Commission de Surveillance du Secteur Financier

Thematic review on Issuers' climate & environmental related disclosures

2021 Report

Thematic review on Issuers' climate & environmental related disclosures

CONTENTS

Abbreviations and acronyms

CSRD **Corporate Sustainability Reporting Directive**	Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting
EFRAG	European Financial Reporting Advisory Group
ESG	Environment, Social & Governance
GHG Protocol	Global standard framework for measuring and managing greenhouse gas (GHG) emissions
Guidelines on non-financial information	Non-binding Guidelines issued in June 2017 by the European Commission aiming to help companies concerned to publish non-financial information in a relevant, useful, consistent and more comparable manner
Guidelines on reporting climate-related information	Non-binding guidelines issued in June 2019 by the European Commission aiming to provide guidance to companies that is consistent with the NFRD and the recommendations of the TCFD *The guidelines integrate the TCFD recommendations.*
Issuers **(concerned by the NFRD)**	Entities whose securities are admitted to trading on a regulated market, for which Luxembourg is the home Member State, exceeding 500 employees, total assets of EUR 20 million and/or a net turnover of EUR 40 million
Law of 23 July 2016	The Law of 23 July 2016 on disclosure of non-financial and diversity information for certain large undertakings and groups, transposing the NFRD
NFRD **Non-Financial Reporting Directive**	Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The Directive has been transposed in Luxembourg by the Law of 23 July 2016
Sustainable Finance Disclosure Regulation	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
Taxonomy Regulation	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

TCFD **Task Force on Climate-Related Financial Disclosures**	Organization established by the G20's Financial Stability Board with the goal of developing a set of voluntary climate-related financial risk disclosures *The TCFD recommendations on climate-related risks and opportunities disclosure are widely recognised as authoritative guidance on the reporting of financially material climate-related information*.

Executive summary

The CSSF has carried out a thematic review to examine the current status of environmental and climate-related information reported by issuers under its supervision and to assess how such information has evolved since the first application of the NFRD.

Overall, the CSSF observed that significant improvements have been made by issuers since 2017 when addressing how current and foreseeable environmental and climate-related matters may affect their development, performance or position. The information on these matters has increased both in terms of quantity where a larger place is dedicated to this information and in quality, as information tends to be more entity-specific than boilerplate.

For the purpose of preparing disclosures, the use of frameworks and standards to select and present non-financial information has evolved. Issuers now generally refer to one or several sources of references: a vast majority of issuers refer to the principles of the UN Global Compact and Sustainable Development Goals, and disclose information which is coherent with them. Also, nearly two-thirds of the issuers have adopted the standards from the Global Reporting Initiative.

Certification has gained in importance for issuers as nearly one third of them now asks a third party, which may either be their statutory auditor or a third-party reviewer, to provide assurance on their non-financial information. This percentage even increases for specific certifications, for instance on greenhouse gases emissions. It can also be noted that there is now a tendency for issuers to separate assurance services on financial statements from the certification of non-financial information, with the latter gradually being outsourced to a party other than the statutory auditor.

We reviewed the qualitative information provided on 6 different topics including pollution, energy, emissions, use of natural resources, waste management, and products & services. There is no exception to the fact that there is more and more relevant and entity-specific information presented, but there is still an important share of information that has been assessed as incomplete or boilerplate.

Regarding climate information, there is no significant change as compared to our last year examination with too many issuers still obscuring the topic, while other struggling to provide a comprehensive information covering all aspects that recommendations from TCFD would require.

The quantitative information presented by issuers also shows noteworthy progress. While already 50% of issuers were presenting information in 2017 on the most common topics, this percentage has now raised to 70% to 80%, and issuers have also improved the number and relevancy of indicators presented.

Information presented by issuers in 2020 met overall the objectives of the NFRD on the environmental aspects, a first step in the disclosure of non-financial information. It shall be reminded that most of the information in 2017 was missing or boilerplate. However, all sectors analysed are not at the same level yet. Progress is still to be made but the gap is expected to be filled thanks to the upcoming regulations, including the entry into force of the Taxonomy Regulation and the forthcoming CSRD.

Introduction and objectives

Ignoring environmental and climate change risks and stakeholder concerns around these issues is no longer an option for companies and capital markets. In fact, issuers are facing the evolving pressures surrounding these challenges and the growing expectations from investors and other stakeholders in terms of information to be communicated.

In 2021, as part of the broader European Union Sustainable Finance Action Plan, the European Commission, in view of overcoming these challenges, proposed and adopted significant measures to support sustainable investment by notably making sustainability reporting more extensive, standardised and transparent. No doubt that this marks a step change for issuers' reporting.

Aware of these new challenges that are expected for issuers under its supervision, the CSSF has carried out a thematic review to examine the current status and progress made with respect to environmental and climate-related qualitative and quantitative information reported since the first application of the NFRD and, in view of raising awareness of the forthcoming new sustainability reporting obligations.

Since 2018, the CSSF has already conducted thematic reviews of non-financial information prepared by **Issuers** for the purposes of the **NFRD**. The aim of these reviews was to help preparers enhance their disclosure under the NFRD by identifying areas for improvements in order to provide investors and other stakeholders with relevant, consistent and decision-useful information.

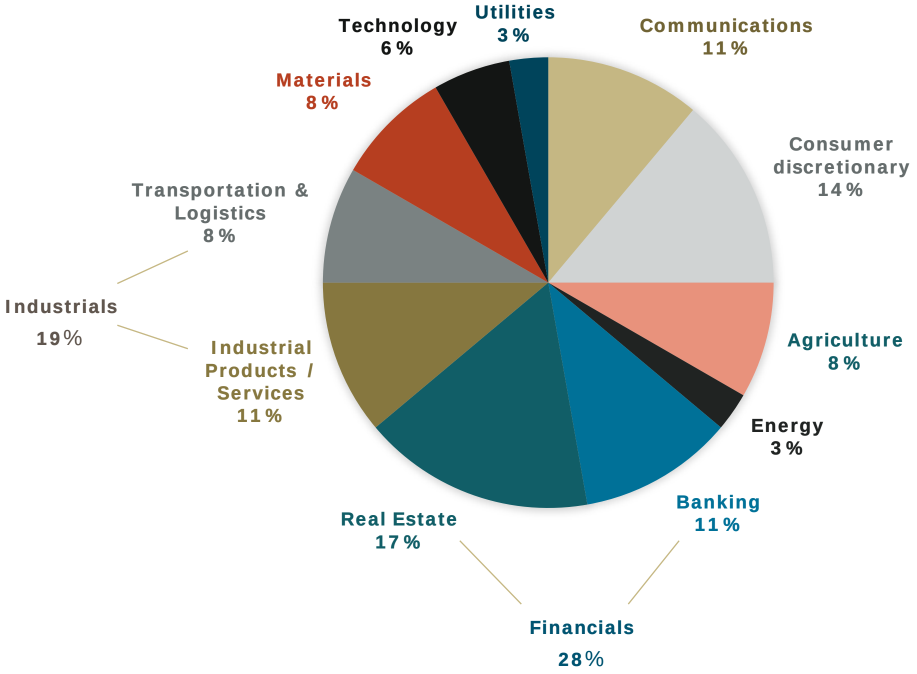
This thematic review, in the continuity of the preceding reviews, has the following objectives:

a. to examine the current status of environmental and climate-related qualitative and quantitative information reported by issuers;
b. to assess whether progress has been made by issuers in disclosing such information in the fourth year of reporting under the NFRD;
c. to assess the strengths and the weaknesses of issuers' disclosures and provide recommendations; and
d. to inform issuers about the key changes to **ESG** reporting requirements expected from 1 January 2022 and key actions to be taken to prepare future reporting.

