

greenly

# Greenly

## Regulations Guide





United Kingdom

# Climate Policy Overview

The UK has made significant progress in integrating sustainability with financial practices, driven by government initiatives and a forward-looking regulatory framework. These efforts are part of the broader ambition to transition businesses toward a net zero economy while maintaining financial stability and transparency.

## Commitment to Sustainable Finance

The UK's drive toward sustainable finance was marked by the introduction of the Green Finance Strategy in 2019, which provided a roadmap to support the transition to net zero financial practices. This was reinforced by the Roadmap to Sustainable Investing in 2021, setting clear expectations for businesses to align their operations with sustainable finance principles.

## Government Restructuring

In 2023, the government restructured several key departments to focus more specifically on sustainability and innovation. The Department for Business, Energy and Industrial Strategy (BEIS) was split into the Department for Business and Trade (DBT), the Department for Energy Security and Net Zero (DESNZ), and the Department for Science, Innovation and Technology (DSIT). These changes reflect the UK's commitment to achieving its climate targets and supporting innovation in green technologies.

## Endorsement of IFRS Sustainability Disclosure Standards (SDS)

The UK is in the process of endorsing the IFRS S1 (General Sustainability-Related Disclosures) and IFRS S2 (Climate-Related Disclosures) standards as UK Sustainability Reporting Standards (UK SRS). The Secretary of State for Business and Trade will oversee this process, with the goal of publishing a draft UK SRS for public consultation in Q1 2025. The UK SRS will be based on the IFRS SDS, with deviations only made if necessary to address UK-specific issues.

## Implementation Timeline

Once the UK SRS are endorsed, the Financial Conduct Authority (FCA) will consult on introducing reporting requirements for UK-listed companies, while the government will decide on disclosure obligations for other UK entities. These requirements will balance the costs and benefits associated with reporting. The UK SRS are expected to apply for accounting periods starting on or after January 1, 2026, allowing businesses time to prepare for the new reporting standards.

## Sustainability Reporting Obligations

Until the UK SRS come into effect, large companies and public-interest entities (PIEs) must continue to comply with the Companies Act 2006 by producing a Strategic Report that includes sustainability disclosures. The new UK SRS, once implemented, will replace the Task Force on Climate-related Financial Disclosures (TCFD) framework, requiring more comprehensive reporting on sustainability risks, governance, strategies, and financial impacts.

## Business Impact

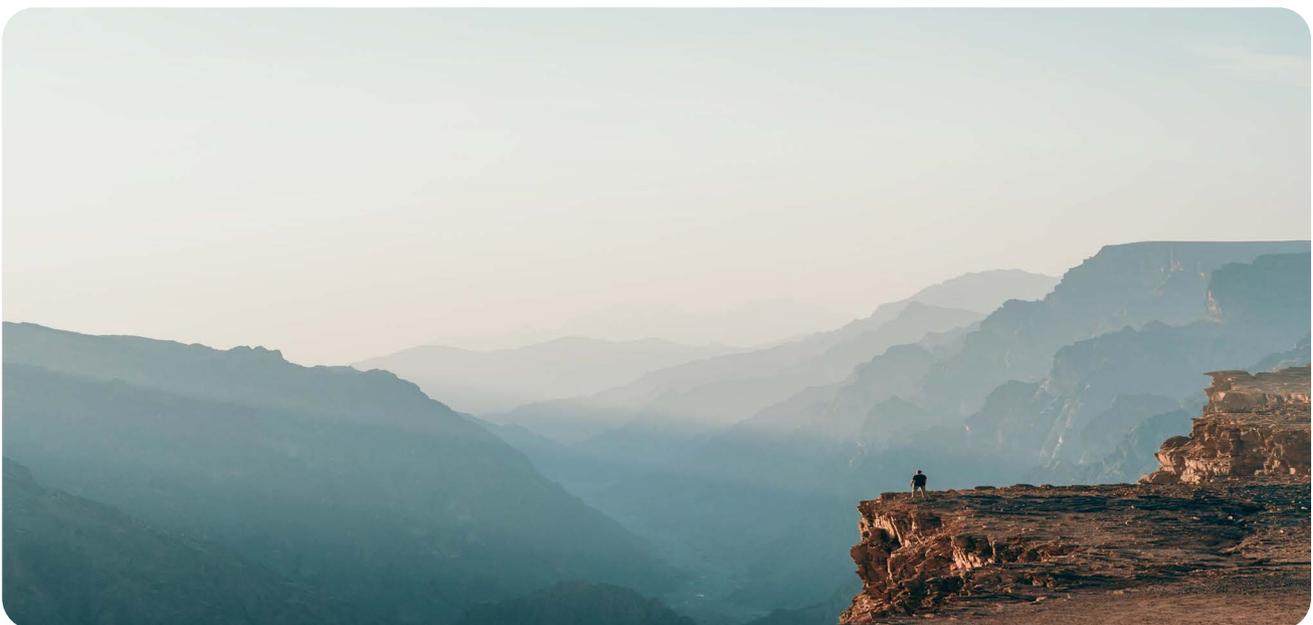
Companies operating in the UK should start to ensure their sustainability reporting aligns with the new IFRS standards. This includes disclosing how climate risks and sustainability issues affect their business models and financial outcomes. High-impact sectors like energy, transportation, and manufacturing face increased scrutiny as their carbon footprints and environmental impacts are assessed under the new regulatory framework.

## Challenges

Businesses must adapt quickly to the new IFRS Sustainability Disclosure Standards, ensuring that they have systems in place to track and report on sustainability risks and performance. SMEs and companies with less mature ESG reporting systems may struggle to comply with the new, more stringent reporting requirements under the updated regulations.

## Opportunities

Companies that have already invested in strong sustainability and ESG practices can gain a competitive edge by demonstrating transparency and leadership in sustainability reporting under the new IFRS standards



# Regulatory Framework Overview

Regulation	Start date	Details	Scope
<b>IFRS Sustainability Disclosure Standards (SDS)</b>	<b>TBC</b>	Requires disclosure of sustainability-related risks and opportunities.	Large UK companies and PIEs, including listed companies. Large UK companies are defined as those with revenue over £54 million and a balance sheet total over £27 million.
<b>Companies Act 2006 (Strategic Report and Directors' Report)</b>	<b>2006</b>	Requires disclosure of sustainability-related risks and opportunities.	Applies to UK companies, except those that qualify as "small". Large firms and PIEs with over 500 employees are subject to additional reporting requirements.
<b>Companies (Strategic Report) (Climate-Related Financial Disclosure) Regulations 2022</b>	<b>2022</b>	Requires inclusion of climate-related financial disclosures in the Strategic Report.	Large companies and PIEs in the UK.
<b>Streamlined Energy and Carbon Reporting (SECR)</b>	<b>2019</b>	Companies must report on energy use and carbon emissions based on specific size criteria.	Applies to large companies, LLPs, and groups meeting two out of three criteria: 250 employees, £36 million turnover, or £18 million balance sheet total.
<b>FCA Listing Rules (LR 9.8.6R and LR 14.3.27R)</b>	<b>2021</b>	Requires reporting on compliance with climate-related disclosure standards.	Applies to UK-listed companies, including premium and standard-listed firms.

# Current Regulations

## 1. IFRS Sustainability Disclosure Standards (SDS)

### What is it?

The IFRS Sustainability Disclosure Standards (SDS), developed by the International Sustainability Standards Board (ISSB), are set to become the foundation for the UK Sustainability Reporting Standards (UK SRS). These standards provide a global baseline for sustainability reporting, focusing on material sustainability risks and opportunities that could impact a company's financial performance.

### Scope/Who it Affects

Large UK companies, public-interest entities (PIEs), and listed companies will be required to comply with these standards once endorsed by the UK government.

### Key Requirements/Key Actions

- IFRS S1 mandates the disclosure of general sustainability-related risks and opportunities, governance practices, and how these factors may affect the company's cash flow or financial position.
- IFRS S2 focuses on climate-related disclosures, requiring companies to report on climate risks, governance, strategies, risk management, and the financial impact of these risks.

### Deadlines

The UK SRS are expected to be endorsed in Q1 2025, with implementation for accounting periods starting on or after January 1, 2026. This timeline gives companies sufficient time to prepare for the new requirements.

### Penalties

Once the UK SRS are effective, non-compliance may result in enforcement actions by the Financial Conduct Authority (FCA) for listed companies. These penalties could include fines, reputational damage, and restrictions on market access.

## 2. Strategic Report (Companies Act 2006)

### What is it?

Under the Companies Act 2006 and its subsequent amendments, companies above a certain size are required to produce a Strategic Report that includes non-financial information, particularly focused on sustainability risks and opportunities. This is a central element of corporate sustainability reporting in the UK.

### Scope/Who it Affects

This regulation applies to all companies except those classified as Small under the Companies Act (as of October 1st 2024 the threshold for a small company is a turnover of up to £15 million with a balance sheet of up to £7.5 million). Large firms and public interest entities (PIEs) with over 500 employees are subject to additional environmental reporting requirements.

### Key Requirements/Key Actions

- The Strategic Report must include information about any principal sustainability risks or uncertainties that may affect the company's performance.
- PIEs and quoted companies are required to disclose detailed information on their environmental policies, their effectiveness, and their impacts.
- Large firms must also include a section on directors' performance under Section 172 of the Companies Act, where directors must explain how they considered the environmental impact of the company's operations in their decision-making.

### Deadlines

Annual submission as part of the company's standard financial reporting cycle.

### Penalties

Companies that fail to provide sufficient information in the Strategic Report could face penalties, including fines and regulatory actions.

### 3. Companies (Strategic Report) (Climate-Related Financial Disclosure) Regulations 2022

#### What is it?

These regulations require large companies and public-interest entities (PIEs) to include climate-related financial disclosures as part of their Strategic Report. Initially based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the UK is transitioning to align with the IFRS Sustainability Disclosure Standards (SDS). The IFRS standards will replace the TCFD framework once the UK SRS are formally endorsed in Q1 2025.

#### Scope/Who it Affects

- UK-incorporated companies: PIEs with over 500 employees (traded, banking, insurance)
- Private companies: Over 500 employees and turnover above £500 million
- AIM-listed companies: Over 500 employees
- LLPs: Banking/traded LLPs, and large LLPs with over 500 employees and turnover above £500 million

#### Key Requirements/Key Actions

- Companies must report on their climate-related risks, governance, strategy, and financial impact of these risks.
- Disclosures must cover risk management, metrics, and targets related to climate change.
- Reporting must provide investors with a clear understanding of how climate change could affect the company's financial performance and long-term prospects.

#### Deadlines

The original regulations took effect from 2022, but the reporting framework will transition to align with the IFRS standards, expected to be in effect for accounting periods starting on or after January 1, 2026.

#### Penalties

Non-compliance with the climate-related financial disclosures could result in penalties enforced by the Financial Conduct Authority (FCA), including fines or restrictions on access to financial markets.

## 4. Directors' Report (Streamlined Energy and Carbon Reporting - SECR)

### What is it?

The Streamlined Energy and Carbon Reporting (SECR) requirements apply to large companies and mandate the disclosure of energy use and greenhouse gas (GHG) emissions within the Directors' Report.

### Scope/Who it Affects

This applies to large companies, LLPs, and groups that meet at least two of the following criteria: 250 employees, £36 million annual turnover, or £18 million balance sheet total.

### Key Requirements/Key Actions

- Companies must disclose Scope 1 (direct emissions from fuel use and company vehicles) and Scope 2 (indirect emissions from purchased electricity).
- Scope 3 (indirect emissions from business travel in rented or employee-owned vehicles) is also required if applicable.
- Reports must include a year-on-year comparison of emissions and energy data, methodologies used in calculations, and a narrative on energy efficiency measures.
- Firms are encouraged to voluntarily report on broader Scope 1 and Scope 3 emissions, including emissions from upstream and downstream activities.

### Deadlines

Annually, alongside the company's financial statements.

### Penalties

Non-compliance with SECR regulations can lead to financial penalties and regulatory scrutiny.

## 5. FCA Listing Rules (LR 9.8.6R and LR 14.3.27R)

### What is it?

The FCA Listing Rules require UK-listed companies to disclose whether they have made climate-related financial disclosures. Initially based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, the FCA will transition to the IFRS Sustainability Disclosure Standards (SDS), specifically IFRS S1 and IFRS S2. This transition ensures that UK-listed companies provide transparency and consistency in how they report on climate risks and broader sustainability-related information.

### Scope/Who it Affects

Applies to all UK-listed companies, which are required to provide a statement on their compliance with climate-related disclosures (soon to be aligned with IFRS S1 and S2).

### Key Requirements/Key Actions

- Companies must disclose in their annual reports whether they have made climate-related and broader sustainability disclosures in alignment with IFRS S1 (general sustainability risks and opportunities) and IFRS S2 (climate-specific risks).
- Disclosures must cover governance, strategy, risk management, and relevant metrics/targets related to both sustainability and climate risks.
- If a company has not fully complied with the disclosure requirements, it must provide a clear explanation of why.

### Deadlines

These disclosures must be included annually as part of the company's financial reporting, aligned with the UK Sustainability Reporting Standards (UK SRS) when they become effective for accounting periods starting on or after January 1, 2026.

### Penalties

Non-compliance with these requirements can result in enforcement actions by the Financial Conduct Authority (FCA), including fines, reputational damage, and restrictions on market access.

# Outlook

The UK is on the verge of a significant shift with the upcoming UK Sustainability Reporting Standards (UK SRS), based on IFRS S1 and S2. Full implementation is expected for accounting periods starting on or after January 1, 2026, giving companies time to prepare for enhanced sustainability disclosures.



## Regulatory Alignment

The UK government is expected to finalise UK SRS by Q1 2025, ensuring businesses adhere to global sustainability standards while addressing UK-specific needs. The FCA will consult on rules for listed companies, with broader obligations to follow.



## Challenges for SMEs

SMEs may struggle with the complexity of the new reporting requirements, and targeted support will be essential to help them adapt.



## Business Adaptation

Companies must prepare to report on climate risks (IFRS S2) and broader sustainability issues (IFRS S1). High-impact sectors, like energy and manufacturing, face particular scrutiny, but all businesses will need to enhance data management and reporting capabilities.



## Opportunities

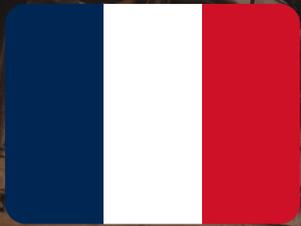
Early adopters of IFRS standards can gain a competitive edge, securing investor confidence and positioning themselves as leaders in transparency and sustainability.



## Long-term Vision

The UK's net zero goals for 2050 will continue driving policy changes, focusing on renewable energy, energy efficiency, and sustainability. Companies should expect ongoing regulatory updates aligned with these targets.





France

# Climate Policy Overview

France has long been a global leader in sustainability, bolstered by its strong historical commitment to addressing environmental challenges. As the host of COP21 and a key player in the creation of the Paris Agreement, France is seen as a frontrunner in the global energy transition. The country benefits from decarbonized electricity, largely due to its reliance on nuclear power, giving it some of the lowest per capita emissions among advanced economies.

## Commitment to Energy Transition

France continues to push forward with ambitious climate governance initiatives. The French Recovery Plan and a €30 billion investment in energy technology reflect the government's efforts to foster clean mobility and drive innovation across key sectors like transportation, energy, and construction. The government has also strengthened building codes, energy audits, and labeling to enhance corporate environmental responsibility.

## Challenges

Despite its leadership role, France faces difficulties in meeting its 2030 emissions reduction targets. The slow progress in implementing renewable energy projects, due in part to administrative and policy inconsistencies, poses a significant obstacle. Without streamlining public support schemes and accelerating policy implementation, France risks falling short of its energy efficiency and renewable energy goals.

