

ESG & Compliance

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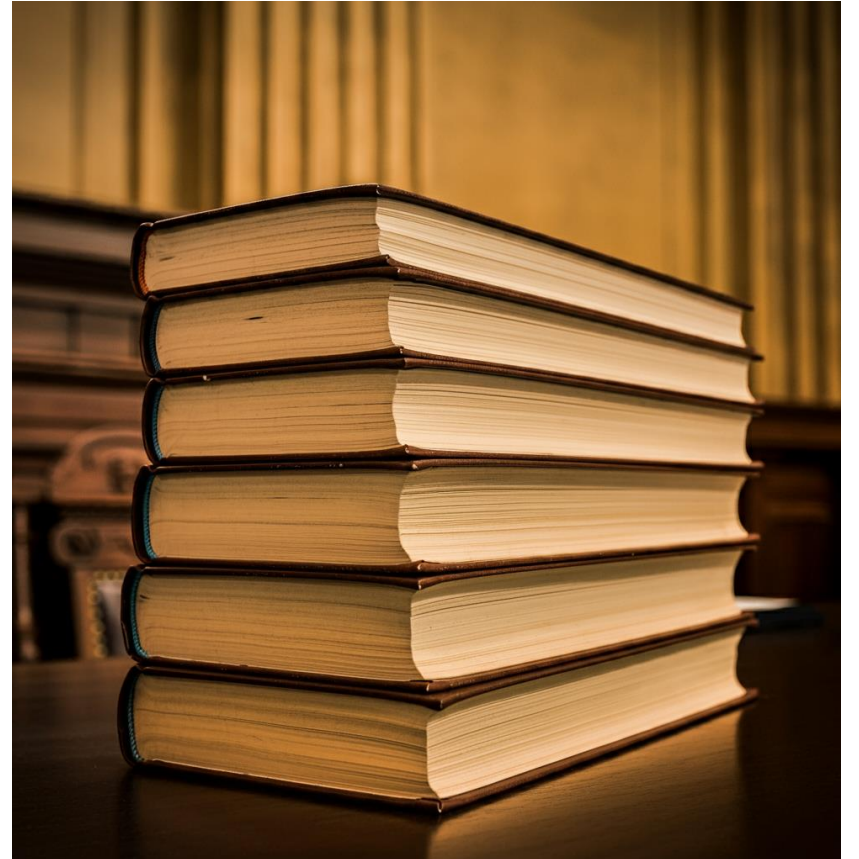
ESG and Europe, an overview

- In implementing the Paris Climate Agreement from 2015, the EU has set itself the goal of achieving climate neutrality by 2050.
- In order to achieve this objective, the European Commission has presented a package of political measures at the end of 2019 (*European Green Deal*).



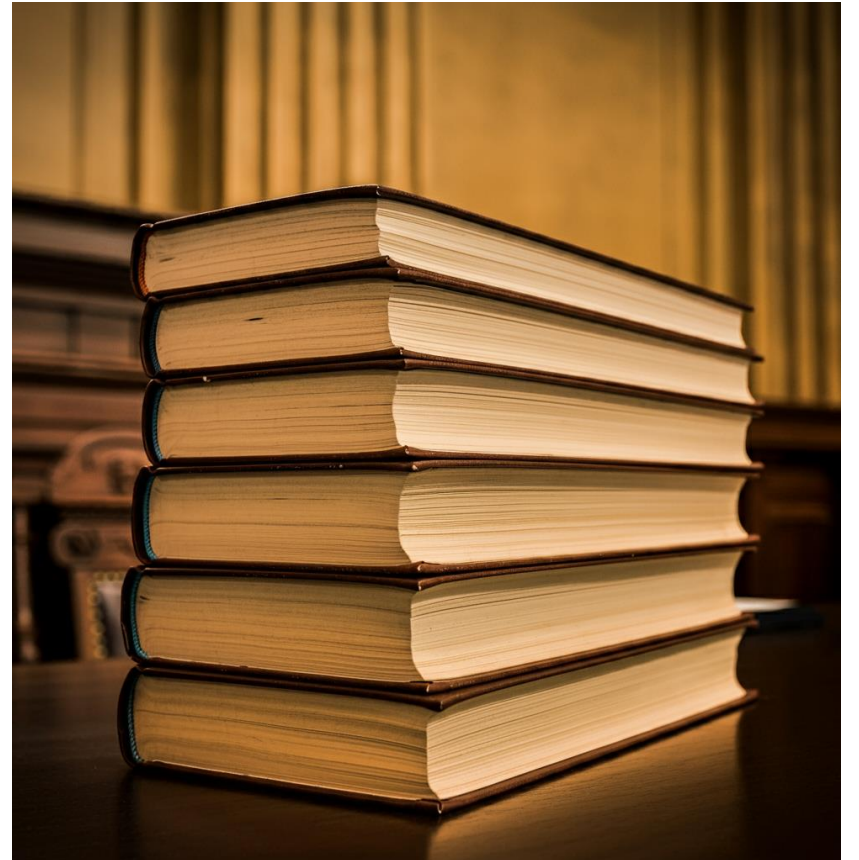
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- Since then, the EU has also developed an extensive legislative activity, which can be summarized as follows:
 - ESG-regulations companies have to comply with, are constantly growing and are becoming more and more complex and non-transparent.
 - The EU considers the three thematic areas of Environment, Social and Governance as being interrelated.
 - “*Standardisation*” and “*Transparency*” are two important principles of the ESG-legislation of the EU.