Scope and methodology

This thematic review focused primarily on the current and historical reporting practices especially on climate and environmental topics followed by 36 issuers under the CSSF's supervision and falling in the scope of the NFRD. It mainly took the form of desktop research based on the review of published sustainability reports and data analysis. Based on the Bloomberg classification, the population of issuers examined is spread across the following sectors and industries:

Figure 1: Issuers' repartition by sector/industry



In this document, we report observations made on the non-financial information accompanying the financial information covering the 2020 reporting period, and make comparisons with the information covering the 2017 reporting periods, the first period in which the NFRD entered into force.

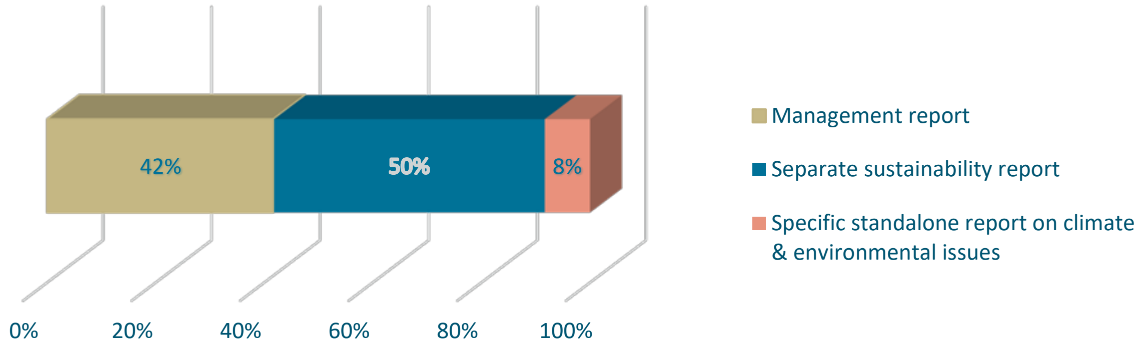
Part 1 – General considerations

Location of environmental and climate-related disclosures

While the NFRD is currently not overly prescriptive on the location and format of environmental and climate-related disclosures, such aspects are key matters for ensuring readers can easily access and use this information. Disclosure of such information directly in the management report ensures that it is available to the main audience.

The NFRD currently provides an option for non-financial information to be included in the management report or in a separate report. Our examination shows that the reviewed issuers have a fairly diverse approach to the location of their 2020 environmental and climate-related disclosures (see below figure 2).

Figure 2: Location of issuers' 2020 environmental and climate-related disclosures



When comparing this with the location of the same disclosures in 2017, we observe that over **16%** of issuers have **changed the way they communicate** on environmental and climate-related issues and decided to report in dedicated sustainability reports and/or specific standalone reports instead of, or in addition to, their management report.

The CSSF draws attention of issuers to the current proposals of the **CSRD** which remove the option for Member States to allow companies to report the required information in a separate report, which is not part of the management report.

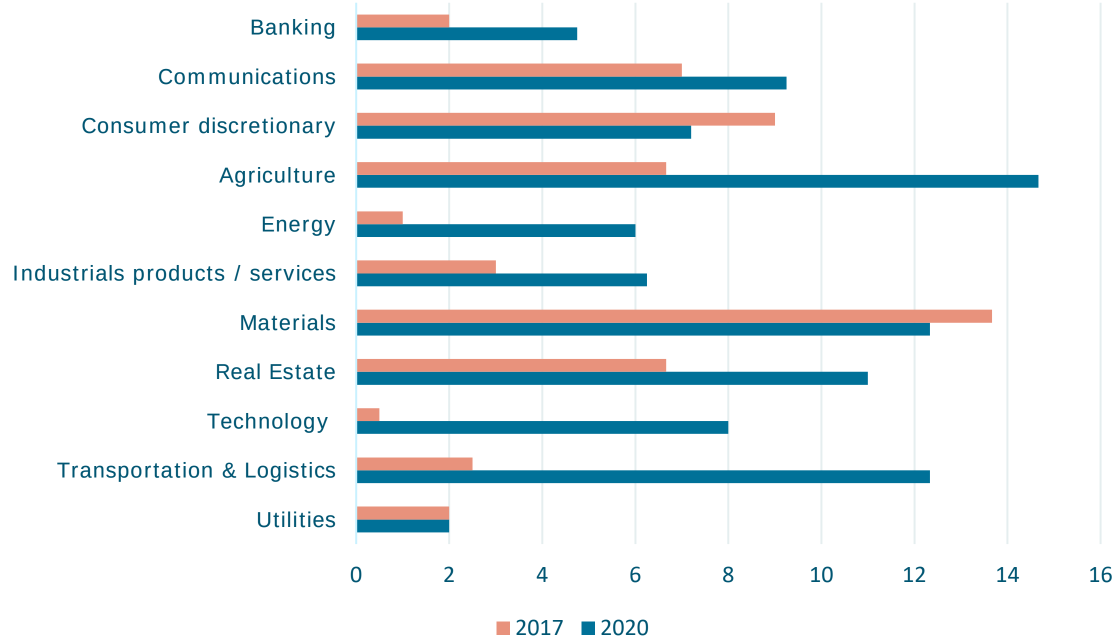
Importance given to environmental and climate-related disclosures

9 pages

focused on climate and environmental related matters disclosed on average (against 6 in 2017)

On average, issuers produced **9 pages** of climate and environmental related disclosures either in their 2020 management or separate report, with a range from 1 to 33 pages, a clear progression compared to 2017. As expected and observed in the following chart, issuers operating in the sectors that are most directly affected by climate and environmental issues provided more extensive disclosures than others:

Figure 3: Average number of pages focused on climate & environmental matters by sector/industry



Format of environmental and climate-related disclosures

For the purpose of producing information that is comprehensive, specific and comparable, issuers generally rely on existing frameworks or standards. The vast majority of this existing guidance is provided by independent organisations that deal with disclosure issues for a wide range of topics, and covering multiple areas including governance, risk management, and/or performance indicators.