## Opportunities

To overcome these challenges, France is focusing on encouraging large-scale investments by simplifying regulatory frameworks and enhancing investor confidence. This approach is key to scaling up renewable energy projects and meeting the country's ambitious sustainability targets.

# Regulatory Framework Overview 1/2

Regulation	Start date	Details	Scope
<b>Non-Financial Reporting Directive (NFRD)</b>	2014	Requires disclosure of social and environmental information, including supply chain sustainability.	Large public-interest companies with over 500 employees and listed firms, banks, insurers.
<b>Corporate Sustainability Reporting Directive (CSRD)</b>	2024-2028	Expands the scope and detail of sustainability reporting, enhancing transparency.	Applies to EU-based public companies (excluding micro-enterprises) and private organizations deemed large - defined as having two or more of (1) 250+ employees, (2) €40m+ annual revenues, (3) €20m+ balance sheet.
<b>EU Taxonomy Regulation</b>	2021	Establishes a classification for sustainable activities, requiring companies to report alignment.	Applies to all large public-interest companies under NFRD & CSRD criteria (two out of three thresholds: 250+ employees, EUR 20 million balance sheet, or EUR 40 million turnover).
<b>EU Emissions Trading System (EU ETS)</b>	2005 (phased updates)	Caps emissions, requiring companies to hold emission permits, promoting reduction.	Power generation, aviation, maritime, and major industrial sectors like oil, steel, cement, and chemicals.
<b>Carbon Border Adjustment Mechanism (CBAM)</b>	2023 (phased until 2026)	Imposes carbon pricing on imports from countries with lower emissions standards.	Applies to imported goods in sectors like steel, aluminium, cement, electricity, and fertilizers.
<b>Article 75 of the French Grenelle II Law</b>	2010	Mandates environmental disclosures, including GHG inventory and biodiversity impact.	All large companies and municipalities with over 50,000 inhabitants.
<b>Energy Transition for Green Growth Act</b>	2015	Targets energy efficiency, renewables, and emission reductions with mandatory energy audits.	Energy-intensive sectors, large enterprises in energy production, distribution, and consumption.



# Regulatory Framework Overview 2/2

Regulation	Start date	Details	Scope
<b>Anti-Waste for a Circular Economy Act (AGEC)</b>	2020 (various milestones)	Promotes product reuse, bans destruction of unsold goods, mandates reparability index, and phases out single-use plastic by 2040.	All sectors producing goods in France, with emphasis on electronics, food, and consumer products.
<b>French Corporate Duty of Vigilance Law</b>	2017	Requires due diligence on environmental and human rights impacts across supply chains, covering CO2 emissions.	Companies with 5,000 employees in France or 10,000 worldwide.
<b>French Environmental Code</b>	2000	Establishes standards for air, water, waste management, biodiversity conservation, and emissions.	All industries, particularly those dealing with hazardous materials or significant environmental impacts.
<b>Decree on Extra-Financial Reporting</b>	2017 (amendments ongoing)	Expands NFRD/CSRD requirements for non-listed companies meeting thresholds.	Companies with a balance sheet of over EUR 20 million or sales over EUR 4 million and more than 500 employees.
<b>RE2020 (New Building Regulations)</b>	2021	Aims to reduce the carbon footprint of buildings, including lifecycle emissions from materials.	Construction sector, focusing on new building projects.
<b>French Climate and Resilience Law</b>	2021	Targets 40% GHG reduction by 2030, with specific Scope 3 requirements for product lifecycle.	Companies in sectors like construction, energy, and transportation.
<b>Loi AGECE (Anti-Waste Law for a Circular Economy)</b>	2023	Mandates sustainability and circularity information for all marketed/imported products, aiming to phase out single-use plastic.	Applies to importers and marketers of products in France, including electronics and consumer goods.

# Current Regulations

## 1. Non-Financial Reporting Directive (NFRD) & Corporate Sustainability Reporting Directive (CSRD)

### What is it?

- The NFRD is a directive requiring large companies to disclose non-financial and diversity information, including how they manage social and environmental challenges. It aims to increase corporate transparency and accountability, especially in terms of sustainability.
- The CSRD, expanding on the NFRD, requires more detailed and audited sustainability reporting, providing a standard for ESG information and increasing the number of companies subject to mandatory disclosure.

### Scope/Who it Affects

- The NFRD applies to public-interest entities, including large listed companies, banks, and insurance companies, with more than 500 employees.
- The CSRD extends obligations to a broader range of companies, including:
  - Large European companies (not currently under NFRD) with two or more of the following criteria: 250+ employees, a balance sheet total of over €25 million, or annual turnover exceeding €50 million.
  - Non-European companies generating a net turnover of more than €150 million and having a subsidiary or branch in the EU that meets the relevant criteria.

### Key Requirements/Key Actions

- Companies must disclose information on social, employee, environmental, and human rights aspects, focusing on sustainability impacts and risk management.
- Companies must align their reporting with the EU Taxonomy to classify their economic activities based on sustainability.
- CSRD introduces a requirement for third-party audits of reported information and the inclusion of "double materiality" to cover both sustainability impacts on businesses and business impacts on the environment.

### Deadlines

- January 1, 2025: Applicable to companies already under NFRD.
- January 1, 2026: For large companies not under NFRD.
- January 1, 2027: For listed SMEs, with a two-year deferral.
- January 1, 2028: For non-European companies meeting certain revenue thresholds in the EU.

### Penalties

Non-compliance can result in financial penalties and significant reputational risks, with regulatory bodies enforcing sanctions.

## 2. EU Taxonomy Regulation

### What is it?

Establishes a classification system (taxonomy) to help guide investments toward environmentally sustainable activities, enhancing transparency and comparability in sustainability reporting.

### Scope/Who it Affects

- Large public-interest companies under NFRD and all large companies meeting CSRD criteria, specifically those fulfilling two out of three of the following criteria:
  - 250+ employees on average.
  - Balance sheet total of €20 million+.
  - Turnover exceeding €40 million.

### Key Requirements/Key Actions

- Companies need to disclose how and to what extent their activities align with sustainable practices, including evaluating their supply chains' sustainability in line with EU Taxonomy.

### Penalties

Non-compliance can lead to fines and negative impacts on investor relations.

### 3. EU Emissions Trading System (EU ETS)

#### What is it?

The EU ETS is the world's first and largest carbon market, aiming to reduce greenhouse gas emissions via a cap-and-trade system. Companies must hold permits for each ton of CO<sub>2</sub> they emit, and the cap on emissions is reduced annually.

#### Scope/Who it Affects

- Mandatory for companies operating in sectors such as:
  - Power generation, aviation, and maritime.
  - High-emission industries like oil refineries, steel works, and the production of iron, aluminium, cement, glass, lime, bricks, ceramics, pulp, paper, cardboard, acids, and bulk organic chemicals.

#### Key Requirements/Key Actions

- Emission Caps: Companies are subject to strict caps on greenhouse gas emissions, which are reduced over time.
- Allowance Allocation and Auctioning: Companies must receive or purchase emission allowances, and the share of allowances auctioned increases yearly to ensure fairness and drive emission reductions.
- Compliance: Companies must monitor and report their emissions annually, surrendering enough allowances to cover emissions. Failure results in fines and mandatory surrendering of allowances.

#### Penalties

Heavy fines and continued obligations to surrender allowances for non-compliance.

## 4. Carbon Border Adjustment Mechanism (CBAM)

### What is it?

CBAM aims to prevent carbon leakage by imposing a carbon price on certain imports from countries with less stringent emissions rules.

### Scope/Who it Affects

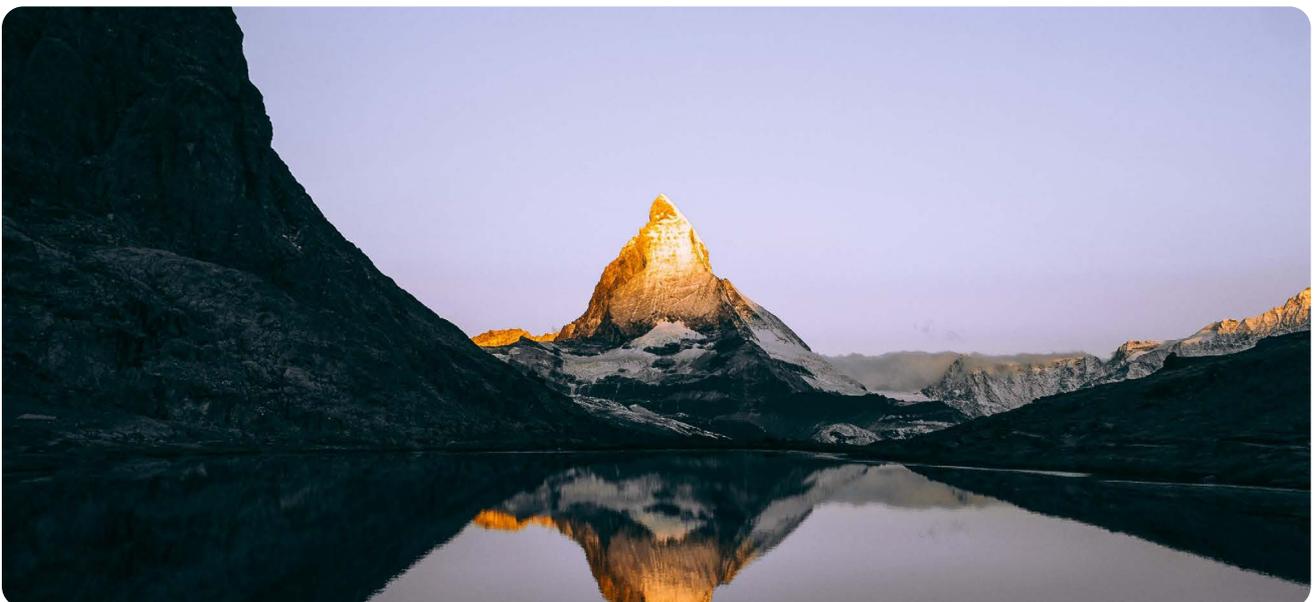
- Applies to sectors at high risk of carbon leakage, including:
  - Cement, iron and steel, aluminium, electricity, fertilizers, and hydrogen.

### Key Requirements/Key Actions

Importers must provide details on the carbon content of their goods and pay a fee that aligns their carbon price with EU standards.

### Penalties

Non-compliance results in additional costs or import restrictions.



## 5. Article 75 of the French Grenelle II Law

### What is it?

Mandates detailed environmental disclosures from large companies, public institutions, and municipalities regarding climate impact, resource use, and biodiversity.

### Scope/Who it Affects

All large companies, public institutions, and municipalities with more than 50,000 inhabitants.

### Key Requirements/Key Actions

Companies must publicly report on greenhouse gas emissions every four years and outline their pollution control and circular economy practices.

### Penalties

Non-compliance can lead to fines and regulatory action.

## 6. Energy Transition for Green Growth Act

### What is it?

Sets ambitious goals for fossil fuel reduction, renewable energy, and energy audits for large enterprises.

### Scope/Who it Affects

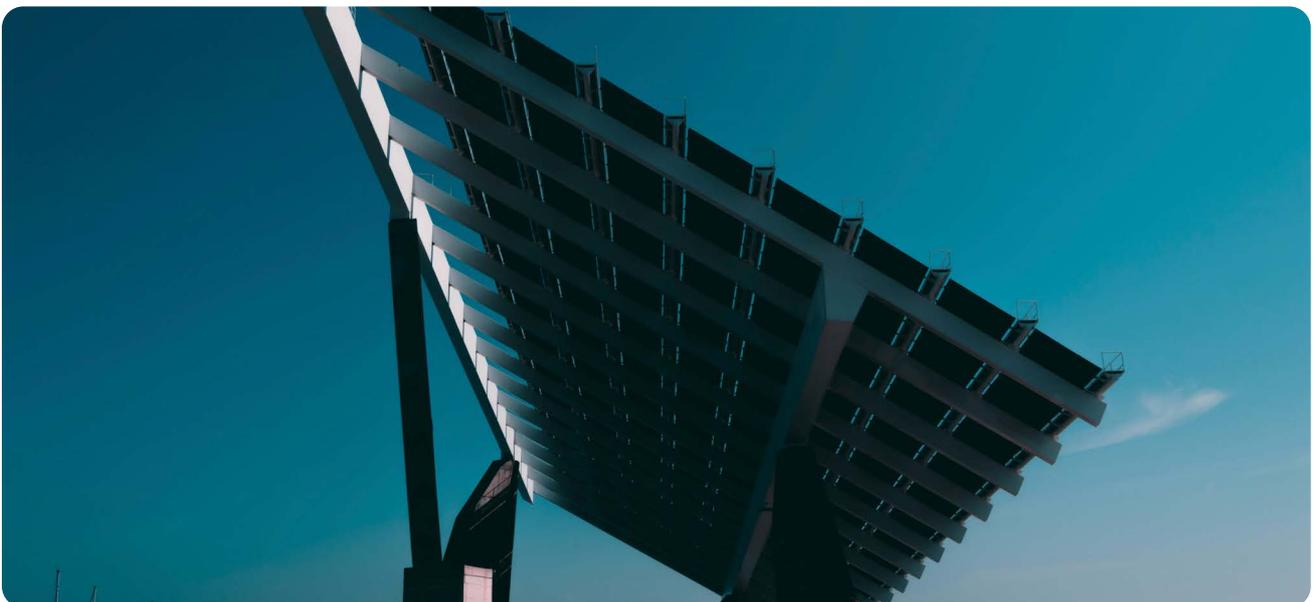
Applies to energy-intensive industries and sectors involved in energy production and consumption.

### Key Requirements/Key Actions

- Mandatory energy audits for large enterprises and energy-intensive industries
- Obligations for environmental information disclosure
- Promotion of circular economy practices, including waste reduction and recycling
- Building sector: renovation requirements for improved energy performance standards

### Penalties

Non-compliance can lead to fines and regulatory action.



## 7. Anti-Waste Circular Economy Act (Loi AGECE)

### What is it?

This act aims to promote a circular economy by reducing waste, encouraging recycling, and enhancing product reuse. It introduces several measures to make products more sustainable and reduce overall waste in France.

### Scope/Who it Affects

Applies to sectors like food and beverage, cosmetics, consumer goods, and electronics.

### Key Requirements/Key Actions

- **Mandatory Repairability Index:** Implements a mandatory repairability index for electronic and electric products to encourage repairs and inform consumer choices, thereby reducing electronic waste.
- **Phasing Out Single-Use Plastics:** Phases out single-use plastic packaging by 2040 for sectors such as food and beverage, cosmetics, and consumer goods.
- **Resource Management:** Promotes resource management from the design stage, encouraging companies to improve product design for easier recycling and better consumer information.
- **Solidarity Economy Support:** Supports the solidarity economy by creating jobs in reuse networks and facilitating the donation of unsold goods to charitable organizations.
- **Ban on Unsold Goods Destruction:** Companies must reuse, recycle, or donate unsold non-food products instead of destroying them.

### Penalties

Financial penalties for failing to comply with recycling, reuse, and repairability obligations.

## 8. French Corporate Duty of Vigilance Law

### What is it?

This law represents the French application of the CSRD, focusing on identifying, mitigating, and reporting risks related to human rights and environmental impacts throughout corporate operations and supply chains.

### Scope/Who it Affects

Companies with at least 5,000 employees in France or 10,000 employees globally, directly or indirectly through subsidiaries, whose registered offices are in France.

### Key Requirements/Key Actions

- Companies are required to monitor and report on various risks such as environmental and human rights impacts across their operations and supply chains.
- Companies must provide CO2 emission information about products' entire lifecycle, including packaging, to help refocus environmental strategies on the full extent of their impact.

### Penalties

Companies may face civil liability and financial penalties for failing to adequately fulfill due diligence obligations.

