

Implications of the EU's ESG regulatory framework

what is next for sustainability?

KPMG ESG seminar

3 April 2025





Session 1

State of play on ESG: update on EU's legislative agenda

3 April 2025

Presenter: Walter Jacob
KPMG Law Belgium

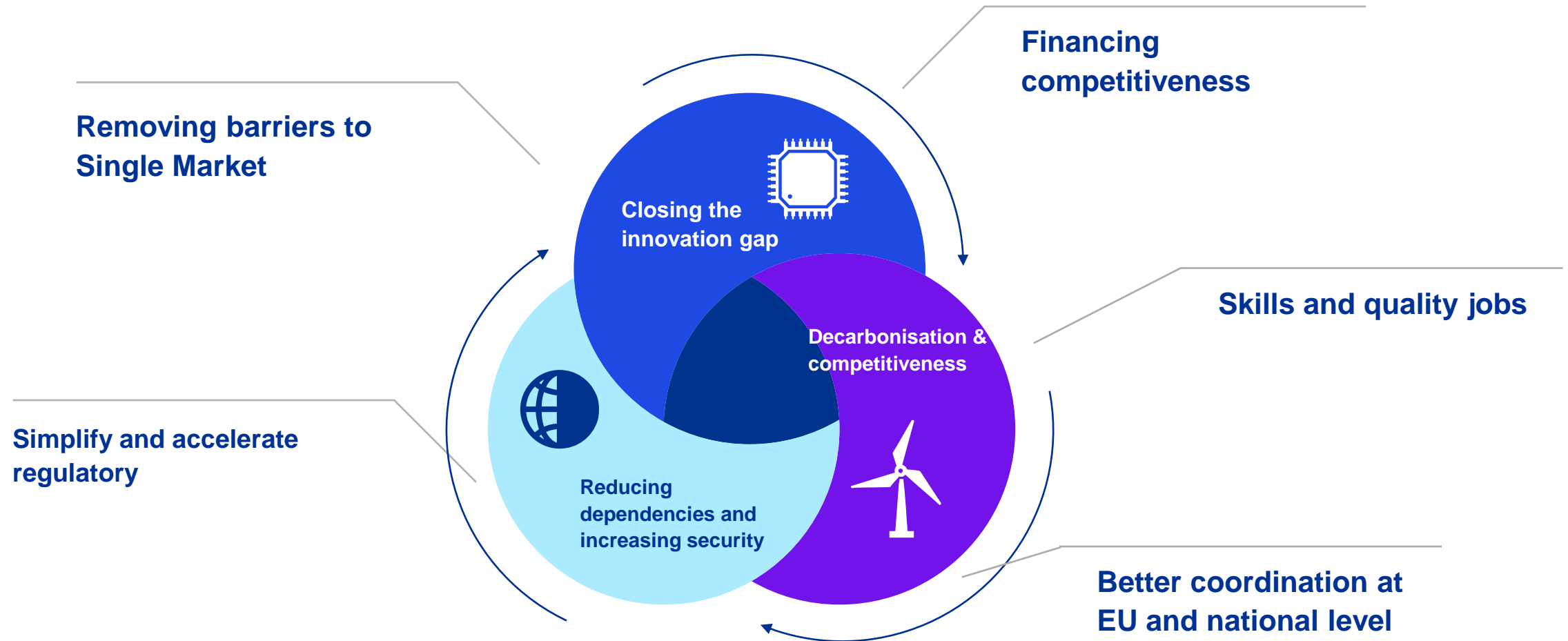
Update on the EU's legislative agenda

‘we need to get the balance right’

**EU Commission Q&A on Omnibus Package
26 Feb. 2025**

EU Competitiveness Compass

A 5-year policy-making roadmap, focused on priority actions to 'reignite economic dynamism'