The most relevant frameworks and standards used by issuers to support the production of non-financial information are the following:

Table 1: Framework and standards used to produce information

	2020	2017
United Nation Global Compact (UNGC) & Sustainable Development Goals (SDGs)	**75%**	**40%**
Global Reporting Initiative (GRI) Standards	**64%**	**48%**
ISO 14001 'Environmental management systems' & ISO 50001 'Energy management'	**31%**	**36%**
European Public Real Estate Association (EPRA) - Best Practices Recommendations for Sustainability Reporting (sBPR)	14%	8%
Carbon Disclosure Project (CDP) - CDP Guidance	11%	4%
Task Force on Climate-related Financial Disclosures (TCFD)	11%	-
Sustainability Accounting Standards Board (SASB)	8%	-
International Integrated Reporting Council (IIRC)	6%	-
European Commission (EC) - Guidelines on non-financial reporting / Guidelines on reporting climate-related information	3%	4%
Organisation for Economic Co-Operation and Development (OECD) - OECD Guidelines	3%	4%
Others	19%	8%

The above table shows a significant increase in the use of frameworks and standards since 2017, applied mostly in a global ESG context. On the other hand, we note that the use of guidance which is more specific to climate-related disclosures (such as **TCFD** or **Guidelines on reporting climate-related information**) is not yet a common practice.

We strongly recommend issuers to align their environmental and climate-related disclosures with such specific guidance, ensuring that all relevant areas are covered in their reporting.

The CSSF draws attention of issuers to the future obligation, under the current CSRD proposal, to report using mandatory EU sustainability reporting standards to be developed by **EFRAG** and adopted by the European Commission.

European sustainability reporting standards will include information regarding environmental, social and governance factors and will be in line, in particular, with the disclosure requirements under the **Sustainable Finance Disclosure Regulation** and the **Taxonomy Regulation**.

Involvement of auditors

Amongst the issuers scrutinised, **30%** have voluntarily undertaken an audit of their 2020 non-financial information (24% in 2017). These audits take the form of a limited assurance engagement which covers, for instance, a report framework or a selection of information chosen by the issuer. Luxembourg opted for voluntary independent assurance when transposing the NFRD provisions.

External and independent assurance fosters the reader's confidence in the reliability of data presented, which otherwise remains at the discretion of the issuer.

The CSSF would like to highlight that the current CSRD proposal also introduces for the first time, a general EU-wide audit ('limited' assurance) requirement for reported sustainability information, which will help to ensure that reported information is accurate and reliable.

The initial 'limited' assurance requirement could change to a 'reasonable' assurance requirement once the sustainability assurance standards are adopted by the European Commission.

Additionally, Member States will be able to allow independent assurance services providers, other than statutory auditors or audit firms, to carry out the assurance of sustainability reporting.

Part 2 – Focus on qualitative disclosures

Environmental matters

Since its entry into force in 2017, the NFRD requests issuers to prepare a non-financial statement including a description of their business model, policies, outcome of these policies, principal risks and key performance indicators (KPIs) on a range of non-financial topics, including but not limited to environmental matters. In that context, the CSSF has particularly reviewed how issuers have specifically addressed environmental information notably about:

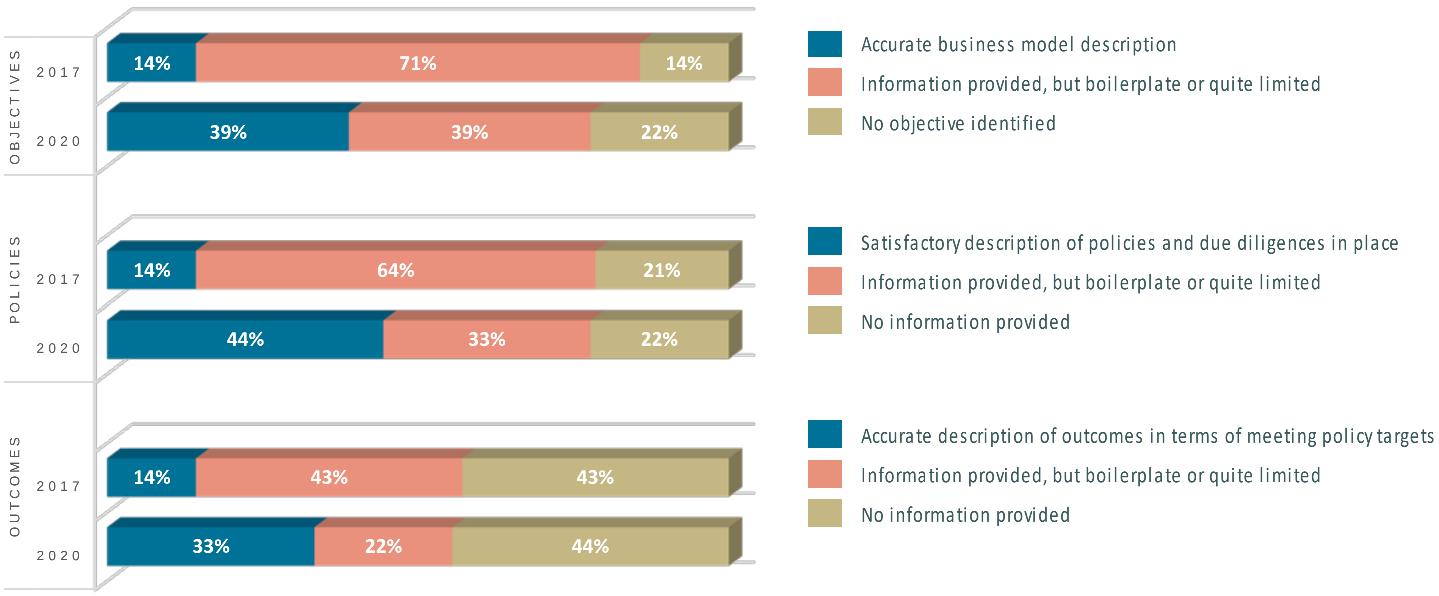
- their objectives, strategies and commitments, through the description of the business model, made in response to specific environmental matters;
- the description of the policies pursued in relation to those matters, including due diligence processes implemented;
- the outcomes of those polices; and
- Non-financial KPIs relevant to the business (we refer to **Part 3 – Focus on quantitative disclosures ('KPIs')**).

It is important to emphasise that visible progress has been made in the disclosure of environmental matters over the last 3 years in all sectors and for all topics examined.