## 9. French Environmental Code

### What is it?

The French Environmental Code sets out comprehensive standards aimed at conserving natural resources, protecting air and water quality, managing waste responsibly, and promoting energy efficiency and renewable energy use. It serves as a key regulatory framework for managing environmental impacts across various industries in France.

### Scope/Who it Affects

Companies across all sectors, though those with operations that impact air and water quality or generate waste, will be particularly affected.

### Key Requirements/Key Actions

- **Water and Air Quality Standards:** Companies must meet specific water and air quality standards to ensure minimal environmental impact.
- **Responsible Waste Management and Recycling:** Businesses are required to engage in responsible waste management, including recycling efforts, to reduce environmental harm.
- **Biodiversity Conservation:** Measures must be taken to protect biodiversity, ensuring that corporate operations do not adversely affect ecosystems.
- **Energy Efficiency and Renewable Energy:** Companies are obligated to work towards energy efficiency and incorporate renewable energy sources to reduce their carbon footprint.
- **Greenhouse Gas Emissions Reduction:**
  - **Minimization of Emissions:** Companies must reduce greenhouse gas emissions through efficient energy use and by adopting cleaner technologies.
  - **Monitoring and Reporting:** Businesses must follow specific protocols for monitoring and reporting greenhouse gas emissions. This includes accurate measurement using recognized methodologies, maintaining detailed records of emission sources, and submitting comprehensive reports to designated authorities.
- **Compliance with National and EU Targets:** Companies must adhere to both national and EU-wide emission reporting and reduction targets.
- **Hazardous Material Control:** Industries dealing with hazardous materials are subject to strict control measures to prevent environmental contamination and ensure safety.

### Penalties

Failure to comply with these regulations results in substantial regulatory fines, potential operational restrictions, and reputational damage.

## 10. Decree on the Obligation of Extra-Financial Reporting by Certain Large Companies

### What is it?

This decree expands on the NFRD/CSRD obligations, mandating extra-financial sustainability disclosures for certain large French companies.

### Scope/Who it Affects

- French companies with:
  - Balance sheet total exceeding €20 million or sales over €4 million, and more than 500 employees.
- Unlisted French companies with:
  - Sales or balance sheet total over €100 million, and more than 500 employees.

### Key Requirements/Key Actions

**Environmental and Social Disclosures:** Companies must disclose detailed information on how they manage environmental challenges, including their carbon footprint, sustainability measures, and strategies for addressing these issues.

### Penalties

Non-compliance leads to financial penalties and potential reputational damage, enforced by regulatory bodies.

## 11. RE2020 (Environmental Building Regulation)

### What is it?

RE2020 is a building regulation that aims to reduce the carbon footprint of new buildings throughout their lifecycle, from construction to demolition.

### Scope/Who it Affects

Applies to the construction and real estate sectors, specifically focusing on new buildings.

### Key Requirements/Key Actions

- **Use of Low-Carbon Materials:** Promotes the use of materials that have lower carbon footprints to promote sustainable building practices.
- **Energy Performance Requirements:** Buildings must meet stringent energy performance standards, emphasizing natural cooling and insulation to minimize the need for artificial energy consumption.
- **Lifecycle Carbon Reduction:** Requirements focus on reducing the carbon footprint across the entire building lifecycle, from construction to demolition.

### Penalties

Companies that fail to comply with these standards face financial penalties and may face restrictions on new building permits.



## 12. French Climate and Resilience Law

### What is it?

A law designed to achieve a 40% reduction in greenhouse gas emissions by 2030, with comprehensive reporting requirements, including Scope 3 emissions.

### Scope/Who it Affects

All sectors, with a specific emphasis on high-emission industries.

### Key Requirements/Key Actions

- **GHG Emissions Reporting:** Companies must annually provide GHG emissions reports that include direct emissions (Scope 1), indirect emissions from energy use (Scope 2), and significant indirect emissions (Scope 3), covering the entire product lifecycle.
- **Emissions Reduction and Offset Plans:** Businesses must outline how emissions are avoided, reduced, or offset, and detail their strategies to comply with emissions reduction targets.
- **Lifecycle Analysis:** Reporting must provide details from production to disposal, including contributions from suppliers and end-of-life processes.

### Penalties

Companies face fines for non-compliance, along with reputational and regulatory consequences for failing to meet their emission reduction commitments.

## 13. Loi AGECE (Loi Anti-gaspillage pour une économie circulaire)

### What is it?

Known as the Anti-Waste Law, it aims to foster a circular economy by reducing waste, enhancing recycling, and eventually eliminating single-use plastic by 2040.

### Scope/Who it Affects

All companies producing, importing, or marketing goods within France, especially focusing on sectors like food, beverage, consumer goods, and electronics.

### Key Requirements/Key Actions

- **Product Sheet Requirement:** Every product marketed or imported in France after January 1st 2023 must include a product sheet detailing its sustainability and circularity.
- **Phase-Out of Single-Use Plastics:** The law sets a timeline for eliminating single-use plastic packaging by 2040.
- **Circular Economy Practices:** Companies are required to engage in recycling and reuse initiatives and must adopt circular economy practices within their operations to minimize environmental impacts.
- **Mandatory Repairability Index:** Introduced for electronic and electric products to encourage repairs and guide consumer choices.
- **Anti-Waste Measures:** Companies must engage in the recycling or donation of unsold goods instead of destroying them, thereby supporting a circular economy and reducing waste.

### Penalties

Financial penalties for non-compliance with waste reduction and recycling regulations, alongside potential restrictions on the ability to market non-compliant products.

# Outlook

The regulatory landscape in France is evolving, with a series of important directives and laws set to reshape corporate sustainability practices significantly over the next few years.



## Deforestation-Free Supply Chain Law (Effective from December 2024)

France is introducing a new law to ensure a deforestation-free supply chain for specific products, binding by December 2024. Seven products - cattle, palm oil, rubber, soy, coffee, cocoa, and timber - will be subject to stringent deforestation requirements. This law affects products sold and imported into the EU, mandating that commodities must be sourced without deforestation. Companies are required to:

- Indicate the origin and quantity of each commodity used and produced, along with identifying the supplier.
- Ensure suppliers are aware of the law, conduct due diligence before releasing or exporting products, and regularly update their due diligence procedures.
- Perform risk assessments for non-compliance, with binding requirements extending to all commodities by 2027. Non-compliant products cannot be released into the market.



## Corporate Sustainability Reporting Directive (CSRD) (Implementation from 2024 to 2028)

The CSRD is being rolled out in phases, impacting companies between 2024 and 2028. It will apply to:

- Large Companies with 500+ employees or high-impact sectors (such as energy, transportation, food, textiles) with 250+ employees and a turnover exceeding EUR 40 million.
- Over 50,000 companies are expected to be bound by this directive, which mandates disclosure on managing social and environmental challenges, including supply chain carbon footprint and the nature-related impacts of operations.



## Business Adaptation

French companies need to adapt quickly to these directives, enhancing due diligence in their supply chains and ensuring compliance across operations. Industries particularly affected include high-impact sectors like energy, agriculture, and manufacturing, which will face increased scrutiny regarding supply chain transparency and sustainability.



## Challenges for SMEs

Similar to the UK, French SMEs may face challenges complying with new complex reporting requirements. Support structures will be crucial to help these smaller businesses meet stringent due diligence and reporting obligations.



### Corporate Sustainability Due Diligence Directive (CSDDD) (Binding by 2026/2027)

This directive will be binding for EU companies with over 500 employees and a net turnover exceeding EUR 150 million.

→ Climate Change Obligations: High-impact sectors must adopt a strategy to ensure business models align with the transition to a sustainable economy in line with the Paris Agreement. The strategy must:

- Identify climate-related risks to operations.
- Set emissions reduction objectives where risks exist.
- Integrate remuneration policies that consider sustainability targets.
- Environmental Due Diligence: Companies must prevent and minimize environmental harm within their operations, subsidiaries, and supply chains. This includes:
  - Collaborating closely with upstream suppliers and partners to ensure compliance and preparing them for changes required to meet these new standards.
  - Integrating due diligence obligations into management systems, tracking complaints, and providing transparent, public reports on their due diligence practices.

→ Environmental Due Diligence: Companies must prevent and minimize environmental harm within their operations, subsidiaries, and supply chains. This includes:

- Collaborating closely with upstream suppliers and partners to ensure compliance and preparing them for changes required to meet these new standards.
- Integrating due diligence obligations into management systems, tracking complaints, and providing transparent, public reports on their due diligence practices.



### Opportunities

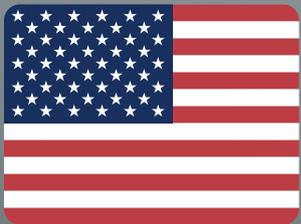
Early adoption of deforestation-free supply chain practices and thorough implementation of the CSRD and CSDDD can position companies as leaders in sustainability. These practices can increase investor confidence and enhance brand reputation, providing a competitive advantage.



### Long-term Vision

France's dedication to sustainability aligns closely with the EU's broader goals of reducing emissions and enhancing biodiversity. Companies should expect continuous updates and a tightening of regulations that support the transition towards a green economy, fostering an environment of sustainable growth and innovation.





USA

# Climate Policy Overview

The United States is making progress in sustainability efforts, but significant regulatory challenges and gaps remain compared to Europe.

## Commitment to Sustainability Initiatives

- Federal initiatives focus on renewable energy tax incentives, energy efficiency standards, and environmental justice programs.
- State and local governments are leading sustainability actions, with California and New York at the forefront, implementing ambitious climate goals, including carbon pricing mechanisms and renewable energy targets.

## Federal and State-Level Differences

- The **Securities and Exchange Commission (SEC)** is developing climate disclosure rules that will require companies to report on greenhouse gas emissions and climate risks. However, the lack of a unified federal approach means that state regulations play a larger role in shaping climate action.
- States such as California have robust climate policies like cap-and-trade, setting stricter requirements than federal standards.

## Challenges

- **Regulatory Fragmentation:** The absence of a cohesive national framework leads to a fragmented regulatory landscape, making compliance complex for businesses operating across multiple states.
- **Political Polarization:** Shifting political priorities create uncertainty about the stability and longevity of federal climate regulations.

## Opportunities

- **State-Level Leadership:** Companies that align with stringent state requirements may gain an early advantage as federal regulations eventually catch up.
- **Investor Confidence:** Proactively adopting standards like those being developed by the SEC and aligning with frameworks such as TCFD or SASB can boost investor trust and position companies as leaders in sustainability.



# Regulatory Framework Overview

Regulation	Start date	Details	Scope
<b>California SB 253</b> (Climate Corporate Data Accountability Act)	2026 (Scope 1 & 2), 2027 (Scope 3)	Requires Scope 1, 2, and 3 GHG emission disclosures.	Public and private companies in California with over \$1 billion annual revenue.
<b>California SB 261</b> (Climate-Related Financial Risk Act)	2026	Requires climate-related financial risk disclosures.	Public and private companies in California with revenues over \$500 million.
<b>California AB 1305</b> (Voluntary Market Disclosures Act)	January 1, 2024	Requires disclosure of GHG reduction claims or voluntary carbon offsets.	Businesses operating in or making environmental claims visible in California, without turnover threshold.
<b>New York Bill A 4123</b> (Climate Corporate Accountability Act)	Proposed	Requires Scope 1, 2, and 3 emissions reporting for large businesses.	Large businesses in New York with significant economic activity.
<b>New York SB 897</b>	Proposed	Requires verified Scope 1, 2, and 3 emissions reporting.	Businesses in New York with over \$1 billion revenue from subsidiaries operating in the state.
<b>Federal SEC Climate Disclosure Rule</b>	2026 (Large Filers)	Requires disclosure of climate risks, actions, and financial impacts.	All U.S. publicly listed companies and foreign companies with U.S.-traded shares.

# Current Regulations



## 1. SB 253: The Climate Corporate Data Accountability Act

### What is it?

- On October 7th, 2023, Governor Newsom signed the first-of-its-kind legislation, requiring both public and private US-based organizations doing business in California to disclose their greenhouse gas emissions. This includes Scope 1, 2, and 3 emissions. This regulation aims to enhance transparency regarding corporate climate impacts and is overseen by the California Air Resources Board (CARB).

### Scope

- Applicable to public and private companies operating in California with annual gross revenues of over \$1 billion USD.
- Requires reporting of:
  - Scope 1 and 2 emissions: Begins in 2026, based on emissions data from 2025.
  - Scope 3 emissions: Reporting starts in 2027.



### Key Requirements

- Companies must disclose GHG emissions in accordance with the Greenhouse Gas Protocol, a widely recognized framework.
- Emissions must be submitted to a digital reporting platform managed by CARB.
- Verification:
  - Third-party assurance is required for all emissions reported:
    - Limited assurance for Scopes 1 and 2 emissions begins in 2026.
    - Reasonable assurance for Scopes 1 and 2 is required by 2030.
    - Scope 3 emissions require limited assurance by 2030.
  - **Third-party verification** involves:
    - Limited assurance involves auditors verifying sufficient evidence for certain aspects.
    - Reasonable assurance demands a higher standard of evidence to prove that the data is free of material misstatements.
- Companies should prepare a concrete plan to gather auditable emissions data by the end of 2024 to ensure compliance with upcoming deadlines.

### Penalties

Non-compliance will result in penalties enforced by CARB, which could include fines and reputational risks for companies that fail to meet reporting standards.



## 2. SB 261: The Climate-Related Financial Risk Act

### What is it?

Also signed into law by Governor Newsom, SB 261 targets both public and private organizations operating in California. It mandates these companies to prepare and disclose a climate-related financial risk report that outlines their exposure to climate risks and their measures to reduce or adapt to these risks.

### Scope

- Applies to organizations (both public and private) in California with annual gross revenues of over \$500 million USD.
- Targets companies operating across industries that are deemed to face significant climate-related financial risks.

### Key Requirements

- **Reporting Framework:**
  - Companies must publish a climate-related financial risk report using the Task Force on Climate-related Financial Disclosures (TCFD) framework.
  - Alternatively, companies may opt for "equivalent reporting requirements," including biennial disclosures meeting TCFD criteria, IFRS Sustainability Disclosure Standards, or other government-mandated frameworks.
- The report must disclose:
  - The entity's climate-related financial risk.
  - Measures adopted to reduce and adapt to these climate-related risks.



### 3. AB 1305: Voluntary Market Disclosures Act

#### What is it?

Effective as of January 1, 2024, AB 1305 requires companies to make specific disclosures if they make claims regarding greenhouse gas emissions, or if they market, sell, or use voluntary carbon offsets. This law targets companies making such claims regardless of whether they are headquartered or registered within the state.

#### Scope

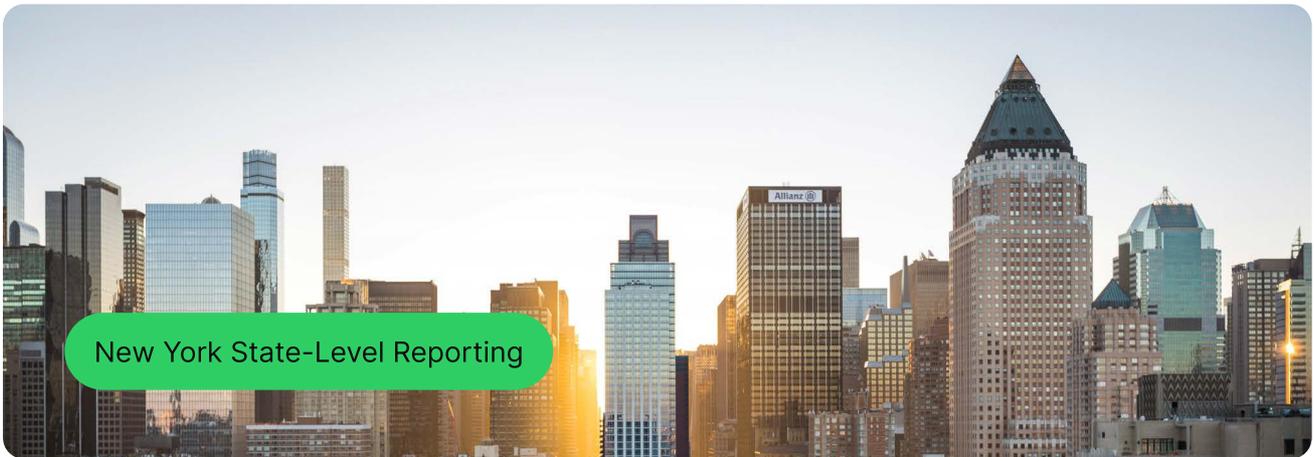
- Applies to businesses that operate within or make environmental claims viewable in California, including online claims.
- Covers claims such as "net zero" emissions, "carbon neutrality," or those implying significant reductions in GHG emissions.
- No turnover threshold or de minimis exceptions apply.

