Amending Article 2 (8): This Directive shall not apply to **self- or externally managed** AIFs, as defined in Article 4(1), point (a), of Directive 2011/61/EU of the European Parliament and of the Council (31) or to undertakings for collective investment in transferable securities (UCITS) within the meaning of Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council (32) **and its chain of activities with downstream business partners related to the management of such AIFs and UCITS.**
- The rationale behind the amendment of Art. 2 should be as follows: Contractual relationships that concern funds themselves, but which are concluded by the AIFMs or UCITS shall be excluded from the scope of the CSDDD due to their lack of own legal personality.
- Amending the definition of business partner to make the due diligence workable: The business partner should be defined as the direct business partner, as companies can only exercise influence over direct business partners.
- Removal of indirect business partners from the supply chain due diligence obligations (Recitals & Art. 5, 7, 10 CSDDD).
- Deleting the Civil Liability Clause (Art 29) and keeping penalties appropriate, as it is expected that litigation risk will increase drastically for EU corporates. This damages the EU's competitiveness. Appropriate penalties shall suffice to ensure compliance with the due diligence obligations. Pecuniary penalties should be therefore limited to 2 % of turnover (in line with the German Supply Chain Act).
- Definition of chain of activities: The exclusion of downstream business partners for regulated financial undertakings shall be reflected in the legally binding text and aligned to the Recitals.
- Deletion of the review with regard to the relief for regulated financial companies (in particular with regard to the relief of supply chain due diligence only for "upstream" business partners) (see Recital 98 and in particular Art. 36 CSDDD)
- Transition plans (Art 22): While we welcome the transition plan requirement¹⁰, to simplify the enormous efforts behind such a plan, an update should happen every 36 months, not every 12 months. 36 months is in line with the industry practice of the Net Zero Banking Alliance and as corporates and banks are only starting to implement transition plans.
- We recognise that there could be some technical improvements and alignment of definitions across CSDDD, CSRD and the EU Taxonomy. Issues addressed by the CSDDD could be the PAI mentioned in the SFDR to have more synergies.

5. Digitalisation and interoperability of reporting systems

The development and wider deployment of digital tools and interoperable systems could significantly reduce reporting burdens while improving data quality and comparability. See more detail in Appendix 1.

- The EU could learn from a UK initiative (Project Perseus)¹¹ that is creating a trusted data environment for SMEs to share their smart meter data in an automated, assurable and secure manner aligned with General Data Protection Regulation (GDPR). Perseus will reduce the burden, improve the accuracy of carbon footprint reporting and help unlock access to finance for SMEs. The EU could examine partnering with Perseus and making use of Common data spaces¹². This could also be linked to the future work of the EU Energy Efficiency Finance Coalition.
- An EU and State of Berlin funded initiative (*tilt*)¹³ is working with several major banks to help SMEs use only three data points (location, product/activity and business type) to calculate climate indicators for risk management, reporting and tailored sustainability loans. Clarifying rules on using web-scraped data could help this initiative to be more widely used.

¹⁰ See expectations for transition plans www.iigcc.org/resources/investor-expectations-of-corporate-transition-plans-from-a-to-zero

¹¹ <https://ib1.org/perseus/executive-summary/>

¹² <https://digital-strategy.ec.europa.eu/en/policies/data-spaces>

¹³ <https://www.tiltsmes.org/>

Developing a centralised EU-wide platform for the submission of 'primary' data (such as electricity used or cars produced) could also help reduce reporting burden.

Turning primary data into secondary sustainability data (such as lifecycle emissions) mostly requires a model or estimate. This step is typically the most expensive in the sustainability disclosure value chain. The use of different models and assumptions by companies within the same industry, also creates comparability issues for sustainability disclosures. Centralising major sustainability models through the European Single Access Point (ESAP) could support this goal¹⁴. Project Perseus and *tilt* are examples of this recommendation in action.

Sustainability reporting can be an important initial impetus for companies to adopt advanced digital solutions. Adopting digital solutions for reporting can improve the quality and reduce the burden of sustainability reporting. Digitalisation can optimise existing company processes, which can further unlock untapped wider benefits for the corporation's strategy and operations¹⁵. The EU has set a target for 2030 that at least 75% of companies use cloud computing, big data and/or AI. So far, the EU is not on track¹⁶. The EU should consider how it promotes best practices and supports SMEs adopting digital solutions that facilitate the collection, and reporting of and information that may come from many different sources.

Greater use of Legal Entity Identifier (LEIs) could help reduce the reporting burden & help expand the Single Market¹⁷.