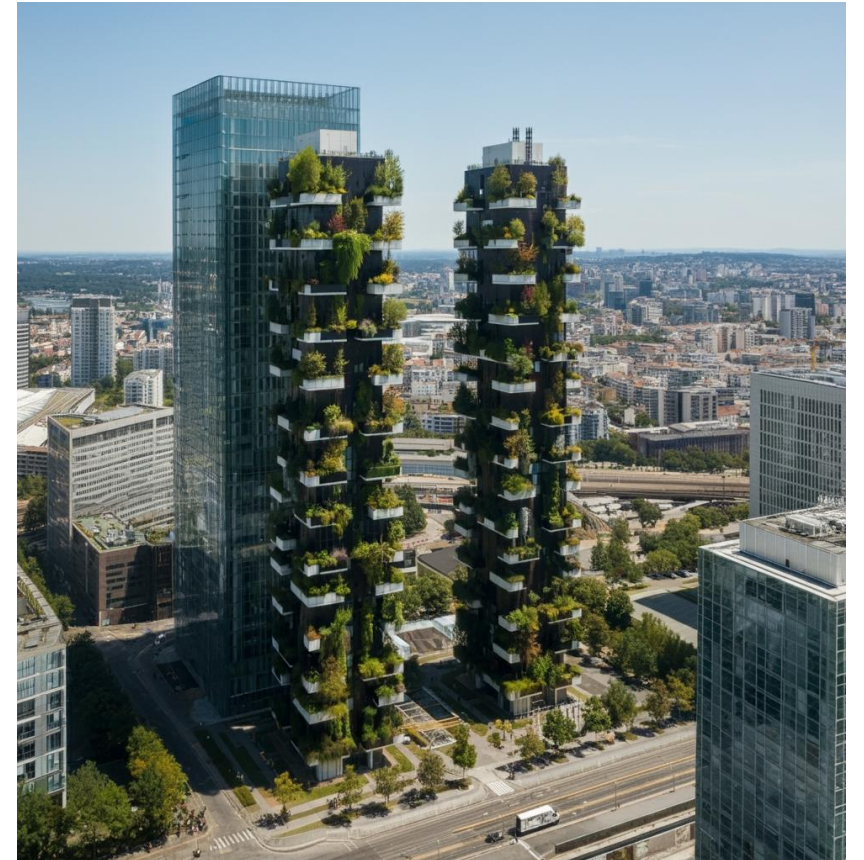
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- The geographical scope of the EU ESG-legislation is increasing. Non-EU companies can be affected by the relevant EU-legislation, either directly or indirectly.
- The EU expands the administrative supervision and the civil liability within the field of ESG constantly.
- The process of enforcing rights in court is becoming increasingly straightforward for both associations and private individuals.
- The risks of ESG non-compliance by companies is on the rise, as are the risks of non-compliance.