#### Key Requirements

- **Annual Disclosures:**
  - Companies must annually disclose the basis for any claims about carbon neutrality, emissions reductions, or use of voluntary offsets.
  - Businesses outside of California may also fall under the scope of AB 1305 if claims are viewable or made within the state.
  - Required disclosures must be updated annually.

#### Penalties

Violations carry civil penalties of \$2,500 per day, up to a maximum of \$500,000. Enforcement can be pursued by the state Attorney General, district or city attorneys, or county counsel.



## 1. Bill A 4123

### What is it?

- Bill A 4123 is a proposed piece of legislation that mandates certain businesses in New York to disclose their greenhouse gas emissions annually. It targets large businesses that meet specific revenue criteria, requiring them to report Scope 1, 2, and 3 emissions. The goal is to promote transparency, encourage responsibility for emissions, and align with both national and international reporting standards.

### Scope

- Targets large business entities operating within New York with significant economic activities, and consequently, potential environmental impacts.
- Bill A 4123, as introduced, does not explicitly define the revenue threshold. However, it focuses on companies that have a substantial environmental impact.

### Key Requirements

- Requires businesses to disclose direct (Scope 1), indirect (Scope 2), and value-chain related (Scope 3) greenhouse gas emissions annually.
- Emissions reporting must be independently verified and publicly disclosed to ensure reliability and facilitate transparency.
- Disclosures must align with national and international standards, making it easier for stakeholders to compare the environmental performance of companies.

### Penalties

- Non-compliance with reporting requirements could attract significant penalties as outlined in the proposed legislative framework.



## 2. Bill SB 897

### What is it?

Proposed in January 2023, Senate Bill S897 requires companies with revenues exceeding \$1 billion USD from subsidiaries operating in New York to report Scope 1, 2, and 3 emissions annually to an emissions registry. This bill emphasizes detailed emissions reporting verified by third-party auditors to enhance the credibility of the information provided.

### Scope

- Applies to businesses with over \$1 billion in revenue from subsidiaries operating in New York. It should be noted that the \$1 billion threshold includes only revenue from subsidiaries operating in New York, excluding those not operating in the state.
- The law will be effective two years from the date the bill is signed into law.
- Requires annual disclosures of Scope 1, 2, and 3 emissions.

### Key Requirements

- Requires companies to disclose Scope 1, 2, and 3 emissions to an emissions registry.
- The emissions reporting must follow the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards and the Corporate Value Chain Accounting and Reporting Standards.
- Reports must be verified by a third-party auditor or the emissions registry itself to enhance the credibility of the data provided.
- Comprehensive definitions of emissions scopes are outlined to ensure businesses provide complete reports on environmental impact.

### Penalties

- The penalties for non-compliance include substantial daily fines (\$100,000 per day), similar to those outlined in the California bills, emphasizing corporate accountability for climate-related emissions.



## Federal Level

The United States, through the Securities and Exchange Commission (SEC), has taken significant steps towards mandating climate-related financial disclosures, focusing on enhancing transparency for investors and aligning corporate practices with global sustainability goals. As of April 2024, the SEC finalized rules that require publicly listed companies to disclose a wide range of climate-related data, covering emissions, financial risks, and corporate governance. These regulations represent a crucial federal-level approach aimed at standardizing sustainability reporting, reducing regulatory fragmentation, and addressing both investor demand and the growing risks posed by climate change. The following sections outline the key disclosure requirements, phased implementation details, and implications of these federal rules.

## Introduction to the SEC Climate Disclosure Rules

### Purpose and Scope

- On March 6, 2024, the SEC adopted new rules to mandate the disclosure of specific climate-related information for all U.S. publicly-listed companies.
- The rule is modeled after the Taskforce for Climate-related Financial Disclosures (TCFD), ensuring transparency and consistency for investors on carbon and climate risks.
- Applies to all U.S. public companies and non-U.S. companies with shares traded in the U.S. that file Form 20-F.
- Private U.S. companies are exempt, although those planning an IPO may start disclosures early as they will be part of their eventual IPO registration statements.



### What is it?

Proposed in January 2023, Senate Bill S897 requires companies with revenues exceeding \$1 billion USD from subsidiaries operating in New York to report Scope 1, 2, and 3 emissions annually to an emissions registry. This bill emphasizes detailed emissions reporting verified by third-party auditors to enhance the credibility of the information provided.

### Key Disclosure Areas

- **Climate-Related Risks:** Companies must disclose material climate-related risks affecting business operations.
- **Mitigation and Adaptation Actions:** Disclosure of measures taken to mitigate or adapt to climate-related risks is mandatory.
- **Board Oversight and Management Roles:** Information must be provided about the board's oversight of climate risks and management's role in managing them.
- **Material Climate-Related Targets:** Disclosure of climate-related targets or goals and progress towards achieving them is required.
- **Emissions Reporting:** Large registrants must disclose Scope 1 and Scope 2 greenhouse gas emissions when they are material.

### Phased Implementation and Attestation Requirements

- **Scope 1 and Scope 2 Emissions:** Limited assurance of emissions is required from 2029, escalating to reasonable assurance in 2034 for large accelerated filers.
- **Financial Impact Disclosures:** Disclosure of financial impacts from severe weather events, such as costs and losses, is mandatory if they exceed a threshold of 1% of stockholders' equity.



## Detailed Components of the SEC Disclosure Requirements

### 1 Measuring and Disclosing Climate Data

- **Emissions Data:** Companies must disclose Scope 1 and 2 GHG emissions in their annual 10-K report for fiscal years starting 2026 onwards, depending on filer status (see table below for exact timings).
- **Material Internal Carbon Price:** If a company uses an internal carbon price, it must disclose the calculation logic and its impact.
- **Climate Pledges and Targets:** Updates on material expenditures related to climate pledges are mandatory to provide transparency on actual progress.

### 3 Integrating Climate Thinking into Corporate Governance

- **Board-Level Integration:** Climate action should not be siloed; investors expect it to be a core component of governance. Details of how boards are incorporating climate risk into wider decision-making processes must be outlined.

### 2 Assessing and Disclosing Climate Risks

- **Physical and Transitional Risks:** Climate risks can be physical (e.g., severe weather) or transitional (e.g., shifts in market demands due to environmental concerns). Companies must assess these risks over short and long-term horizons.
- **Narrative and Quantitative Disclosures:** Risks must be described both qualitatively and quantitatively. For example, financial implications of new regulations, such as changes in a fleet's compliance with emissions standards, should be reported in detail.
- **Impact on Financial Statements:** Costs related to severe weather impacts must be disclosed if significant (greater than 1% of the absolute value of shareholders' equity or deficit), adding transparency to potential financial liabilities.

### 4 Attestation and Assurance

- **Attestation Report:** Companies must include an attestation report prepared by a GHG emissions attestation provider in their annual 10-K filing. The level of assurance escalates from limited to reasonable for large accelerated filers, emphasizing rigor.
- **Phased Attestation Requirements:** The assurance process will begin with limited assurance, moving towards reasonable assurance over time, promoting incremental capacity building.



## Timeline of Implementation for SEC Disclosure Rules

The following table summarizes the timeline and requirements for various types of registrants based on the attached image and the detailed rules:

Registrant Type	Climate-Related Risk, Governance, and Supporting Information	Climate-Related Material Expenditures and Impacts on Financial Estimates	Material Scope 1 & 2 GHG Emissions	Limited Assurance (Scope 1 & 2)	Reasonable Assurance (Scope 1 & 2)
Large Accelerated Filer	Fiscal year 2025 (filed in 2026)	Fiscal year 2026 (filed in 2027)	Fiscal year 2026 (filed in 2027)	Fiscal year 2029 (filed in 2030)	Fiscal year 2033 (filed in 2034)
Accelerated Filer	Fiscal year 2026 (filed in 2027)	Fiscal year 2027 (filed in 2028)	Fiscal year 2028 (filed in 2029)	Fiscal year 2031 (filed in 2032)	N/A
Non-Accelerated Filer and Smaller Reporting Company	Fiscal year 2027 (filed in 2028)	Fiscal year 2028 (filed in 2029)	N/A	N/A	N/A

# Outlook

The United States is at the threshold of a transformative regulatory shift in sustainability and climate-related disclosures. Federal and state-level regulations are gradually being introduced, with several new mandates aimed at enha



## Federal Level Developments

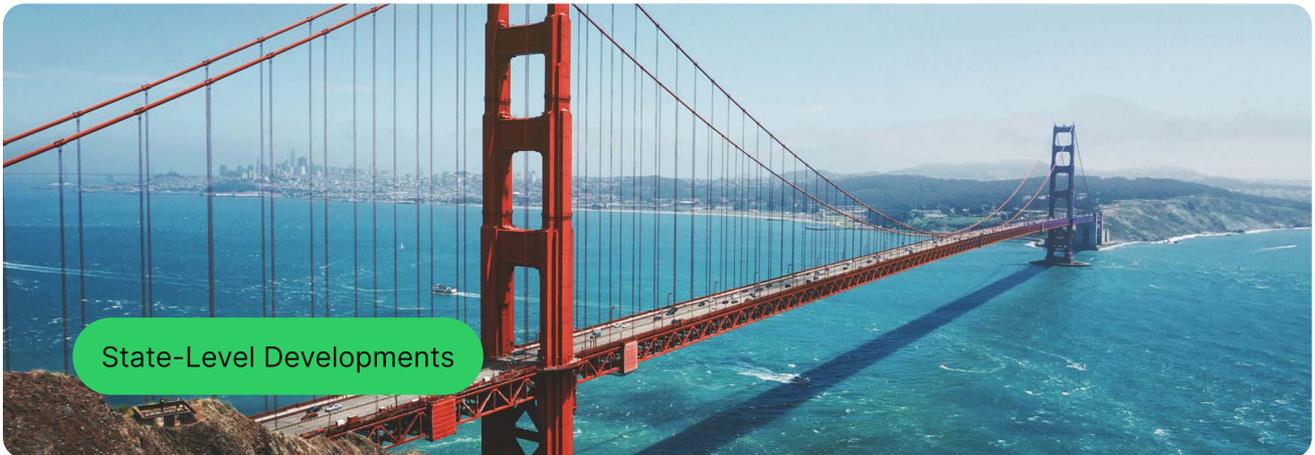


### SEC Climate Disclosure Rules (Implementation from 2026 Onwards):

The upcoming SEC climate disclosure requirements mark a pivotal change in the regulatory landscape for publicly listed companies in the U.S. Beginning in fiscal year 2026, companies will need to comply with detailed climate-related disclosures, focusing on:

- **Climate Data Reporting:** Public companies, especially large accelerated filers, will be mandated to disclose Scope 1 and 2 greenhouse gas (GHG) emissions, with potential additional requirements for Scope 3 emissions depending on market and investor demands.
- **Governance and Risk Integration:** The rules are modeled on TCFD recommendations, emphasizing that companies must integrate climate-related considerations into corporate governance, including board-level oversight and risk management.
- **Assurance Requirements:** Large companies will need to provide limited assurance on emissions data three years post-first disclosure and reasonable assurance four years later.

These regulations will push companies to enhance internal data management and ensure climate risks are considered integral to business strategies and operations.



## State-Level Developments



### California Climate Legislation (Effective from 2026)

California remains at the forefront of state-level sustainability regulation:

- **SB 253 & SB 261 (Effective 2026 and 2027):** The **Climate Corporate Data Accountability Act** (SB 253) and the **Climate-Related Financial Risk Act** (SB 261) will require both public and private entities operating in California with substantial revenues to disclose emissions across the entire value chain (Scope 1, 2, and 3) and report on climate-related risks and mitigation measures. These acts will enforce stringent disclosure and third-party assurance requirements, promoting corporate accountability.
- **AB 1305 (Effective 2024):** This statute targets companies making claims about "net zero" emissions or carbon offsets. Regardless of whether companies are headquartered in California, AB 1305 applies to any businesses making related environmental claims visible within the state.



### New York Climate Bills (Proposed, Potential Effect from 2026 Onwards)

**Bill A 4123** and **SB 897** are expected to significantly enhance corporate emissions reporting for companies with considerable revenues. These proposed laws will mandate that firms operating in New York disclose comprehensive Scope 1, 2, and 3 GHG emissions and provide verified reports to the state's emissions registry.



### Challenges for SMEs

Small and medium enterprises (SMEs) may face considerable challenges adapting to the complex and costly reporting and assurance requirements. Targeted support measures and simplified pathways to compliance may be necessary to ensure that SMEs are not unduly burdened by these new regulations.



### Long-term Vision

The U.S. aims to strengthen its commitment to mitigating climate risks, aligning with global sustainability initiatives such as the TCFD and GHG Protocol. The coming years will see increased regulation, greater emphasis on third-party assurance, and expanding accountability for all market players, including private entities. This evolving regulatory landscape is set to promote a greener economy, where sustainability becomes an integral part of corporate growth and innovation.



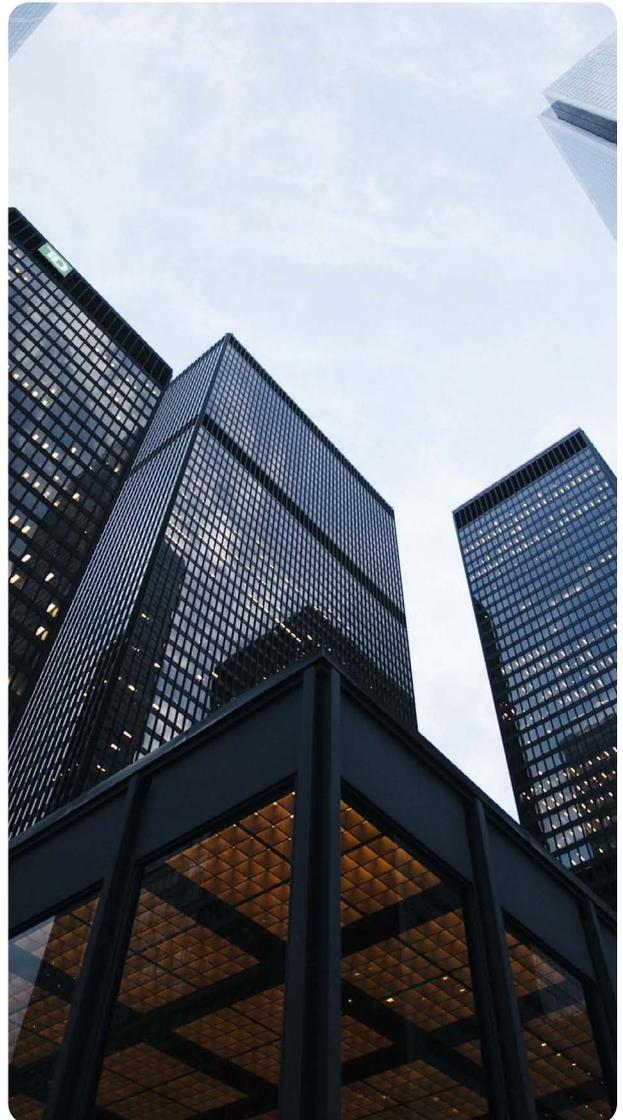
### Business Adaptation

The evolving regulatory environment in the U.S. will require companies, particularly publicly listed and large revenue-generating entities, to prepare for stricter reporting requirements. This will include significant investments in data collection, third-party verification, and integrating climate-related thinking into corporate governance processes.