The LEI answers the questions of 'who is who' and 'who owns whom'. The LEI is a 20-character, alpha-numeric code based on the ISO 17442 standard. Each LEI contains information about an entity's ownership structure. The publicly available LEI data pool is a global directory, which enhances transparency and is referenced in many European and global laws.

- When legal entities, such as investment funds, government entities, corporate events (i.e. issuance of new bonds, company mergers/acquisitions etc), are tracked using different identifiers, it can be exceedingly challenging for investors and regulators to analyse an entity's ESG performance over time. Different identifiers need to be reconciled and mapped back to the underlying entity. This has a cost for the financial industry and underlying clients. A transparent, current, and accurate view of the names, locations, and legal forms of subsidiaries, parents, and holdings of a company or fund or financial instrument is imperative to fully understand the nature and systemic risks of an investment. This requires a clear and standardised and widely used entity identification system: LEIs.
- Greater LEI use also simplifies due diligence processes, reduces manual searches, and can help SMEs seeking international expansion. The LEI provides a single, secure, and efficient means of identifying businesses. Greater LEI use in Europe could reduce the need for multiple identifiers (e.g., VAT, Tax ID, Business Register Number), which could improve government administration and save time for companies.
- The use of the LEI simplifies cross-border business operations in the EU by serving as a common identifier that can be mapped to all national, regional, and sectoral identifiers, reducing regulatory and administrative barriers and easing compliance with different standards.

An efficient sustainability data and information ecosystem requires a universal way to identify and authenticate the legal entities involved. The LEI facilitates linking datasets and building the high quality analytics systems necessary to assess companies' progress relative to their sustainability risks and commitments. The LEI should continue to be required for issuers of financial products and involved entities with expanded use throughout the economy and business community.

¹⁴ We acknowledge and thank Theia Finance Labs for this recommendation and their *tilt* project https://theiafinance.org/wp-content/uploads/2024/11/1in1000_makeorbreak_EU_simple_final.pdf

¹⁵ PwC 2024 www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/digital-transformation-in-reporting.html

¹⁶ https://ec.europa.eu/commission/presscorner/detail/en/ip_24_3602

¹⁷ <https://www.gleif.org/en>

6. CBAM is important to protect industrial competitiveness and expand carbon pricing

The Carbon Border Adjustment Mechanism (CBAM) is playing an important role encouraging more countries to adopt carbon pricing policies, which may create future investment opportunities and help cut emissions. The investor statement on climate policies¹⁸, which was signed by DWS Investment GmbH, calls for stronger carbon pricing policies.

This policy has been advocated for by many energy intensive European companies to protect their competitiveness. Hence, we support wider efforts (in addition to CBAM) to improve European companies' industrial competitiveness:

- Delaying or weakening CBAM would undermine Europe's historic support for carbon pricing and would send a negative signal to other countries' efforts to develop domestic carbon pricing policies. Specifically, countries including Australia, Brazil, China, India, Indonesia, Taiwan, Turkey, Morocco are developing/strengthening mandatory carbon pricing policies. Stronger carbon prices in other countries, creates business opportunities for European companies to export their clean technologies and services and helps put the world on track to reduce emissions.
- Delaying CBAM could harm companies' decarbonisation planned/current investments. Delaying CBAM is likely to reduce the current ETS price as companies subject to CBAM may do less hedging through the EU ETS. This may negatively impact European companies planning innovative investments that combine subsidies for technology demonstrations (i.e. CCS) with anticipation of higher carbon prices.
- Delaying or weakening CBAM could negatively affect companies' investments outside Europe (who could be using European technologies). For instance, a Turkish steel company announced in early 2024, a US\$3bn investment to reduce their emissions, in anticipation of CBAM and Turkey's domestic carbon pricing policy.
- If there are implementation concerns about the preparedness of companies for CBAM, then a one year waiver of first year penalties would be a better approach than a two year delay to the policy¹⁹.

Restricting CBAM coverage to the companies with the largest supply chain emissions is sensible, but loopholes must be guarded against with smart monitoring. We support the aim of expanding the sector coverage of CBAM over time.

The Financial Times quoted Commissioner Hoekstra saying that *"Less than 20 per cent of the companies in scope are responsible for more than 95 per cent of the emissions in the products"*

If a limit of XX tCO₂e was set to only capture the biggest importers of CBAM regulated products/materials, companies could try to get around CBAM requirements by shipping exports from smaller shell companies, each with <XX tCO₂e. The risk of companies exploiting loopholes must be avoided with smart monitoring

The EU should work with industries and expert organisations to examine how digital and supply chain technologies, and climate satellite data could be used to reduce the reporting burden while increasing data accuracy.