The key findings of the review are structured according to the following current and foreseeable environmental matters, notably defined in the **Guidelines on non-financial information**, that may affect issuers' development, performance or position:

1. pollution prevention and control

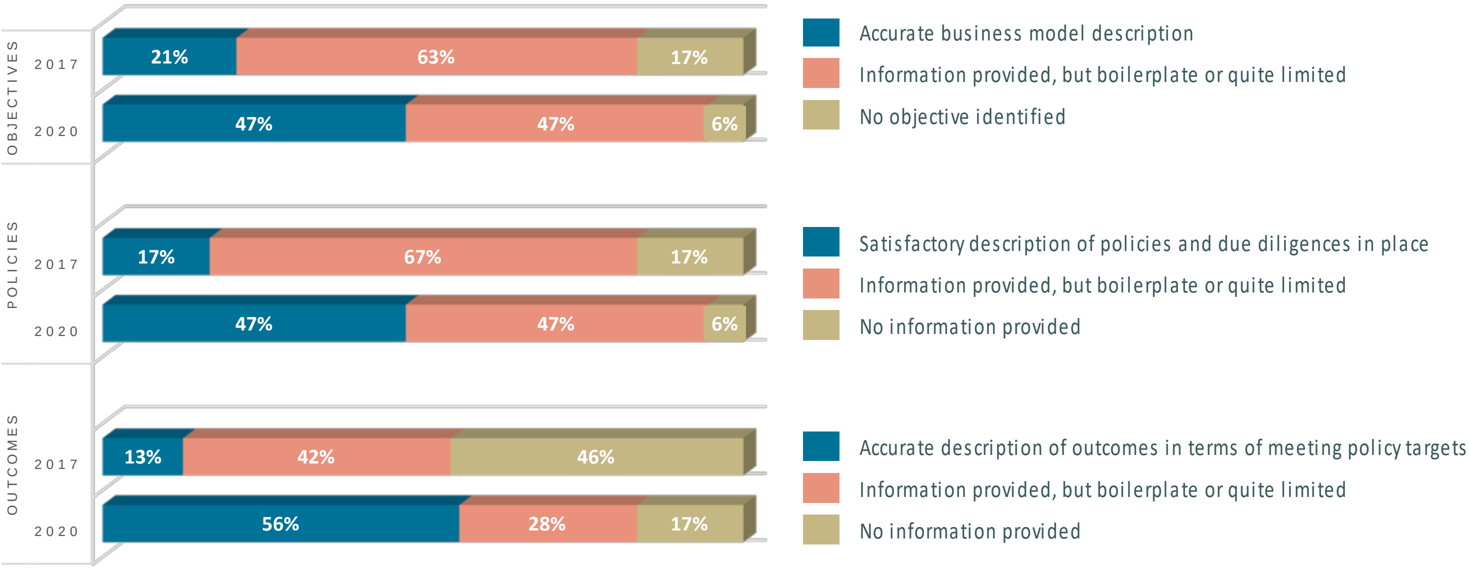
Figure 4: Level of disclosure addressing pollution prevention and control



We note that although primarily concerned, issuers in the sector 'Industrials' provided poor or no disclosure on pollution prevention and control, notably relating to the policies' outcomes, with few improvements between 2017 and 2020.

2. environmental impact from energy use

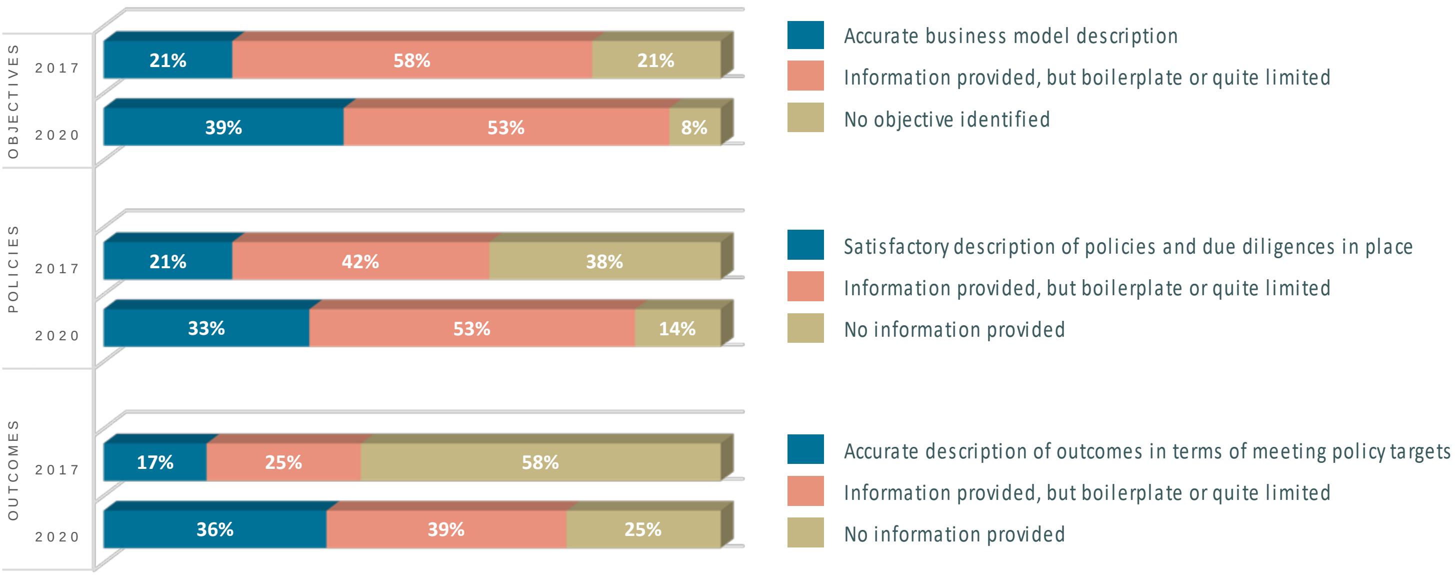
Figure 5: Level of disclosure addressing environmental impact from energy use



Energy efficiency and use of renewable energy are the most discussed topics. The best practices observed are largely attributable to the Industry 'Real Estate', which has significantly improved the disclosure addressing environmental impact of energy use in the last few years, most of them also displaying their sustainability's certifications obtained.