### Opportunities

Proactive companies that align with these evolving requirements stand to benefit from increased investor confidence and enhanced reputation. Early adopters of SEC, California, or New York disclosure requirements can position themselves as industry leaders, demonstrating strong commitments to transparency, sustainability, and corporate responsibility.





Norway

# Climate Policy Overview

Norway is advancing its sustainability agenda with a comprehensive legal framework that reflects both national ambitions and alignment with European Union standards. As a signatory to the Paris Agreement and a participant in the European Economic Area (EEA), Norway is implementing increasingly stringent environmental policies, transitioning from voluntary to mandatory ESG reporting.

## Commitment to Sustainability Initiatives

- **Alignment with EU Directives:** Although not an EU member, Norway is bound by the European Economic Area (EEA) Agreement, requiring it to adopt relevant EU regulations, including the Corporate Sustainability Reporting Directive (CSRD) from 2024. This directive mandates detailed sustainability practices covering areas like corruption, human rights, and climate, with increased requirements for third-party verification.
- **Constitutional Right to a Healthy Environment:** Article 112 of the Norwegian Constitution guarantees the right to a healthy environment and obligates authorities to act to protect it. This constitutional basis underpins Norway's strong environmental legislation and public accountability.
- **Paris Agreement Commitments:** Norway has committed to reducing greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels. The Climate Change Act formalizes these targets, supporting the country's goal of becoming a low-emission society by 2050.

## Shift Towards Mandatory ESG Reporting

- Norway has seen a significant shift from voluntary ESG reporting to mandatory compliance, driven by regulatory changes and rising stakeholder expectations. This trend is pushing companies to adopt more transparent and formal ESG data reporting mechanisms, particularly with the upcoming requirements under EU legislation.

## Challenges

- **Regulatory Integration:** Norway's adherence to both national and EU regulations presents complexity for businesses that must navigate dual compliance obligations.
- **Data Verification Requirements:** The transition to mandatory ESG reporting, including third-party verification of sustainability data, imposes additional administrative burdens on companies.

## Opportunities

- **Competitive Advantage:** Early adoption of robust sustainability practices, in line with EU and national legislation, positions Norwegian companies as sustainability leaders. This proactive approach can enhance investor confidence and brand reputation.
- **Public Trust and Engagement:** Norway’s focus on transparency, especially through acts like the Environmental Information Act and the Transparency Act, fosters public trust. By responding to public information requests on environmental and human rights impacts, companies can strengthen their accountability.

# Regulatory Framework Overview 1/2

Regulation	Start date	Details	Scope
<b>Pollution Control Act (Forurensningsloven)</b>	1981	Prevents and reduces all forms of pollution. Applies to emissions to air, water, soil, noise pollution, and waste management.	All entities or individuals whose actions may cause pollution.
<b>Planning and Building Act (Plan- og bygningsloven)</b>	2008	Ensures environmental aspects are accounted for in public planning and building projects, covering flood, landslide, and avalanche risks.	Public and private developers, particularly those in construction and urban planning.
<b>Nature Diversity Act (Naturmangfoldsloven)</b>	2009	Preserves biological and geological diversity, applies to public authorities when making decisions that impact landscapes and nature types.	Public authorities making decisions affecting biodiversity.
<b>Water Resources Act (Vannressursloven)</b>	2000	Regulates sustainable use and preservation of water and groundwater. Applies to hydropower installations and other measures affecting water resources.	Entities involved in hydropower installations and other water resource projects.
<b>Gas Emission Trading Act (Klimakvotelovent)</b>	2004	Limits greenhouse gas emissions through an emissions allowance trading system. Applies to sectors with high GHG emissions.	Energy and heavy industry sectors emitting significant greenhouse gases.

# Regulatory Framework Overview 2/2

Regulation	Start date	Details	Scope
<b>Environmental Information Act (Miljøinformasjonsloven)</b>	2008	Requires both public authorities and private companies to have environmental information and provide access to such information upon request.	Public authorities and private companies.
<b>Norwegian Transparency Act</b>	July 1, 2022	Applies to companies with due diligence obligations on human rights and working conditions. Requires annual public reporting on due diligence.	Companies operating in Norway, particularly in high-risk sectors.
<b>EU Emissions Trading System (EU ETS)</b>	Ongoing	Applies to energy, heavy industry sectors in Norway. Requires acquisition and surrender of allowances for greenhouse gas emissions.	Energy and heavy industry sectors.
<b>Norwegian Carbon Tax</b>	Ongoing	Applies to most sectors including transport and waste. Provides financial incentives for emissions reductions.	Most sectors, including energy, transport, and waste management.
<b>EU Waste Framework Directive</b>	Ongoing	Sets a waste hierarchy focusing on prevention, reuse, and recycling. Implemented via national regulations.	Industries producing significant waste destined for landfills.
<b>Norwegian Waste Regulations</b>	Ongoing	Implements EU Waste Framework Directive with specific targets for diverting waste from landfill.	Industries producing goods and services for the EU market.
<b>Product Environmental Footprint (PEF)</b>	In Development	Applies to product lifecycle assessment for environmental impacts. Still under development within the EU context, not yet mandatory.	Industries producing goods and services for the EU market.

# Current Regulations

## 1. Pollution Control Act (Forurensningsloven)

### What is it?

Adopted in 1981, this act aims to prevent and reduce pollution to ensure a healthy environment, prohibiting actions that cause pollution unless explicitly permitted by law.

### Scope/Who it Affects

Applies to emissions impacting air, water, soil, noise pollution, and waste management. Relevant for any entities or individuals performing activities that could potentially cause pollution.

### Key Requirements/Key Actions

- **Permissions Requirement:** Requires permissions for actions that may cause pollution.
- **Emissions Standards:** Regulates emissions standards across different sectors.
- **Waste and Noise Management:** Sets mandates for waste management practices and noise pollution control.

### Penalties

**Financial Penalties and Restrictions:** Non-compliance can lead to fines, operational restrictions, and liabilities for environmental damage.

## 2. Planning and Building Act (Plan- og bygningsloven)

### What is it?

Adopted in 2008, this act integrates environmental considerations into public plans and building projects.

### Scope/Who it Affects

Applies to public and private developers, focusing on building and construction risks such as floods, landslides, and avalanches.

### Key Requirements/Key Actions

- **Environmental Impact Assessments:** Requires mandatory assessments for potential environmental impacts.
- **Safeguarding Measures:** Introduces requirements to document measures for natural disaster risks.
- **Permissions Requirement:** Sets requirements for obtaining appropriate permissions before development.

### Penalties

**Denial of Permissions and Financial Penalties:** Non-compliance can result in denial of planning permissions, fines, and the obligation to carry out remedial actions.



### 3. Nature Diversity Act (Naturmangfoldsloven)

#### What is it?

Adopted in 2009, this act aims to preserve biological and geological diversity and promote sustainable management of natural resources.

#### Scope/Who it Affects

Applies to all public authorities making decisions that may affect biological and geological diversity.

#### Key Requirements/Key Actions

- **Biodiversity Principles:** Requires that biodiversity principles are considered in all relevant decision-making processes.
- **Conservation Regulations:** Establishes regulations for the conservation of animal and plant species, landscapes, and nature types.

#### Penalties

**Financial Fines and Restoration Mandates:** Penalties may include fines, restoration mandates, and restrictions on further activity.

## 4. Water Resources Act (Vannressursloven)

### What is it?

Adopted in 2000, this act governs the sustainable use and preservation of river systems and groundwater, ensuring responsible management to protect environmental, public, and private interests.

### Scope/Who it Affects

Applies to all stakeholders managing river systems, hydropower installations, or groundwater use, including individuals, authorities, companies, and landowners. Also covers trans-boundary river systems shared with other countries.

### Key Requirements/Key Actions

- **Licensing Requirement:** Measures affecting river systems need a license from water authorities.
- **Environmental Protection:** Ensures proper management of freshwater resources and compliance with water quality standards.
- **Mandatory Permissions:** Applies to water abstraction, diversion, damming, or new installations affecting water systems.
- **Riparian Vegetation:** Requires maintaining vegetation along riverbanks to reduce runoff and support biodiversity.
- **Quality Standards:** Mandates minimum water flow levels and safety standards for people, property, and the environment.

### Penalties

- **Financial Penalties and Restoration Orders:** Non-compliance may result in fines, mandatory restoration, or shutdowns.
- **Liability for Damages:** Violators are liable for restoration costs and damages to affected properties or ecosystems.

## 5. Climate Change Act (Klimaloven)

### What is it?

Adopted in 2017, this act sets legally binding climate targets for Norway, supporting its transition to a low-emission society by 2050. It establishes a framework for accountability and transparency in reducing greenhouse gas emissions, aligned with Norway's commitments under the Paris Agreement.

### Scope/Who it Affects

Applies to the national government, requiring all sectors contributing to greenhouse gas emissions to align with the set targets and contribute to emission reductions.

### Key Requirements/Key Actions

- **Legally Binding Targets:** Requires the government to set binding targets for emissions reductions, including a minimum 40% reduction by 2030 compared to 1990 levels, and a climate-neutral society by 2050.
- **Annual Reporting:** The government must submit annual progress reports on emissions and climate policy to the Norwegian Parliament (Stortinget).
- **Long-term Plans:** Mandates updates to long-term climate plans every five years, ensuring alignment with international climate commitments.

### Penalties

**Parliamentary Oversight:** Lack of progress or failure to meet targets can lead to political consequences, including increased scrutiny from the Norwegian Parliament and potential loss of public confidence. There are no direct financial penalties, but failure to comply may harm Norway's international standing and credibility.

## 6. Gas Emission Trading Act (Klimakvoteloven)

### What is it?

Adopted in 2004, this act establishes an emissions trading system to limit greenhouse gas emissions and promote cost-effective reductions.

### Scope/Who it Affects

Applies to sectors with high greenhouse gas emissions, including energy production, heavy industry, and aviation.

### Key Requirements/Key Actions

- **Emission Allowances:** Requires companies to obtain and surrender allowances for their greenhouse gas emissions.
- **Market-Based Trading System:** Sets up a cap-and-trade system to incentivize emission reductions by allowing trading of allowances among participants.

### Penalties

- **Financial Penalties:** Non-compliance can lead to significant fines.
- **Obligations and Restrictions:** Companies may be required to purchase additional allowances, and there could be operational restrictions for continued non-compliance.

## 7. Environmental Information Act (Miljøinformasjonsloven)

### What is it?

Adopted in 2008, this act requires both public authorities and private companies to maintain and provide public access to relevant environmental information.

### Scope/Who it Affects

Applies to all companies and public authorities in Norway, ensuring they are accountable for environmental information related to their activities.

### Key Requirements/Key Actions

- **Data Accessibility:** Entities must obtain, maintain, and provide environmental information upon request.
- **Public Right to Information:** Grants the public the right to access environmental data from companies and authorities.

### Penalties

**Corrective Actions and Legal Penalties:** Non-compliance may result in mandatory corrective actions and potential legal consequences for failing to provide requested information.

## 8. Norwegian Transparency Act

### What is it?

Effective from July 1, 2022, this act mandates companies to ensure transparency regarding human rights and decent working conditions throughout their operations and supply chains.

### Scope/Who it Affects

Applies to large and medium-sized companies operating in Norway, particularly those involved in high-risk sectors for human rights abuses.

### Key Requirements/Key Actions

- **Due Diligence:** Companies must conduct due diligence to assess and mitigate adverse human rights impacts.
- **Annual Reporting:** Publish an annual report on the due diligence process by June 30.
- **Public Information Requests:** Companies must respond to public requests regarding how they address human rights issues.

### Penalties

**Financial Penalties and Reputational Damage:** Failure to conduct due diligence or respond to requests can result in fines and reputational damage, along with mandatory corrective actions.

## 9. EU Emissions Trading System (EU ETS)

### What is it?

A market-based mechanism that applies to the energy and heavy industry sectors, requiring them to acquire and surrender allowances for greenhouse gas emissions.

### Scope/Who it Affects

Applies to energy production, heavy industry, and aviation sectors operating in Norway, as Norway is part of the European Economic Area.

### Key Requirements/Key Actions

**Allowance Acquisition:** Companies must participate in the EU ETS to acquire allowances corresponding to their emissions.

### Penalties

**Fines and Permit Restrictions:** Non-compliance can result in significant fines and limitations on operational permits.

## 10. Norwegian Carbon Tax

### What is it?

Established to create a financial incentive for reducing carbon emissions, the carbon tax applies to multiple sectors, including energy, transport, and waste.

### Scope/Who it Affects

Applies to various sectors such as energy production, transport, and waste management.

### Key Requirements/Key Actions

**Carbon Tax Payment:** Companies must pay a tax based on the volume of carbon emissions produced, creating a direct economic incentive to reduce emissions.

### Penalties

**Fines and Additional Tax Obligations:** Failure to comply can result in fines and higher future tax obligations.

## 11. EU Waste Framework Directive

### What is it?

The EU Waste Framework Directive, initially adopted in 2008 and later amended, establishes the legislative framework for waste management within the EU, aiming to protect the environment and human health through effective waste reduction, reuse, and recycling.

### Scope/Who it Affects

Applies to all entities within the EU, including those in Norway, that produce, transport, or handle waste. It covers waste generators, waste management companies, and authorities involved in waste oversight.

### Key Requirements/Key Actions

- **Waste Hierarchy Implementation:** Requires adherence to the waste hierarchy, prioritizing prevention, reuse, recycling, recovery, and, lastly, disposal.
- **Recycling and Recovery Targets:** Sets mandatory targets for recycling and recovery of specific materials, such as packaging, to achieve a circular economy.
- **Extended Producer Responsibility (EPR):** Promotes extended producer responsibility, requiring producers to take back, recover, and dispose of their products after use.

### Penalties

**Financial Penalties and Compliance Actions:** Non-compliance can result in financial penalties, mandatory corrective measures, and, in some cases, restrictions on business operations.

## 12. Norwegian Waste Regulations

### What is it?

Implements the EU Waste Framework Directive in Norway, setting targets for reducing waste sent to landfills through recycling and reuse.

### Scope/Who it Affects

Applies to industries and businesses producing significant waste, particularly those that would otherwise send waste to landfills.

### Key Requirements/Key Actions

- **Waste Reduction Targets:** Requires compliance with waste reduction, recycling, and reuse targets.

### Penalties

**Financial Penalties and Operational Adjustments:** Non-compliance may result in financial penalties and required adjustments to waste management practices.



## 13. Product Environmental Footprint (PEF)

### What is it?

The Product Environmental Footprint (PEF) is an initiative by the European Commission to standardize the measurement of products' environmental impact throughout their lifecycle, based on Life Cycle Assessments (LCAs).

### Scope/Who it Affects

Applies to industries producing goods and services within the EU market, including Norway. PEF is currently voluntary but aims to promote transparent and standardized assessments.

### Key Requirements/Key Actions

- **Lifecycle Assessment (LCA):** Encourages companies to assess environmental impacts using the PEF methodology.
- **Product Category Rules (PEFCRs):** Provides specific rules for product categories to ensure consistency and comparability.
- **Transition Phase:** The methodology is in a voluntary transition phase, set to end in 2024.