Implementation of such technologies could allow CBAM coverage to be re-expanded to include more companies.

A World Bank expert states: "In recent years, the satellite-based GHG emission measurements have emerged as potentially a game-changing solution, offering independent, objective, and international data collection"²⁰

A number of organisations (companies, non-profits and research institutes) are increasingly using satellite data to identify and verify carbon emissions and support emission reduction activities in different ways. Some examples include the following (DWS does not have relationships with any of these organisations) <https://carbonmapper.org/about> and www.kayrros.com/industries-government-regulators/ and www.ghgsat.com/en/markets/governments-regulators/

¹⁸ <https://theinvestoragenda.org/wp-content/uploads/2024/08/2024-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf>

¹⁹ Penalties currently are planned to range from EUR10-50/tonne of unreported/incorrectly reported emissions

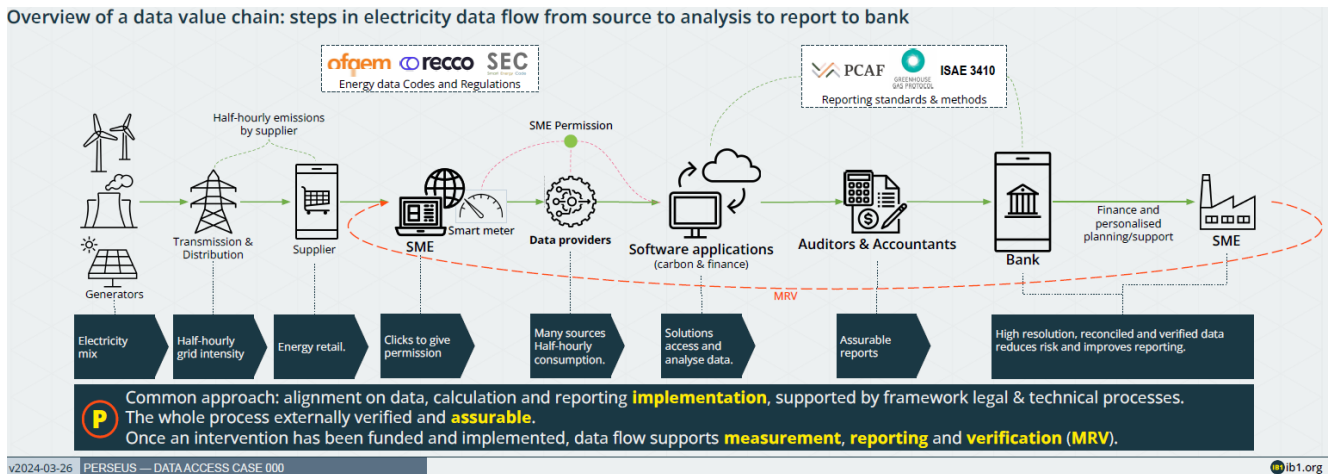
²⁰ <https://blogs.worldbank.org/en/opendata/how-satellite-data-revolutionizing-way-we-track-greenhouse-gas-emissions-around-world>

Appendix 1 – Digital solutions

Perseus helps unlock access to finance to help businesses decarbonise, and is now enabling green loans supported by automated emissions reporting. <https://ib1.org/perseus/> Perseus made very rapid R&D progress in 2024 (with over 190 stakeholders engaged). Seven key innovations underpin Perseus' impact: 1. Data protection, 2. SME control, 3. Harmonised, accurate calculations, 4. Assurability, 5. Scheme definition, 6. Technical implementation, 7. Legal implementation.

Perseus provides value for SMEs, banks, lenders, and carbon accounting providers. Perseus aims to fully launch to the UK market in 2025. Perseus could be adapted for the European market, which could enhance SME green finance, simplify reporting with a scalable and bottom-up approach which is a GDPR compatible data governance framework.