3. direct and indirect atmospheric emissions

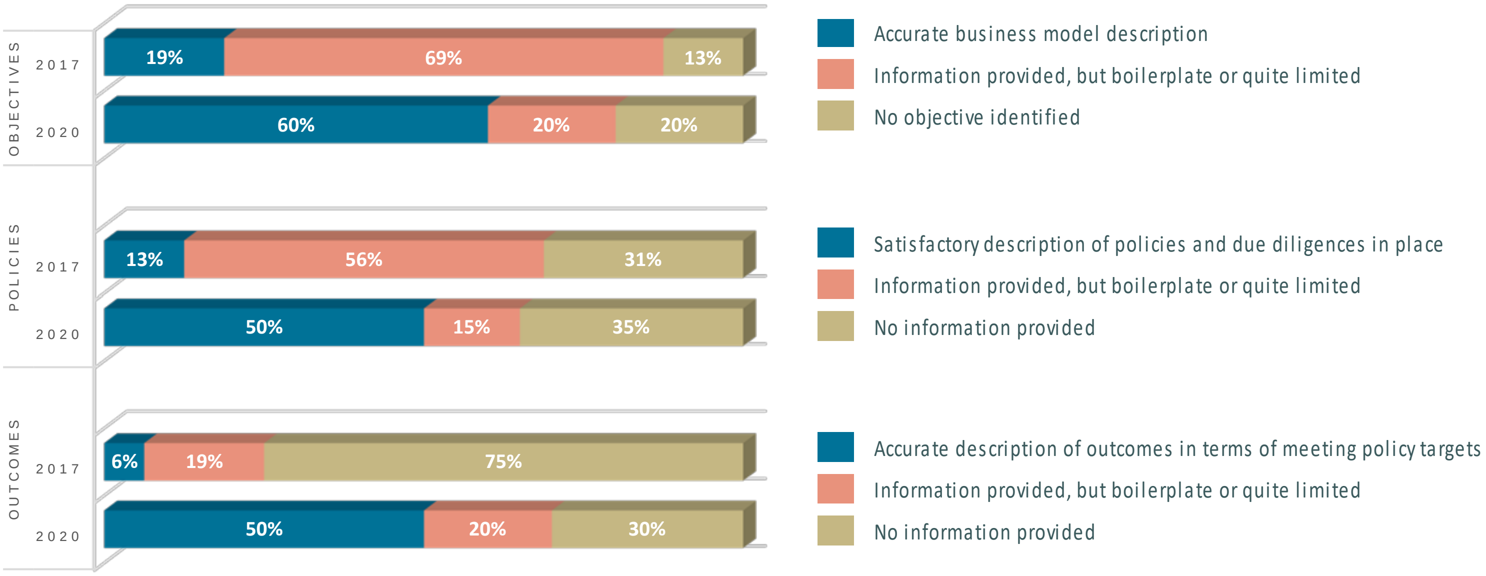
Figure 6: Level of disclosure addressing direct and indirect atmospheric emissions



Since 2017, issuers have made significant efforts to set specific objectives and targets to achieve in order to reduce their direct and indirect atmospheric emissions. Yet too many issuers still provide boilerplate disclosure, for example too vague commitments and generic policies, instead of entity-specific information.

4. use and protection of natural resources (e.g. water, land) and related protection of biodiversity

Figure 7: Level of disclosure addressing use and protection of natural resources and related protection of biodiversity



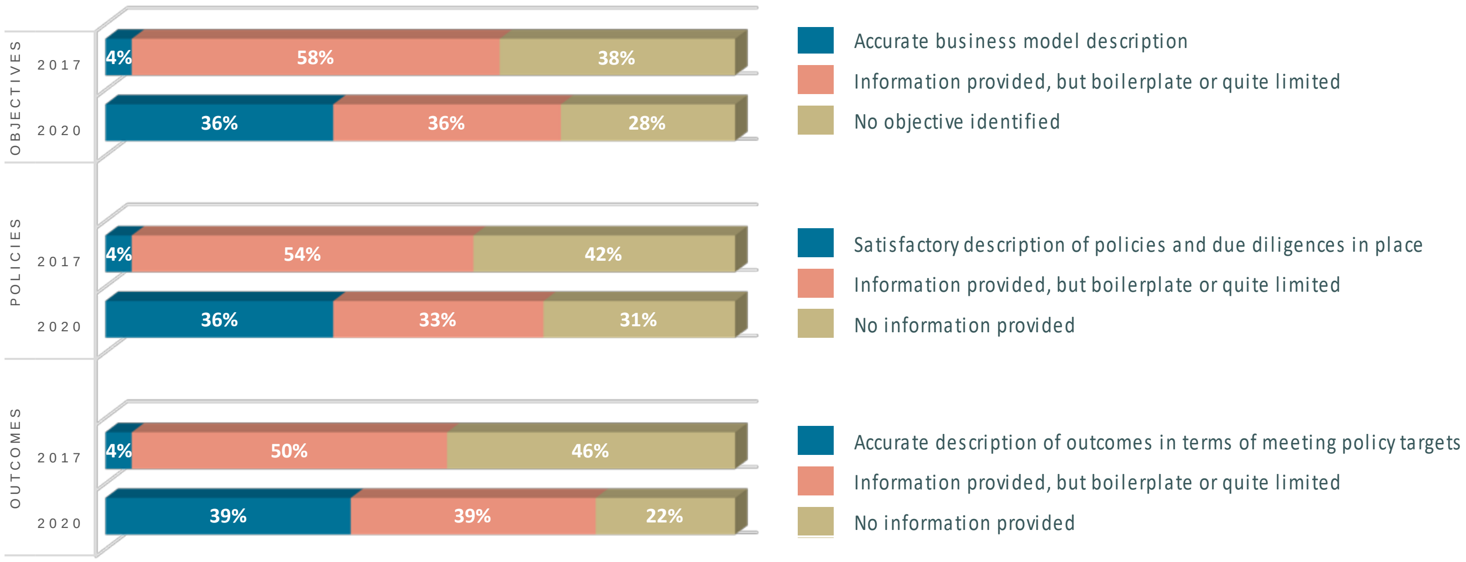
We note that many issuers have implemented policies aiming at reducing water consumption and disclose their first outcomes. Additionally, issuers within the sector 'Agriculture' logically disclose relevant information on their objectives, policies and outcomes in relation to the protection of biodiversity.

We however regret that this concept of biodiversity is only referred to in very few non-financial statements, as well as the impact and dependencies of entities on natural capital which is generally not addressed.

There is an increasing attention on the concept of biodiversity and the nature-related risks. As was done by the TCFD for climate-change, a Taskforce on Nature-related Financial Disclosures ('TNFD') is being developed with the purpose of developing and delivering a risk management and disclosure framework to report and act on evolving nature-related risks. We recommend issuers to monitor the future developments of this initiative.

5. waste management

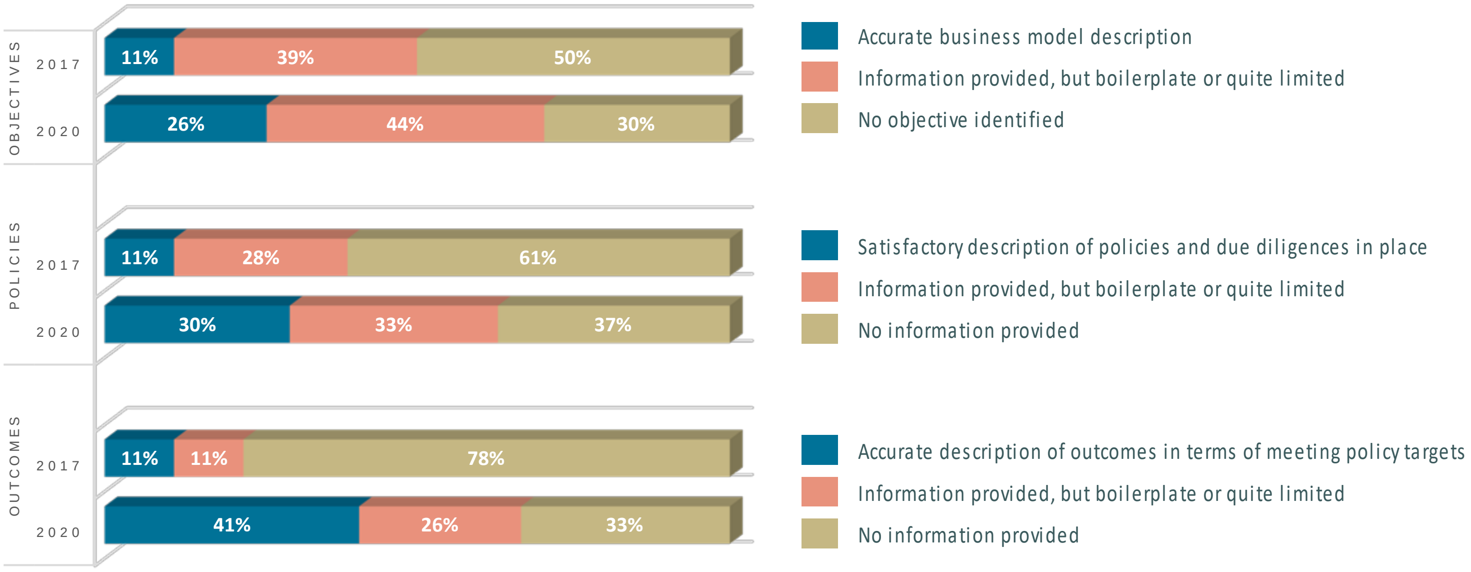
Figure 8: Level of disclosure addressing waste management