### Penalties

**No Direct Penalties:** PEF is currently not mandatory, but companies may face market disadvantages if they do not adopt it once it becomes standard practice.

# Outlook



## Standardized Environmental Regulations

Norway will implement standardized environmental requirements for the coastal aquaculture industry, replacing individual permits with uniform standards. This aims to reduce pollution and promote sustainability across all operations.



## Opportunities

Businesses that proactively adapt to the new regulations and adopt sustainable practices can gain a competitive edge, improve their environmental reputation, and better align with Norway's long-term climate goals.



## Workplace Environment Committees

From January 1, 2024, companies with 30 or more employees will need to establish a working environment committee (Arbeidsmiljøutvalg, AMU), enhancing workplace safety and compliance.



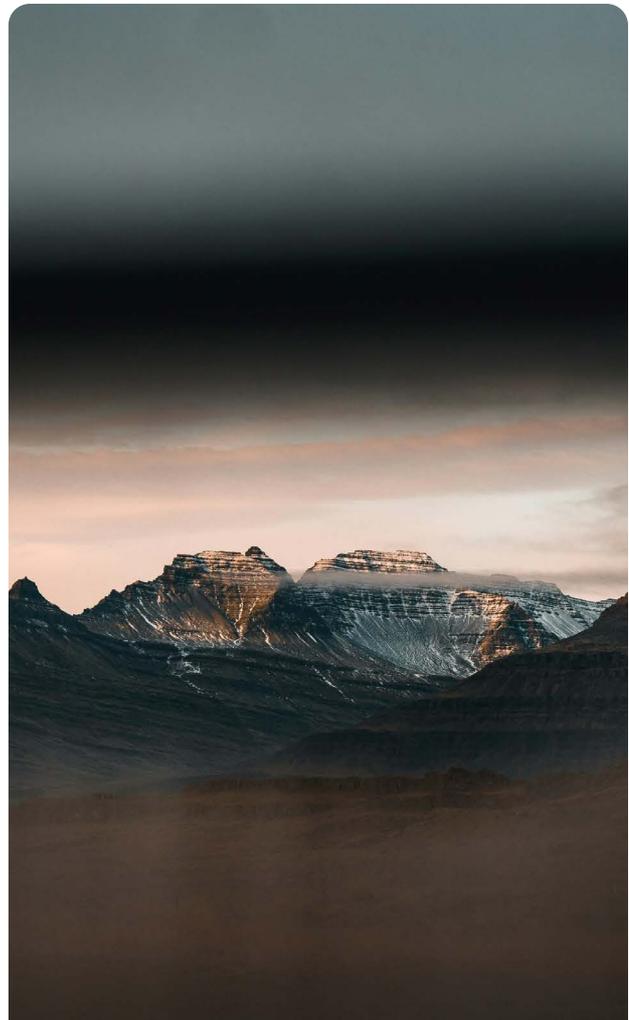
## Long-term Vision

Norway's commitment to its climate goals will drive future policy updates, encouraging renewable energy, sustainable practices, and enhanced regulatory standards to support the transition to a low-emission society.



## Business Adaptation and Challenges

Companies in regulated sectors must adapt to meet new sustainability and compliance standards, which may require operational changes and investment. Smaller businesses might face challenges in adapting to these evolving requirements, necessitating targeted support.





Sweden

# Climate Policy Overview

Sweden is leading climate policy efforts, with an ambitious framework aimed at achieving climate neutrality and promoting sustainable development. As a member of the European Union, Sweden integrates EU directives into its national regulations, which is crucial for businesses operating in or trading with the country.

## Commitment to Climate Neutrality

Sweden aims for zero net emissions by 2045, requiring companies to contribute to reducing greenhouse gas emissions by at least 85% compared to 1990 levels. Businesses will need to align with these targets, which may involve adopting innovative technologies and reducing their operational emissions. The remaining emissions will be offset through measures like carbon sequestration and carbon capture and storage (CCS).

## Alignment with EU Policies

Sweden's regulations are closely aligned with EU policies, such as the EU Effort Sharing Regulation, EU Emissions Trading System (EU ETS), and the Corporate Sustainability Reporting Directive (CSRD). Businesses in high-impact sectors will need to comply with these stringent requirements, focusing on emissions reduction and transparent sustainability reporting.

## Sectoral Focus

The transport sector is a key focus, with emissions to be reduced by at least 70% by 2030 compared to 2010. Companies involved in transportation and logistics will need to adjust their operations and adopt sustainable practices. Energy and heavy industry sectors are also targeted, requiring enhanced emission controls and sustainable energy use.

## Challenges for Businesses

Regulatory complexities and slow renewable energy project approvals pose challenges. Compliance costs may rise, particularly for high-emission industries.

## Opportunities for Companies

Investing in green technology and renewable energy provides a competitive edge, along with regulatory incentives. Proactive sustainability practices will enhance reputation and investor confidence.

# Regulatory Framework Overview 1/2

Regulation	Start date	Details	Scope
<b>The Environment Code (Miljöbalken)</b>	1998	All activities impacting the environment, including businesses, individuals, and authorities	Promotes sustainable development to prevent pollution, protect biodiversity, and regulate land and water use.
<b>Chemicals Act (Kemikalielagen)</b>	2015	Manufacturers, importers, and distributors of chemicals	Regulates the handling, import, and sale of chemicals to prevent harm to health and the environment.
<b>Climate Act (Klimatlagen)</b>	2018	Government policy and public authorities	Establishes climate targets and mandates the government to present annual climate policy plans, supporting Sweden's climate neutrality by 2045.
<b>Energy Act (Energilagen)</b>	-	Energy producers, distributors, and consumers	Regulates the production, distribution, and use of energy, promoting efficiency and renewable energy adoption.
<b>Planning and Building Act (Plan- och bygglagen)</b>	2011	Developers, construction companies, and municipalities	Integrates environmental considerations into urban planning, construction permits, and energy efficiency requirements.
<b>Waste Act (Avfallslagen)</b>	2020	Industries generating significant waste	Promotes waste reduction, recycling, and responsible waste management, aligned with the EU Waste Framework Directive.
<b>Act on Biofuels (Lag om drivmedel)</b>	2011	Fuel suppliers and distributors	Sets standards for fuel quality and requires reporting on the environmental impact of fuels, encouraging biofuel use.



# Regulatory Framework Overview 2/2

Regulation	Start date	Details	Scope
<b>Carbon Tax</b>	1991	Various sectors including transport, heating, and manufacturing	Imposes a tax on the carbon content of fossil fuels to incentivize emissions reduction.
<b>EU Circular Economy Package</b>	-	All industries in Sweden	Encourages waste prevention, product recyclability, and extended producer responsibility.
<b>Swedish Transport Policy Goals</b>	Target: 2030	Companies in the transport and logistics sectors	Aims to reduce emissions from domestic transport by at least 70% by 2030, compared to 2010 levels, encouraging green mobility.
<b>EU REACH Regulation</b>	2007	Companies manufacturing or importing chemicals	Requires the registration, evaluation, authorization, and restriction of chemicals to protect health and the environment.
<b>Environment-related Legal Obligations &amp; Reporting Obligations</b>	2024	Large companies meeting specific thresholds	Mandates sustainability reporting on environmental, social, and governance factors, including climate impact and biodiversity.

# Current Regulations

## 1. The Environment Code (Miljöbalken)

### What is it?

Adopted in 1998, the Environment Code is Sweden's principal environmental legislation aimed at promoting sustainable development. It provides regulations to prevent pollution, conserve biodiversity, and promote the sustainable use of land, water, and natural resources.

### Scope/Who it Affects

Applies broadly to all activities that impact the environment, including businesses, individuals, and public authorities.

### Key Requirements/Key Actions

- Protects human health and prevents environmental degradation.
- Requires environmental impact assessments for activities that may significantly affect the environment.
- Encourages the reuse and recycling of materials to establish natural cycles.

### Penalties

Non-compliance can result in fines, operational restrictions, and restoration orders.

## 2. Chemicals Act (Kemikalielagen)

### What is it?

Adopted in 2015, the Chemicals Act regulates the handling, import, and sale of chemicals to prevent harm to human health and the environment.

### Scope/Who it Affects

Applies to businesses that manufacture, import, or distribute chemical substances in Sweden.

### Key Requirements/Key Actions

- Requires companies to register and evaluate chemicals to ensure safety.
- Imposes reporting requirements regarding the risks and safety measures for chemical products.

### Penalties

Financial penalties and restrictions on the sale of chemicals are enforced for non-compliance.

## 3. Climate Act (Klimatlagen)

### What is it?

Enacted in 2018, this Act provides a framework for Sweden's climate policy, ensuring alignment with the goal of achieving net zero emissions by 2045.

### Scope/Who it Affects

Applies to government policies, with an indirect effect on businesses in all sectors contributing to greenhouse gas emissions.

### Key Requirements/Key Actions

- Requires the government to present an annual climate policy action plan as part of the national budget.
- Climate policy must align with long-term emissions reduction goals.

### Penalties

Failure to meet the climate targets may lead to political and reputational consequences for the government.

## 4. Energy Act (Energilagen)

### What is it?

Regulates energy production, distribution, and consumption, promoting efficient and sustainable energy use. It supports the transition to renewable energy in line with Sweden's climate targets.

### Scope/Who it Affects

Applies to energy producers, distributors, and consumers, including energy-intensive industries.

### Key Requirements/Key Actions

- Encourages the use of renewable energy sources and energy efficiency.
- Requires companies to take measures to reduce energy consumption.

### Penalties

Fines and operational restrictions may be applied for non-compliance with energy efficiency regulations.

## 5. Planning and Building Act (Plan- och bygglagen)

### What is it?

This Act ensures that environmental considerations are incorporated into urban planning and construction projects.

### Scope/Who it Affects

Applies to developers, construction companies, and municipalities involved in building and land use planning.

### Key Requirements/Key Actions

- Requires building permits for projects, ensuring compliance with energy efficiency and sustainability standards.
- Mandates environmental impact assessments for major developments.

### Penalties

Denial of building permits and fines may be imposed for non-compliance with the Act's requirements.

## 6. Waste Act (Avfallslagen)

### What is it?

Enacted in 2020, this law promotes the reduction of waste and supports recycling, aligning with the EU Waste Framework Directive.

### Scope/Who it Affects

Applies to industries generating significant waste, including manufacturers, and waste management companies.

### Key Requirements/Key Actions

- Encourages the reduction of waste, recycling, and responsible waste management practices.
- Requires proper disposal of hazardous waste.

### Penalties

Non-compliance can lead to financial penalties and mandatory improvements in waste management systems.

## 7. Act on Biofuels (Lag om drivmedel)

### What is it?

This Act, adopted in 2011, sets standards for fuel quality and requires companies to report the environmental impact of the fuels they supply.

### Scope/Who it Affects

Applies to fuel suppliers and distributors in Sweden.

### Key Requirements/Key Actions

- Imposes fuel quality standards and environmental impact reporting.
- Promotes the use of biofuels to reduce fossil fuel dependence.

### Penalties

Non-compliance can result in fines and restrictions on the sale of non-compliant fuels.

## 8. Carbon Tax

### What is it?

Sweden's carbon tax, implemented in 1991, applies to sectors not covered by the EU Emissions Trading System (EU ETS). It aims to reduce greenhouse gas emissions by taxing fossil fuel use.

### Scope/Who it Affects

Applies to various sectors, including transport, heating, and manufacturing.

### Key Requirements/Key Actions

- Companies must pay a tax based on the carbon content of the fuels they use.
- Encourages businesses to adopt low-carbon alternatives.

### Penalties

Additional fines and higher tax rates are imposed for failure to comply with the carbon tax obligations.

## 9. EU Emissions Trading System (EU ETS)

### What is it?

The EU ETS is a cap-and-trade system that limits greenhouse gas emissions in sectors such as energy, heavy industry, and aviation.

### Scope/Who it Affects

Applies to companies in the energy, industrial, and aviation sectors.

### Key Requirements/Key Actions

- Companies must monitor and report emissions and hold allowances equal to their emissions.
- Encourages emission reductions through a market-based trading system.

### Penalties

Fines and restrictions on operations are imposed for exceeding emission limits without sufficient allowances.

## 10. EU Circular Economy Package

### What is it?

Part of the EU's broader circular economy initiative, the Circular Economy Package encourages waste prevention and improved recyclability of products.

### Scope/Who it Affects

Applies to industries in Sweden, particularly those involved in manufacturing and product design.

### Key Requirements/Key Actions

- Encourages the design of products for longer lifespans and easier recycling.
- Introduces extended producer responsibility for products that generate significant waste.

### Penalties

Non-compliance can lead to fines and restrictions on the marketability of non-recyclable or waste-intensive products.

## 11. Swedish Transport Policy Goals

### What is it?

Sweden has set ambitious transport sector goals to significantly reduce emissions by 2030.

### Scope/Who it Affects

Applies to companies involved in the transport and logistics sectors.

### Key Requirements/Key Actions

- Requires a 70% reduction in emissions from domestic transport by 2030, compared to 2010 levels.
- Encourages investment in cleaner vehicles and infrastructure for sustainable mobility.

### Penalties

Failure to meet emission reduction targets may lead to stricter regulations and potential financial penalties.

## 12. EU REACH Regulation

### What is it?

The EU REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulation aims to improve the protection of human health and the environment from the risks posed by chemicals.

### Scope/Who it Affects

Applies to all companies manufacturing or importing chemical substances into the EU market, including Sweden.

### Key Requirements/Key Actions

- Requires companies to register substances with the European Chemicals Agency (ECHA).
- Evaluates and authorizes the use of chemicals to minimize risks.

### Penalties

Non-compliance can lead to financial penalties and restrictions on the sale or use of non-compliant chemicals.



## 13. Environment-related Legal Obligations & Reporting Obligations

### What is it?

Sweden mandates sustainability reporting for large companies to ensure transparency and accountability.

### Scope/Who it Affects

Applies to large companies meeting specific thresholds (e.g., more than 250 employees or annual turnover exceeding SEK 350 million).

### Key Requirements/Key Actions

- Companies must publish sustainability reports covering environmental, social, and governance (ESG) factors.
- Reporting must include information on climate impact, biodiversity, and actions taken to mitigate negative effects.

### Penalties

Non-compliance can result in fines and damage to corporate reputation, as transparency is increasingly demanded by stakeholders.

# Outlook



## Net Zero by 2045

Sweden aims to achieve net zero greenhouse gas emissions by 2045, with at least an 85% reduction from 1990 levels. The remaining emissions will be offset through measures such as carbon sequestration, CCS, and international projects. Post-2045, Sweden aims for negative emissions.



## Business Adaptation and Challenges

Companies must adapt to stricter regulations, particularly in high-emission sectors. Smaller businesses may struggle with compliance, requiring support to manage costs and operational changes.



## Transport and Sectoral Emissions Targets

By 2030, domestic transport emissions are targeted for a 70% reduction, while sectors covered by the EU Effort Sharing Regulation must achieve a 63% reduction from 1990 levels, increasing to 75% by 2040



## Opportunities

Businesses that adopt clean technologies early can gain a competitive advantage, access incentives, and enhance investor confidence. Proactive sustainability measures will improve market positioning and resilience.



## Corporate Sustainability Reporting Directive (CSRD)

Effective from 2024 to 2028, the CSRD will require large companies and those in high-impact sectors to disclose information on social and environmental impacts, including supply chain emissions and effects on nature.



## Long-term Vision

Sweden's regulatory landscape will continue evolving towards achieving net zero and negative emissions. Businesses should anticipate ongoing updates that emphasize sustainability, transparency, and innovation.



Finland

# Climate Policy Overview

Finland has established a comprehensive environmental regulatory framework to support its goal of becoming carbon neutral by 2035. As a member of the EU, the country's environmental policies align closely with EU directives, which are supplemented by Finland's national regulations to address local needs.