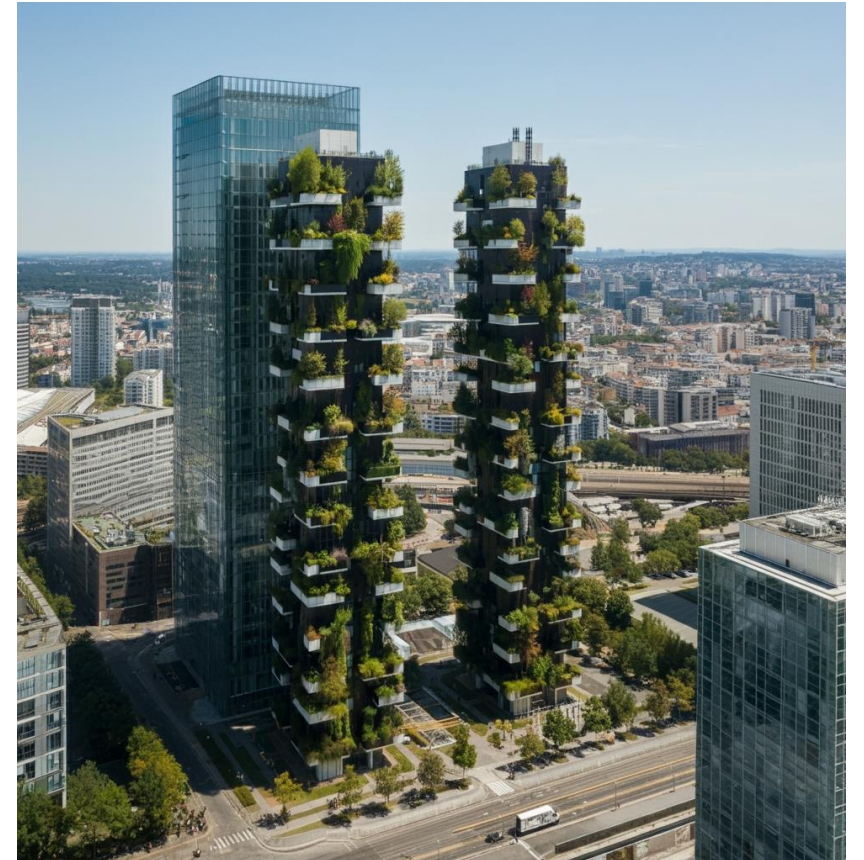
ESG and Europe, an overview

- The legal framework of the European ESG legislation is:
 - **The *EU Taxonomy*** provides a robust, evidence-based transparency instrument and classification system that enables companies and investors to ascertain which economic activities can be regarded as sustainable.
 - **The Sustainable Finance Disclosure Regulation**, which aims to make sustainable investing more transparent and simpler.



ESG and Europe, an overview

- The legal framework of the European ESG legislation is:
 - **The Corporate Sustainability Reporting Directive**, which stipulates that non-financial as well as financial information must be included in corporate reporting, thereby placing a greater focus on relevant ESG factors.
 - **The Corporate Sustainability Due Diligence Directive** is a regulatory instrument to ensure that the companies in question identify and address adverse impacts on human rights and the environment within their own operations, their subsidiaries, and – in cases where these are linked to their value chain – in the operations of their business partners, both within and outside of Europe.



Final recommendations

- Do not underestimate the economical and legal significance of non-compliance with the ESG legislation for companies.
 - Reputational damage, which relates to all stakeholders of the company (customers, employees, shareholders, banks, etc.)
 - Fines and penalties
 - Exclusion from public procurement contracts
 - Claims for damages and injunctive relief
 - etc.
- ESG-Legislation and case law are still evolving. As a result, the legal requirements and legal risks for companies are growing too.



Final recommendations

- There is an increasing need to incorporate ESG factors into investment, financing, insurance and corporate finance strategies.
- It is therefore vital for companies and their management to take action to ensure compliance with the relevant ESG regulations.
- **As a result, there is a lot of work ahead for companies and their advisers.**