While issuers generally improved disclosures addressing waste management during the period and provide useful information on outcomes, our review shows that many issuers in the sector 'Industrials' have not yet considered this issue sufficiently.

6. development of green products and services

Figure 9: Level of disclosure addressing development of green products and services



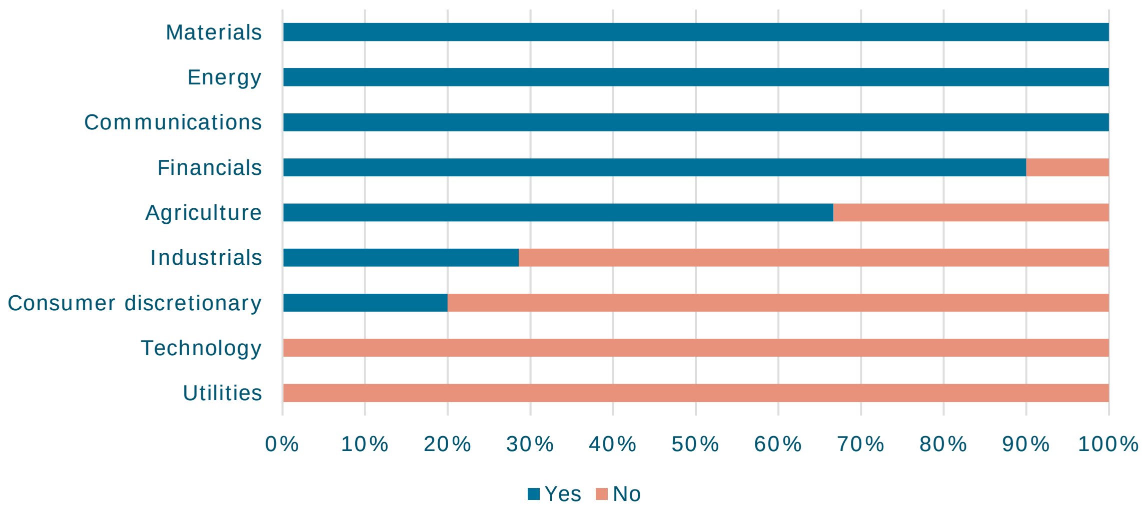
We observed that issuers are not as comfortable as expected with this topic, although it is directly connected with their business model. We notably regret that it may be difficult to assess the materiality of their outcomes, as they tend to be promotional disclosures sometimes obscuring the whole picture. However, we are confident that this information will improve in future as entities will develop more green products and services to meet future market expectations.

Climate change

In addition to the information provided by issuers on the above-mentioned environmental matters, this thematic review also considered progress made in disclosing the climate change related information. In fact, the results of our previous thematic review on such specific disclosures had shown that there were significant gaps to fill for issuers reviewed and that improvements in the quality and comparability of climate-related disclosures were urgently required to meet the needs of investors and other stakeholders.

Overall, we found timid progress in implementing the TCFD recommendations or the Guidelines on reporting climate-related information, with many sectors failing to address them effectively in their 2020 disclosures. The main findings are:

Figure 10: Climate related information provided in non-financial reporting by sector



- 40% of the reviewed issuers still do not present specific information on climate change;
- They struggle to describe how their business model can impact the climate (only 36% present some information);
- Near half of the issuers present a description of the impact of climate-related risks and opportunities on their business and strategy and describe the policies and due diligences related to climate, including climate-related targets set;
- Only a third of the issuers disclose a comprehensive risk management policy in relation to climate-related risks identified;
- Only 22% of the issuers describe the outcomes of their policies on climate change.

Part 3 – Focus on quantitative disclosures ('KPIs')

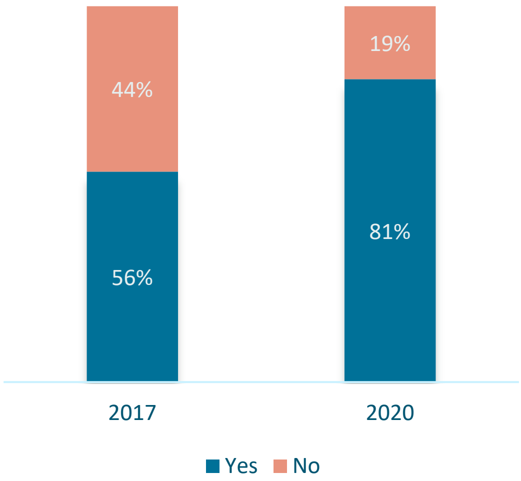
Considering their specific circumstances and the information needs of investors and other stakeholders, issuers are expected to provide a fair and balanced view by using general, sectoral and company-specific KPIs.

The Guidelines on non-financial information suggest issuers to consider certain KPIs, that we have summarized in the following categories: Energy, Air, Water and Waste management. We present below the key observations in relation to the number and quality of those KPIs, and their evolution since 2017.

Energy

KPIs published on energy by issuers mainly relate to **energy performance** and energy savings.

Figure 11: Presentation of KPIs in relation to Energy



In 2017, 56% of issuers presented information in relation to Energy against 81% in 2020, which can be seen as a significant progress. A closer look at issuers subject to publication of information in 2017 also highlights that two-thirds of issuers which presented KPIs in 2017 present even more indicators in 2020.

On the other side, a disappointing observation shows that more than 50% of issuers from the sector 'Industrials' do not present any KPIs in relation to Energy. There is, however, no reason to believe that energy can be scoped out of material topics.

Issuers are reminded that whenever a topic has been assessed as not material, an explanation is needed.

One most relevant energy performance KPI appears to be energy intensity, a ratio between energy consumption and another unit, whether financial (for instance a million of revenue) or not financial (for instance a ton of product). Such ratios are useful to allow comparison between issuers or sectors.