## Commitment to Climate Neutrality

Finland aims to achieve carbon neutrality by 2035, followed by further emissions reduction targets for 2040 and 2050. This commitment drives the implementation of stringent policies to reduce emissions across all sectors, with a focus on renewable energy, energy efficiency, and sustainable development.

## Compliance with EU Directives

Finland is subject to EU directives, such as the Corporate Sustainability Reporting Directive (CSRD), which requires large companies to systematically report on environmental, social, and governance (ESG) issues. This directive emphasizes transparency in corporate sustainability practices and impacts on climate, biodiversity, and human rights.

## National Environmental Regulations

Key national laws include the Environmental Protection Act, which governs pollution prevention, the Nature Conservation Act for biodiversity protection, and the Water Act, which ensures sustainable water management. The Land Use and Construction Act also plays a crucial role in integrating environmental considerations into urban planning and construction projects.

## Business Adaptation and Challenges

Companies in Finland must align with stringent national and EU regulations. This includes significant requirements for emissions reduction, sustainable resource use, and ESG reporting. Smaller businesses may struggle to meet these demands, requiring support to build capacity and comply with new standards.

## Opportunities

Finland's ambitious climate targets create opportunities for businesses to innovate and adopt sustainable practices. Companies that invest in renewable energy, efficient technologies, and improved ESG reporting can benefit from government incentives, enhance their reputation, and strengthen their market position.



## Long-term Vision

The journey to carbon neutrality by 2035 will continue to shape Finland's regulatory landscape. Businesses should expect ongoing regulatory updates aimed at enhancing transparency, reducing emissions, and promoting sustainability. Companies are encouraged to integrate climate considerations into their operations to align with Finland's long-term environmental goals.

# Regulatory Framework Overview 1/2

Regulation	Start date	Details	Scope
<b>Environmental Protection Act (Ympäristönsuojelulaki)</b>	2014	All activities that may cause pollution, including businesses, individuals, and authorities	Sets out principles for pollution prevention, waste management, and environmental impact assessments to protect human health and the environment.
<b>Nature Conservation Act (Luonnonsuojelulaki)</b>	1996	Biodiversity conservation efforts and protected areas	Focuses on preserving biodiversity and sustainable natural resource use, establishing protected areas and species conservation frameworks.
<b>Water Act (Vesilaki)</b>	2011	Activities that impact water bodies, including industries and individuals	Regulates water management and protection, setting quality standards and prohibiting harmful activities in water systems.
<b>Land Use and Construction Act (Maankäyttö- ja rakennuslaki)</b>	1999	Developers, municipalities, and construction projects	Integrates environmental considerations into urban planning, requiring mandatory environmental impact assessments for certain activities.
<b>Act on Environmental Impact Assessment Procedure</b>	1994	Developers of projects with significant environmental impact	Ensures environmental impacts are assessed before project approval to avoid or mitigate potential environmental harm.



# Regulatory Framework Overview 2/2

Regulation	Start date	Details	Scope
<b>Chemicals Act (Kemikaalilaki)</b>	2013	Manufacturers, importers, and users of chemicals	Regulates the handling, import, and use of chemicals to protect human health and the environment, requiring proper evaluation and safety measures.
<b>Forest Act (Metsälaki)</b>	1996	Forest owners and forest management entities	Promotes sustainable forest management, requiring practices such as reforestation after harvesting.
<b>Mining Act (Kaivoslaki)</b>	2011	Mining companies and permit applicants	Regulates mining activities, ensuring environmental protection through required permits and impact minimization measures.
<b>Finnish Accounting Act</b>	-	Large public-interest entities (e.g., listed companies, banks, insurers)	Requires non-financial disclosures focusing on ESG issues, including the business model, risks, and sustainability outcomes.
<b>EU Non-Financial Reporting Directive (NFRD)</b>	-	Large public-interest entities with 500+ employees	Mandates reporting on environmental, social, and governance matters, encouraging recognized frameworks for consistency.
<b>Corporate Sustainability Reporting Directive (CSRD)</b>	2024-2028	Large companies and high-impact sectors	Expands sustainability reporting requirements, including detailed, audited disclosures on environmental and social issues.

# Current Regulations

## 1. Environmental Protection Act (Ympäristönsuojelulaki 527/2014)

### What is it?

The main piece of legislation governing environmental protection in Finland, focusing on pollution prevention, waste management, and environmental impact assessments.

### Scope/Who it Affects

Applies to all activities that may cause pollution, including businesses, individuals, and public authorities.

### Key Requirements/Key Actions

- Pollution prevention: Establishes requirements for preventing and controlling pollution.
- Environmental permits: Requires permits for activities that could cause significant environmental impact.
- Waste management: Promotes waste reduction, reuse, and recycling.

### Penalties

Non-compliance can lead to fines, operational restrictions, and mandatory remediation actions.



## 2. Nature Conservation Act (Luonnonsuojelulaki 1096/1996)

### What is it?

This Act focuses on preserving biodiversity and the sustainable use of natural resources in Finland.

### Scope/Who it Affects

Applies to all individuals, businesses, and authorities involved in activities that may affect protected areas or species.

### Key Requirements/Key Actions

- Protected areas: Establishes and manages protected areas to conserve biodiversity.
- Species conservation: Provides regulations for the protection of endangered species.

### Penalties

Violations can lead to fines, restoration mandates, and restrictions on further activities.

## 3. Water Act (Vesilaki 587/2011)

### What is it?

Regulates the use and protection of water resources, ensuring sustainable water management.

### Scope/Who it Affects

Applies to industries and individuals involved in activities affecting water bodies, such as water abstraction or discharge.

### Key Requirements/Key Actions

- Water quality: Sets quality standards for water bodies to prevent pollution.
- Permits: Requires permits for activities that impact water resources.

### Penalties

Non-compliance can lead to fines, required restoration measures, and restrictions on water usage.

## 4. Land Use and Construction Act (Maankäyttö- ja rakennuslaki 132/1999)

### What is it?

This Act integrates environmental considerations into urban planning and construction activities.

### Scope/Who it Affects

Applies to developers, construction companies, and municipalities engaged in land-use planning.

### Key Requirements/Key Actions

- Environmental impact assessments: Mandatory for projects with significant environmental effects.
- Planning requirements: Requires sustainable land-use practices.

### Penalties

Non-compliance can result in denial of construction permits and financial penalties.

## 5. Act on Environmental Impact Assessment Procedure (468/1994)

### What is it?

Ensures that environmental impacts of projects are assessed before approval.

### Scope/Who it Affects

Applies to developers of projects that may have significant environmental effects.

### Key Requirements/Key Actions

- Assessment procedure: Requires developers to assess and report potential environmental impacts.

### Penalties

Non-compliance may lead to project delays, denial of permits, and legal action.

## 6. Chemicals Act (Kemikaalilaki 599/2013)

### What is it?

Regulates the handling, import, and use of chemicals to protect health and the environment.

### Scope/Who it Affects

Applies to manufacturers, importers, and users of chemicals in Finland.

### Key Requirements/Key Actions

- Chemical registration: Requires the evaluation and registration of chemicals before use.
- Safety measures: Mandates appropriate handling and safety protocols.

### Penalties

Financial penalties and restrictions on the sale or use of non-compliant chemicals.

## 7. Forest Act (Metsälaki 1093/1996)

### What is it?

Promotes sustainable forest management practices in Finland.

### Scope/Who it Affects

Applies to forest owners and entities involved in forest management.

### Key Requirements/Key Actions

Sustainable management: Requires reforestation and sustainable practices after logging.

### Penalties

Non-compliance can lead to restoration requirements and fines.

## 8. Mining Act (Kaivoslaki 621/2011)

### What is it?

Regulates mining activities to ensure they are conducted in an environmentally sound manner.

### Scope/Who it Affects

Applies to mining companies operating in Finland.

### Key Requirements/Key Actions

- Environmental permits: Requires mining permits and environmental impact assessments.
- Minimization of impact: Mandates steps to reduce environmental harm.

### Penalties

Violations can result in permit revocation, fines, and mandatory restoration.

## 9. Finnish Accounting Act

### What is it?

Requires non-financial disclosures from large public-interest entities, focusing on environmental, social, and governance (ESG) issues.

### Scope/Who it Affects

Applies to large companies, such as listed companies, banks, and insurers.

### Key Requirements/Key Actions

Sustainability reporting: Requires disclosures on policies, risks, and sustainability outcomes.

### Penalties

Non-compliance may lead to regulatory sanctions and reputational damage.

## 10. EU Non-Financial Reporting Directive (NFRD)

### What is it?

The NFRD requires large public-interest entities to disclose information on how they manage social and environmental challenges, promoting transparency in corporate sustainability.

### Scope/Who it Affects

Applies to large public-interest entities, including listed companies, banks, and insurers, with more than 500 employees.

### Key Requirements/Key Actions

Non-financial disclosures: Requires reporting on environmental, social, and governance (ESG) matters, including business models, risks, and sustainability outcomes.

### Penalties

Non-compliance may result in fines, increased regulatory scrutiny, and reputational damage.

## 11. Corporate Sustainability Reporting Directive (CSRD)

### What is it?

The CSRD expands the scope of non-financial reporting, requiring more detailed and audited sustainability disclosures.

### Scope/Who it Affects

Applies to large companies and high-impact sectors in Finland.

### Key Requirements/Key Actions

Detailed reporting: Requires companies to disclose ESG information, including supply chain impacts.

### Penalties

Non-compliance may result in fines and restrictions on market access.



# Outlook 1/2



## Carbon Neutrality by 2035

Finland's goal of achieving carbon neutrality by 2035 is among the most ambitious globally, supported by targets for further emission reductions by 2040 and 2050. This commitment is a cornerstone of Finland's Climate Change Act and will shape regulatory policies across all sectors.



## Corporate Sustainability Reporting Directive (CSRD)

The implementation of the CSRD between 2024 and 2028 will expand the scope of sustainability reporting for Finnish companies, particularly large businesses and those in high-impact sectors. These businesses will need to disclose comprehensive ESG information, including impacts on nature and their supply chain's carbon footprint, ensuring greater transparency and accountability.



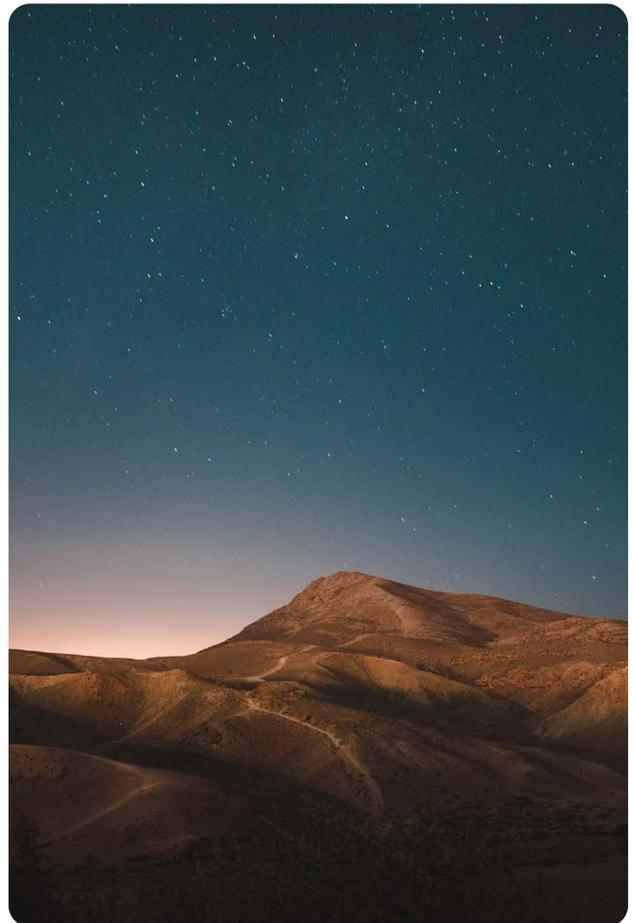
## Environmental Protection and Nature Conservation

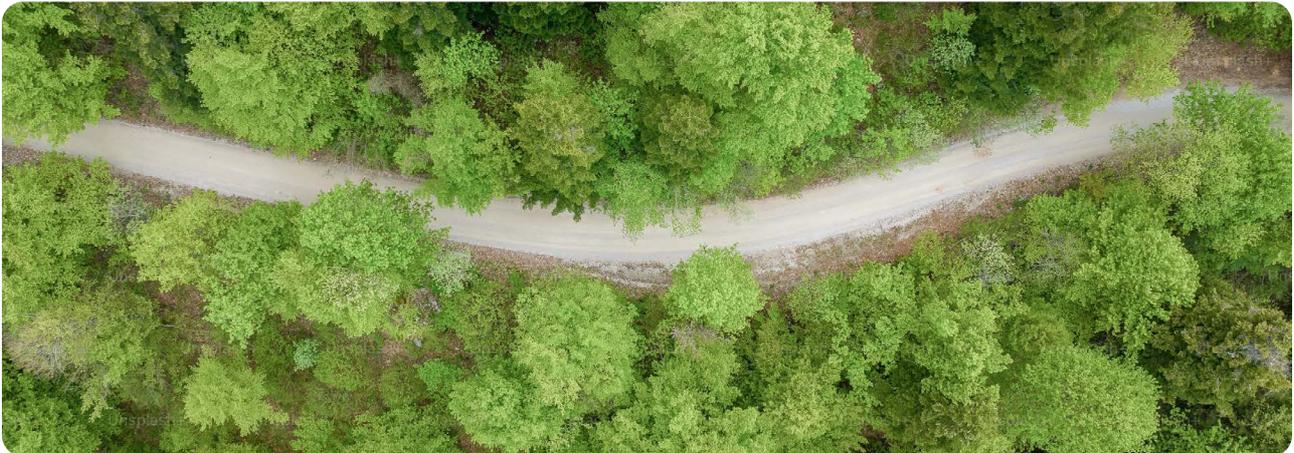
Finland's Environmental Protection Act (527/2014) aims to prevent pollution and promote the sustainable use of natural resources, while the Nature Conservation Act (1096/1996) focuses on biodiversity protection and safeguarding sensitive ecosystems. Environmental impact assessments are mandated for projects with significant environmental effects, requiring businesses to evaluate their activities comprehensively.



## Sustainable Development Strategy

Finland's Sustainable Development Strategy for 2022-2030 aligns with the UN's 2030 Agenda and Sustainable Development Goals. The strategy outlines six key areas for systemic change, including sustainable consumption, wellbeing, and a circular economy. Businesses will need to integrate these areas into their strategies to align with national priorities.





### Waste Management and Circular Economy

Finland's Waste Act implements the EU Waste Framework Directive, focusing on sustainable waste management through initiatives like extended producer responsibility. Businesses will need to adapt to stricter requirements aimed at minimizing waste and promoting recycling, supporting Finland's move towards a circular economy.



### Opportunities for Companies

Proactively aligning with Finland's ambitious climate targets offers substantial opportunities for businesses. Companies that invest in renewable energy, sustainable technologies, and robust ESG data collection and reporting will benefit from government incentives, strengthen their market position, and improve investor confidence. Consistent use of recognized reporting frameworks and transparent communication of ESG impacts can help businesses build trust with stakeholders and meet regulatory requirements, positioning them as leaders in sustainability.



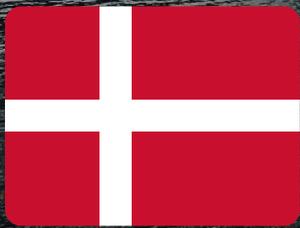
### Business Adaptation and Challenges:

Companies in Finland must navigate increasingly stringent regulations on emissions reduction, waste management, and sustainability reporting. High-impact sectors like energy, forestry, and heavy industry face challenges in adopting cleaner technologies and ensuring compliance with new ESG reporting requirements. Smaller companies may require additional support, such as funding or training initiatives, to build capacity and implement data collection and reporting systems.