Overview of a data value chain: steps in electricity data flow from source to analysis to report to bank



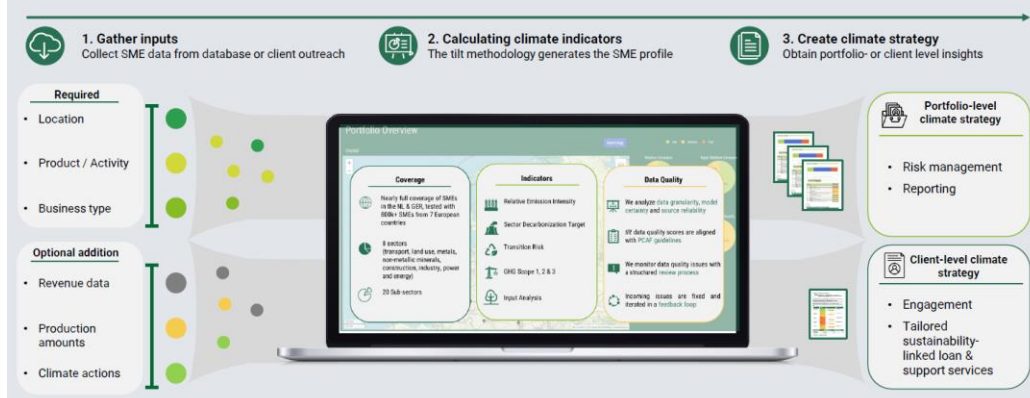
Tilt is a simple, effective, research-based, and automated methodology and database. <https://www.tiltmes.org/>

Tilt was initiated by Theia Finance Labs (formerly 2°Investing Initiative, a non-profit think tank) and is funded by the European Social Fund Plus and the State of Berlin. It has been developed with European banks and other stakeholders to ensure the full benefits of SME sustainability data. This solution could be expanded by promoting the development and use of simple and effective digital tools that make use of high quality science-based secondary data. This will avoid overwhelming SMEs and reduce compliance burden while providing useful information to SMEs and their financing and business partners.

Additionally, the regulatory environment could be changed to make the usage of secondary data easier and to reduce reporting costs. This includes liberating rules / legal frameworks for data collection like web scraping. The European Single Access Point (ESAP) could also be designed to handle primarily assured SME data and involve providers of digital solutions in the setup of ESAP.

The tilt Solutions: Financial Institutions Perspective

tilt is a data analytics solution providing financial institutions with the SME climate data required to adequately assess transformation risk & potential, and to offer suitable financing.



Appendix 2 –Financial Materiality Map

The following diagram shows that the sustainability-related risks and opportunities that are most likely to affect cash flows, access to finance and cost of capital, vary by industry. Industry-based disclosure reduces costs and minimises noise by surfacing the most relevant information for investors. The Sustainable Industry Classification System® (SICS®) was designed to group companies based on shared sustainability-related risks and opportunities to enhance comparability for investor decision-making. As a result, the number of relevant sustainability-related risks and opportunities vary by industry. The process to define these financially material topics and criteria took several years.

We recommend implementing a process that defines double materiality maps of relevant topics for sub-industries to disclose against. This would reduce the burden (time and cost with limited value) of companies undertaking their own materiality assessment as well as justifying the results. Agreed upon double materiality maps would also improve comparability as companies with relatively homogenous business models have significant discretion and differences in which issues they conclude to be material.

<https://sasb.ifrs.org/standards/materiality-map/>

		Consumer Goods	Extractives & Minerals Processing								Financials	Food & Beverage	Health Care	Infrastructure
Dimension	General Issue Category ¹⁰	Click to expand	Coal Operations	Construction Materials	Iron & Steel Producers	Metals & Mining	Oil & Gas – Exploration & Production	Oil & Gas – Midstream	Oil & Gas – Refining & Marketing	Oil & Gas – Services	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions		█	█	█	█	█	█	█	█				
	Air Quality			█			█	█	█					
	Energy Management	█										█		
	Water & Wastewater Management	█	█				█		█	█				
	Waste & Hazardous Materials Management		█				█		█	█				
Social Capital	Ecological Impacts		█				█	█	█					
	Human Rights & Community Relations		█				█							
	Customer Privacy	█									█			
	Data Security	█									█			
	Access & Affordability										█			
Human Capital	Product Quality & Safety	█										█		
	Customer Welfare											█		
	Selling Practices & Product Labeling										█			
Business Model & Innovation	Labor Practices	█	█			█								
	Employee Health & Safety		█	█						█				
	Employee Engagement, Diversity & Inclusion	█									█			
	Product Design & Lifecycle Management	█		█						█				
Leadership & Governance	Business Model Resilience	█	█											
	Supply Chain Management	█		█								█		
	Materials Sourcing & Efficiency	█										█		
Leadership & Governance	Physical Impacts of Climate Change										█			
	Business Ethics						█	█	█	█				
	Competitive Behavior			█				█	█	█				
	Management of the Legal & Regulatory Environment			█				█	█	█				
Leadership & Governance	Critical Incident Risk Management							█	█	█				
	Systemic Risk Management										█			

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