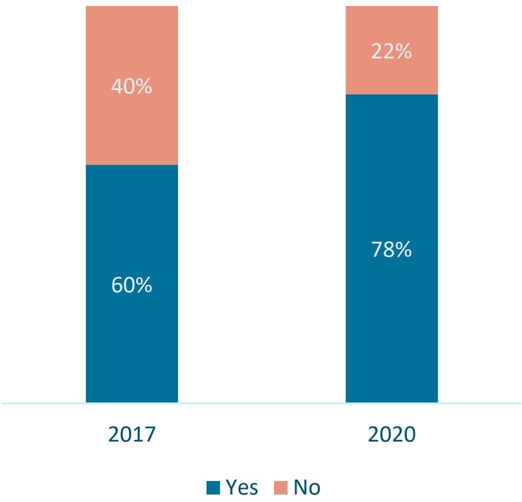
While energy intensity tends to decrease for the majority of issuers, global consumption increases under the growth effect. There is consequently a need to further disclose types and sources of energies, in particular energy from renewable sources. One of the best practices across issuers reviewed is to disclose a breakdown of energy mix including the share of renewable energy acquired or energy produced. These late concepts are addressed already by 30% of issuers publishing information.

Going forward, issuers shall keep in mind the challenges raised by energy transition to disclose relevant information on their performance.

Air

When talking about environment and climate change, air emissions are one of the predominant indicators to size a company's carbon footprint. Greenhouse gas emissions ("GHG") are logically the most observed KPIs across entities regardless of their activity sector in this aspect.

Figure 12: Presentation of KPIs in relation to GHG



From 2017 to 2020, the proportion of issuers disclosing their GHG emissions increased by 30%.

The most observable improvement is to note in the sector 'Financials', driven by the Banking and Real Estate industries. The sector is the largest in terms of KPIs presented, with a 90% disclosure rate.

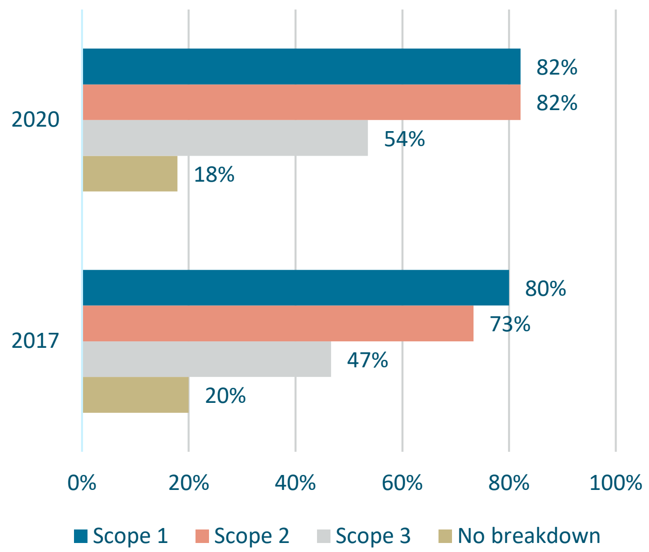
Similarly to what has been observed previously for energy indicators, issuers active in the sector 'Industrials' are surprisingly at the bottom of the ranking with less than 30% of issuers disclosing information.

The overall presentation of GHG being largely disclosed by issuers, the second observation relates to the type of emissions presented.

Under the **GHG Protocol**, greenhouse gas emissions are categorised into three groups or 'Scopes':

- Scope 1 which covers direct emissions from owned or controlled sources ('direct emissions');
- Scope 2 which covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company ('indirect emissions'); and
- Scope 3 which includes all other indirect emissions that occur in a company's value chain ('other emissions').

Figure 13: Presentation of GHG by scope



Over time, issuers tend to present a more comprehensive breakdown of their emissions by scope, with more than half showing a full breakdown at the end of 2020.

Amongst the issuers which do not present breakdown, figures remain stable at around 20%. A tendency observed is a progression over years where in 2017, an issuer will present its global emissions, with breakdown coming over time.

Overall, nearly 90% of issuers reviewed have improved their emissions intensity over the last couple of years, but significant progress is yet to made as these emissions should be reduced as soon as possible and reach net-zero by 2050, in line with the Paris Agreement, which shall be the common goal.

How issuers measure GHG?

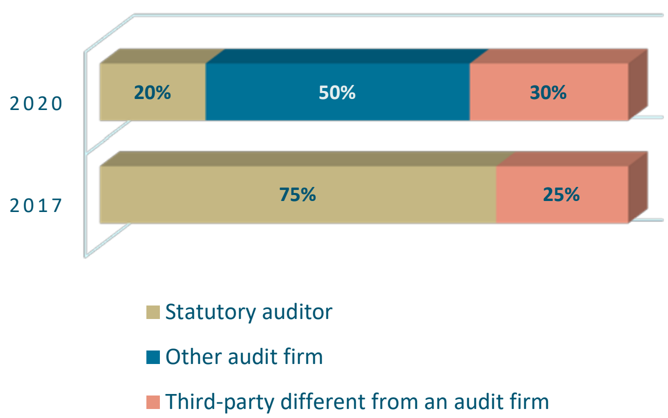
Nearly all issuers provide transparency on the methodology used for measuring their GHG emissions in 2020 (from only half of them 3 years earlier), which is the first step towards improving the reliability of data published.

Amongst these issuers, the vast majority refers to the standards and tools provided by the Greenhouse Gas Protocol, with diversity observed for the remainder, including but not limited to industry associations, or in-house, local or governmental methodologies.

To which extent are GHG certified?

The second step for the reliability of data is certification. Independently from the assurance provided on the non-financial statement (Refer to **Part 1, section 'Involvement of auditors'**), GHG may be covered by specific assurance procedures required by issuers.

Figure 14: Firms in charge of providing assurance services on GHG



The proportion of issuers including a certification of GHG-related data, whether through a certification of the whole non-financial information or in the context of a 'specific scope' review, has increased from 27% in 2017 to 36% in 2020. We also observe a significant trend to entrust third party firms and non-statutory auditors with such certification, at the expense of statutory auditors.

Water

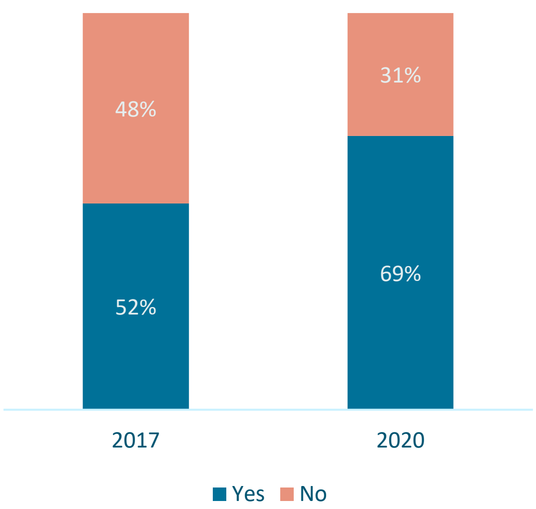
There is huge diversity in practice about how the question of water is addressed by issuers in their non-financial statements. Considering the population of issuers, their distribution across sectors and this diversity observed, the trends on relevant KPIs are the following:

- In 2017, only 28% of issuers addressed questions in relation to water against 44% in 2020. The common topic is **water consumption**, but to a different extent depending on sectors;
- there is no sector in which a consensus about minimal information to disclose across all entities is reached; and
- the most favourable observations relate to sectors where the use of water is a significant part of the industrial process (Agriculture, Materials) and water discharges are of material importance for environment. Therefore, detailed information on recycling is needed. The same applies to entities which operate in the maritime transports where fuel spills or ballast waters treatments are specifically disclosed.