### Long-term Vision

As Finland progresses toward its carbon neutrality goal by 2035, businesses should anticipate ongoing regulatory updates aimed at enhancing sustainability, reducing emissions, and promoting transparency. Companies that integrate sustainability into their long-term strategies, engage with stakeholders, and prepare for expanded reporting requirements under the CSRD will be better positioned to thrive in a more regulated and environmentally focused market landscape.



Denmark

# Climate Policy Overview

Denmark is recognized as a global leader in environmental policy and sustainability. The country has a long-standing commitment to ambitious climate goals, supported by comprehensive environmental legislation. As a member of the EU, Denmark aligns closely with EU directives, which play a significant role in shaping its regulatory framework.

## Ambitious Climate Goals

Denmark aims to reduce greenhouse gas emissions by 70% by 2030 compared to 1990 levels, with a target of achieving full carbon neutrality by 2050. These goals reflect Denmark's commitment to mitigating climate change and transitioning to a low-carbon economy.

## Compliance with EU Directives

Companies operating in Denmark are subject to the EU Corporate Sustainability Reporting Directive (CSRD), starts to roll out from 2024. This directive requires systematic reporting on environmental, social, and governance (ESG) matters, including issues such as corruption, human rights, diversity, climate change, and sustainability. The CSRD also introduces stricter requirements for third-party verification of reported data, promoting transparency and accountability.

## Right to a Healthy Environment

The Danish Environmental Protection Act (MBL) indirectly guarantees the right to a healthy environment. It sets strict pollution limits and establishes mandatory procedures for environmental impact assessments, ensuring that businesses minimize their negative impact on the environment.

## International Commitments

Denmark is a signatory to the Paris Agreement and plays an active role in international climate efforts. The country's climate policy is designed to align with its international commitments, emphasizing emission reductions, renewable energy, and sustainable practices.

## Business Adaptation and Challenges

Danish companies must adapt to both national and EU regulations, including the CSRD and environmental protection laws. High-emission sectors face significant challenges in meeting emission reduction targets, while all companies must implement robust ESG reporting systems. The increasing emphasis on third-party verification will require businesses to enhance the accuracy and reliability of their sustainability data.



## Opportunities for Companies

Denmark’s ambitious climate goals offer substantial opportunities for businesses to lead in sustainability and innovation. Companies that adopt renewable energy, improve energy efficiency, and align with ESG reporting standards will benefit from government support, enhance their reputation, and gain a competitive advantage in the market.

## Long-term Vision

Denmark’s path to carbon neutrality by 2050 will continue to drive regulatory changes, with an increasing focus on transparency, emissions reduction, and sustainable resource use. Companies are encouraged to integrate sustainability into their core business strategies, ensuring they are well-prepared for evolving regulatory expectations and future opportunities.

# Regulatory Framework Overview 1/2

Regulation	Start date	Details	Scope
<b>Environmental Protection Act (MBL)</b>	1991	All activities impacting the environment, including businesses and individuals	Regulates pollution prevention, waste management, water protection, and nature conservation to ensure environmental sustainability.
<b>Nature Protection Act (Naturbeskyttelsesloven)</b>	1992	Activities that affect protected natural areas and biodiversity	Establishes regulations for safeguarding habitats and endangered species, designates specific areas for protection.
<b>Water Environment Act (Vandmiljøloven)</b>	1993	Industries and stakeholders affecting water quality	Focuses on protecting water quality and ensuring the sustainable use of water resources through strict regulations.
<b>Planning Act (Planloven)</b>	1992	Municipalities, developers, and construction companies	Integrates environmental considerations into planning decisions, requires environmental impact assessments for projects.



# Regulatory Framework Overview 2/2

Regulation	Start date	Details	Scope
Waste Management Act	2011	Companies producing and managing waste	Sets regulations for waste treatment, disposal, and recycling to minimize environmental impact.
Chemicals Act	1985	Manufacturers, importers, and users of chemicals	Controls the use and handling of chemicals to minimize their impact on human health and the environment.
Danish Financial Statements Act (DFSA)	2001	Large companies and listed companies	Requires companies to disclose non-financial information on ESG aspects, either in the annual report or as a separate CSR report.
EU Non-Financial Reporting Directive (NFRD)	2014	Large public-interest entities with over 500 employees	Mandates reporting on environmental, social, governance, and diversity-related issues.
Corporate Sustainability Reporting Directive (CSRD)	2024	Large companies and listed SMEs	Requires more comprehensive and audited sustainability reporting, expanding the scope of companies that need to comply.

# Current Regulations

## 1. Environmental Protection Act (MBL)

### What is it?

The Environmental Protection Act is the cornerstone of Danish environmental law, regulating pollution prevention, waste management, water protection, and nature conservation. Its primary goal is to ensure a healthy environment for current and future generations.

### Scope/Who it Affects

Applies to all entities involved in activities that may impact the environment, including industries, municipalities, and individuals.

### Key Requirements/Key Actions

- Sets strict pollution limits for emissions into air, water, and soil.
- Requires companies to conduct environmental impact assessments for activities that may significantly affect the environment.
- Mandates compliance with waste management regulations and water quality standards.

### Penalties

Non-compliance can result in fines, operational restrictions, and mandatory environmental remediation measures.

## 2. Nature Protection Act (Naturbeskyttelsesloven)

### What is it?

The Nature Protection Act aims to protect natural areas and biodiversity by designating conservation areas and setting out regulations for safeguarding habitats and endangered species.

### Scope/Who it Affects

Applies to businesses, developers, and landowners engaging in activities that may affect protected areas or species.

### Key Requirements/Key Actions

- Restrictions on activities in designated conservation areas.
- Requires special permissions for development projects that may impact protected habitats.

### Penalties

Violations can lead to fines, restrictions on land use, and obligations to restore damaged habitats.

## 3. Water Environment Act (Vandmiljøloven)

### What is it?

The Water Environment Act focuses on protecting water quality and ensuring the sustainable use of water resources.

### Scope/Who it Affects

Applies to industries, agriculture, and municipalities that impact water bodies.

### Key Requirements/Key Actions

- Requires permits for discharges into water bodies.
- Sets quality standards for groundwater and surface water.

### Penalties

Non-compliance can lead to financial penalties and requirements for remediation to restore water quality.

## 4. Planning Act (Planloven)

### What is it?

The Planning Act integrates environmental considerations into urban and regional planning, promoting sustainable development.

### Scope/Who it Affects

Applies to municipalities, developers, and construction companies.

### Key Requirements/Key Actions

- Requires environmental impact assessments for certain projects.
- Mandates that development plans promote sustainability and minimize environmental impact.

### Penalties

Failure to comply may result in denial of planning permissions and legal action to halt non-compliant projects.

## 5. Waste Management Act

### What is it?

The Waste Management Act regulates waste treatment, disposal, and recycling to minimize environmental impact, in line with the EU Waste Framework Directive.

### Scope/Who it Affects

Applies to companies generating significant waste.

### Key Requirements/Key Actions

- Sets requirements for waste segregation, treatment, and recycling.
- Imposes extended producer responsibility for certain products.

### Penalties

Non-compliance can result in fines and mandatory changes to waste management practices.

## 6. Chemicals Act

### What is it?

The Chemicals Act regulates the use and handling of chemicals to minimize harm to human health and the environment.

### Scope/Who it Affects

Applies to manufacturers, importers, and users of chemicals.

### Key Requirements/Key Actions

- Requires safety assessments for chemical substances.
- Mandates compliance with labeling and handling standards.

### Penalties

Violations can lead to fines, product recalls, and restrictions on the use of hazardous substances.

## 7. Danish Financial Statements Act (DFSA)

### What is it?

The DFSA requires large companies to disclose non-financial information on environmental, social, and governance (ESG) aspects, either in the annual report or as a separate Corporate Social Responsibility (CSR) report.

### Scope/Who it Affects

Applies to large companies and listed entities.

### Key Requirements/Key Actions

- Companies must disclose information on policies, risks, and outcomes related to ESG issues.
- The information should cover environmental matters, social and employee issues, and anti-corruption measures.

### Penalties

Non-compliance may lead to fines, increased regulatory scrutiny, and reputational damage.

## 8. EU Non-Financial Reporting Directive (NFRD)

### What is it?

The NFRD requires large public-interest entities to disclose information on their business model, policies, and risks related to ESG matters.

### Scope/Who it Affects

Applies to large public-interest entities, including listed companies, banks, and insurers with over 500 employees.

### Key Requirements/Key Actions

- Requires reporting on environmental, social, and governance topics.
- Encourages the use of recognized reporting frameworks such as GRI or UN Global Compact.

### Penalties

Non-compliance can result in financial penalties and reputational consequences.



## 9. EU Non-Financial Reporting Directive (NFRD)

### What is it?

The NFRD requires large public-interest entities to disclose information on environmental, social, and governance (ESG) aspects, promoting transparency and accountability.

### Scope/Who it Affects

Applies to large public-interest entities, including listed companies, banks, and insurers, with over 500 employees.

### Key Requirements/Key Actions

- Requires companies to report on ESG topics, including environmental performance, social responsibility, and governance practices.
- Encourages the use of recognized frameworks like the Global Reporting Initiative (GRI) or UN Global Compact.

### Penalties

Non-compliance can result in financial penalties and reputational damage, along with increased regulatory scrutiny.

## 10. Corporate Sustainability Reporting Directive (CSRD)

### What is it?

The CSRD, effective from 2024, will expand and enhance sustainability reporting requirements, replacing the NFRD.

### Scope/Who it Affects

Applies to all large companies and listed SMEs in Denmark.

### Key Requirements/Key Actions

- Requires detailed and audited sustainability reporting.
- Expands the scope of reporting to include more companies, covering comprehensive ESG information.

### Penalties

Non-compliance will lead to financial penalties, reputational harm, and increased scrutiny from regulatory bodies.





# Outlook



## Climate and Sustainability Targets

Denmark aims to achieve carbon neutrality by 2050, with an interim goal of reducing greenhouse gas emissions by 70% by 2030 compared to 1990 levels. These targets are supported by the Danish Climate Act, which provides a stable legislative framework for advancing climate initiatives and meeting sustainability goals.



## Challenges

Companies must adapt to increasingly rigorous reporting standards under the CSRD, which include detailed ESG disclosures and mandatory assurance of sustainability data. High-impact sectors like energy and industry may face challenges in meeting the 2030 and 2050 emission reduction targets, especially in terms of adopting new technologies and processes to reduce carbon footprints.



## Corporate Sustainability Reporting Regulations

Denmark is implementing the EU's Corporate Sustainability Reporting Directive (CSRD), which requires large enterprises and listed companies to report on environmental, social, and governance (ESG) matters. Denmark's adoption of the CSRD goes beyond minimum requirements, also including commercial foundations, cooperative societies, and state-owned public limited companies. Reporting will be standardized using the European Sustainability Reporting Standards (ESRS), ensuring comparability, and companies will be required to follow the "double materiality" principle. Limited assurance from auditors on sustainability reports will also become mandatory.



## Opportunities for Companies

The evolving regulatory landscape presents opportunities for businesses that embrace sustainability early. Companies that invest in renewable energy, sustainable technologies, and robust ESG data management will benefit from government incentives, strengthen their market position, and gain the trust of stakeholders. Early compliance with CSRD requirements and integration of sustainability into core business strategies can offer competitive advantages.



## National Sustainable Development Action Plan

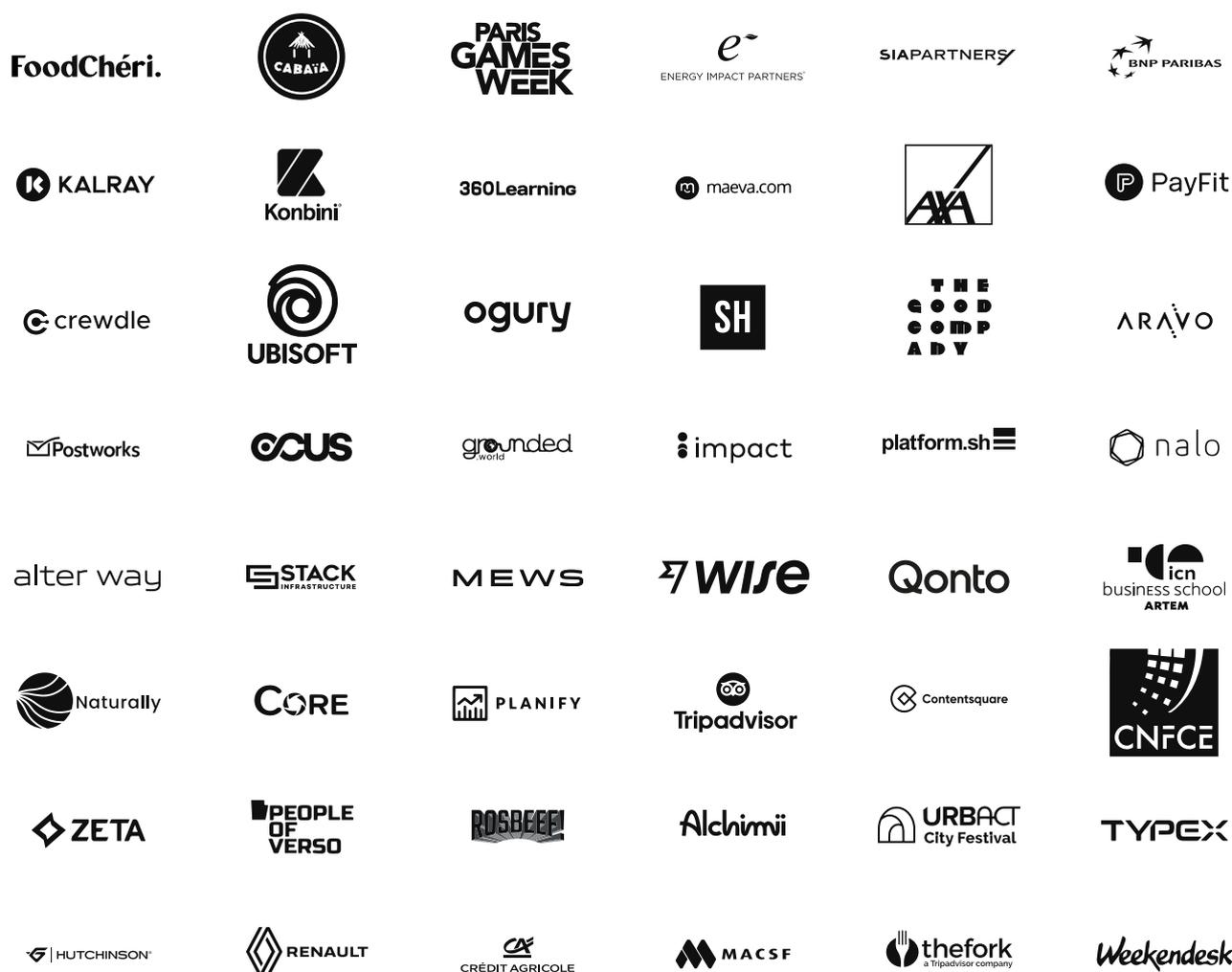
Denmark is developing a national Sustainable Development Action Plan, which will introduce new policy initiatives to align with the UN's 2030 Agenda. All legislative proposals are being screened for their potential impact on sustainability goals.



## Long-term Vision

- Denmark's commitment to carbon neutrality by 2050 will continue to shape its regulatory landscape, emphasizing emissions reduction, environmental protection, and sustainability reporting. Businesses that proactively align with these evolving regulations, engage stakeholders, and integrate sustainable practices will be well-positioned to succeed in the future.

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