Waste management

The last category of indicators under review relates to waste management. Even though every entity produces waste, from heavy industries to service companies, the scope and nature of waste management disclosure is significantly different depending on the materiality assessment made of this topic.

Figure 15: Presentation of KPIs in relation to waste management



Once again, we observe a trend for certain sectors similar to those observed before, i.e.:

- The topic is addressed in a very detailed way by all issuers active in the sector ‘Materials’, which is one of the most important waste-producer;
- The sector ‘Financials’ has shown the most progress over the last years in terms of presentation of information; and
- Issuers active in the sector ‘Industrials’ do still have one of the most disappointing rates in terms of disclosure.

Next steps

CSRD Proposals

On 21 April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD. The proposed CSRD revises and strengthens the NFRD disclosure requirements, increasing the scope of concerned companies from 11,600 to almost 50,000 companies in the European Union.

Expected key points of the reform proposal

Wider scope of reporting entities

Reporting obligations are extended to all large undertakings and all companies listed on regulated markets (except listed micro-enterprises). SMEs will benefit however from a proportionate reporting regime and will only have to start reporting as from 1 January 2026.

Mandatory EU sustainability reporting standards

Under the new proposal, companies will have to report using mandatory EU sustainability reporting standards to be developed by the European Financial Reporting Advisory Group (EFRAG) and adopted by the European Commission.
EU sustainability reporting standards will include information regarding environmental, social and governance factors and will need to be in line, in particular, with the disclosure requirements under the Sustainable Finance Disclosure Regulation and the Taxonomy Regulation.

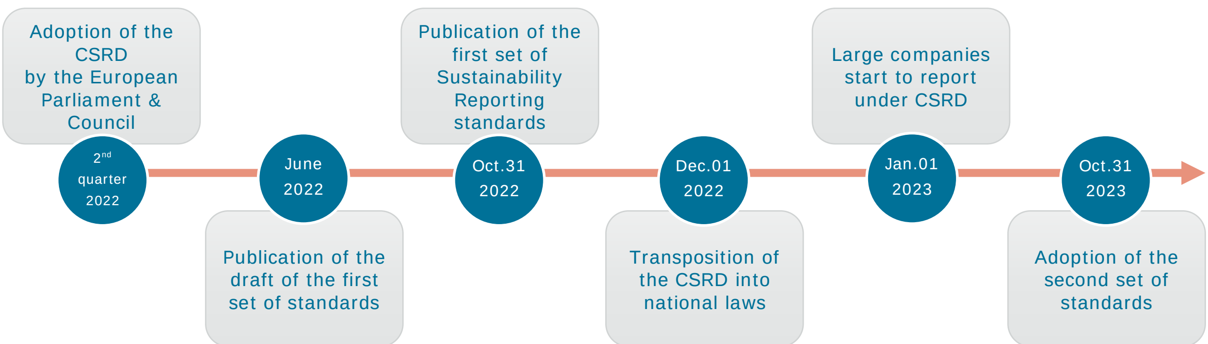
More detailed reporting

The CRSD sets out in far greater detail the non-financial information that entities should report.
The CSRD removes the option for Member States to allow companies to report the required information in a separate report, that is not part of the management report.
The CSRD requires that all information is disclosed in a digital, machine-readable format, which aims at enhancing access to data and re-use of data within the financial sector.

Required external assurance of reported information

The proposal introduces for the first time, a general EU-wide audit requirement for reported sustainability information, which will help to ensure that reported information is accurate and reliable. A progressive approach is proposed, starting by requiring a “limited” assurance, with the possibility that a “reasonable” assurance is made mandatory once the EU reporting standards are introduced.

CSRD expected timeline



How issuers can prepare to future CSRD

While the first draft of European sustainability reporting standards is not expected to be published until the second quarter 2022, the statement of cooperation between EFRAG and the Global Reporting Initiative (GRI) highlights the influential role existing voluntary standards and frameworks (including TCFD) will have in shaping their development. By reviewing and developing processes to report against key voluntary initiatives already at this stage, in-scope issuers will be in a better position to comply with CSRD requirements when they will become applicable.

Taxonomy Regulation

New obligations for reporting as from 2022

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities which provides companies, investors and policymakers with appropriate definitions in view of qualifying economic activities as environmentally sustainable. It entered into force on 12 July 2020 and has been supplemented by delegated acts.

Article 8 of the Taxonomy Regulation applies to entities subject to the NFRD and aims to increase transparency in the market and to help preventing greenwashing by providing information to investors about the environmental performance of assets and economic activities of financial and non-financial undertakings. It will notably require entities to disclose information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable, and particularly for non-financial undertakings the proportion of certain quantitative economic performance indicators associated with such activities. The phased application of the Taxonomy Regulation will be effective as from 1 January 2022.

On 29 November 2021, the CSSF released a communiqué "*Issuers: Phased-in implementation of Article 8 of the EU Taxonomy Regulation as from 1 January 2022*", in which more detailed information on the mentioned future disclosure requirements can be found.

How issuers can prepare to this future regulation

We strongly recommend that issuers prepare themselves properly and have as clear a picture as possible of the upcoming new regulations. To this end, we urge issuers to prepare for what is already known. The end of 2021 and the year 2022 should also be devoted to acquiring knowledge and developing skills in this area. Training is also essential at all levels, including the board.

Issuers are likely to face significant challenges as these new reporting requirements may be complex to implement depending on their activities. In such situation, we recommend that they proactively monitor the developments of the Taxonomy Regulation and assess as soon as possible the proportion of taxonomy-aligned indicators in their business model and underlying activities. Issuers can refer to the specific tool developed by the European Commission (the EU Taxonomy Compass) which can be used to check which activities are included in the EU Taxonomy (taxonomy-eligible activities) and which criteria need to be met for each activity to be considered aligned.

Furthermore, in order to be able to report reliable disclosures**, internal control and data collection are urgently needed**. We recommend that issuers pay attention to the methodology for calculating the indicators and the technical alignment criteria, and if necessary, adapt their information systems and processes for data collection and production.

More information on examinations by the CSSF within the framework of its mission under Article 22 (1) of the Transparency Law is available on the CSSF's website (Topics > Enforcement of financial information).

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