Key considerations

01 What happened and what's next for ESG reporting?

02 What are key learnings and implications for you?

03 Where do we go from here?

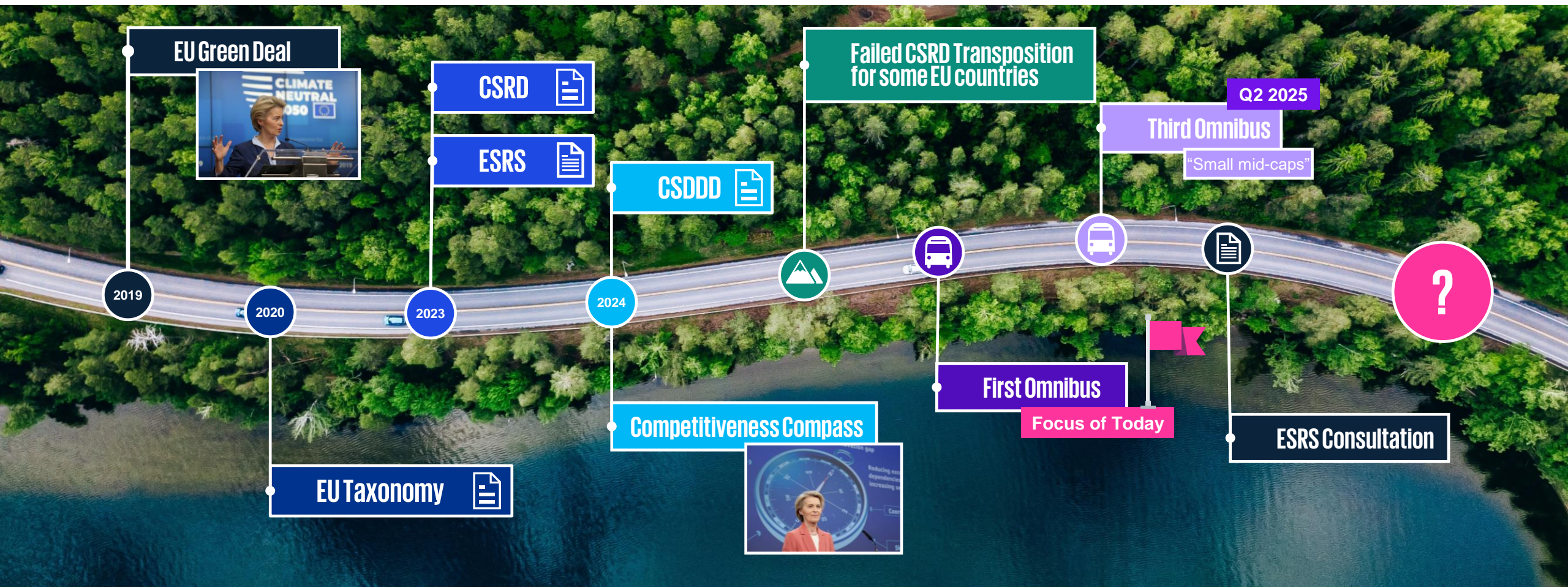


ESG Reporting feels like a roller coaster ride...



1. What happened and what's next for ESG reporting?

ESG reporting journey – to be continued!



The EU Commission proposes a three-step approach for simplification



CSRD 1.1

„Stop the clock“ COM(2025)80



- **Postponement of the initial application** of the CSRD for **companies of wave 2 and wave 3** of reporting
- **Adoption** by the member states **by the end of 2025** (“urgent procedure”)



Reduction of CSRD COM(2025)81

- Definition of **new thresholds** for CSRD scoping
- **Value Chain Cap**
- Removal of **reasonable assurance** requirement
- **Removal** of mandatory **sector-specific standards**
- **Adoption** by the member states **within 12 months after entry into force**

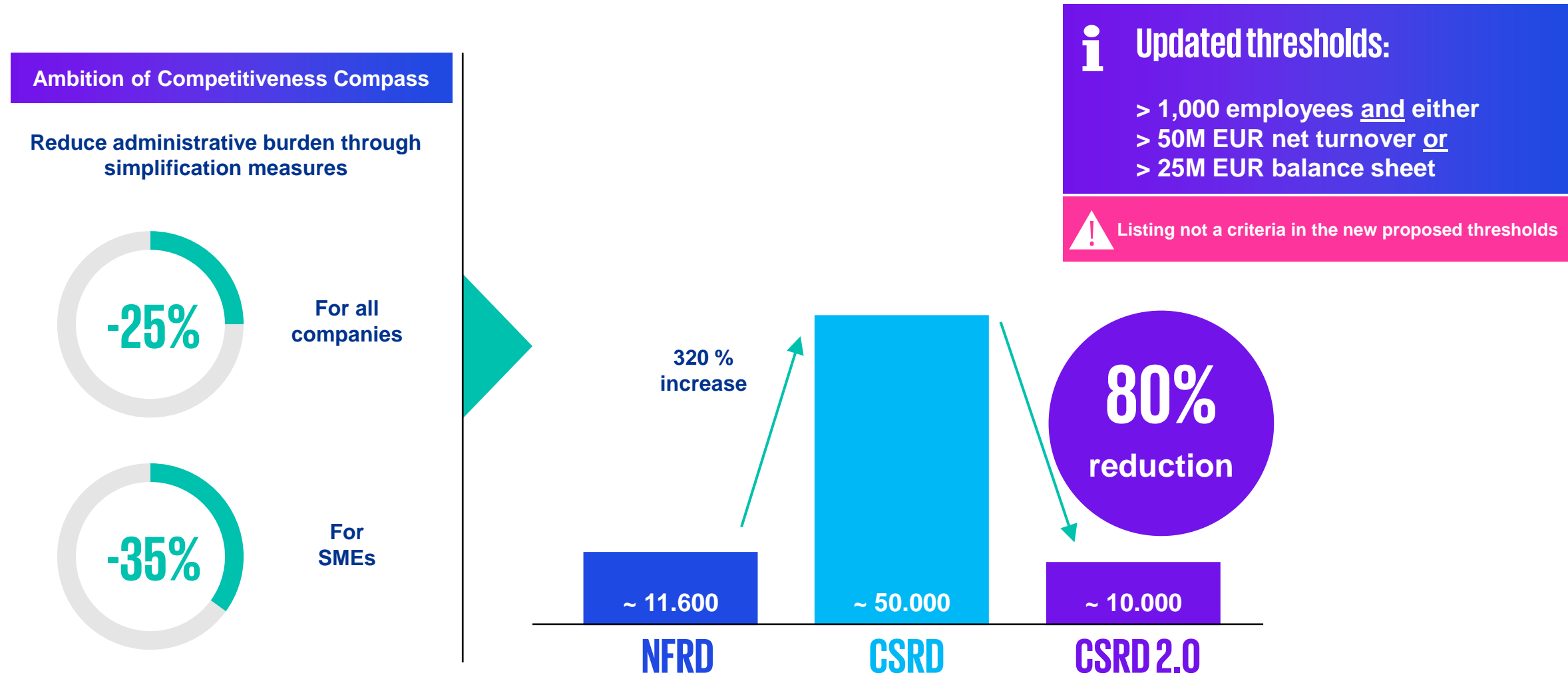
CSRD 2.0

Reduction of ESRS & EU Taxonomy



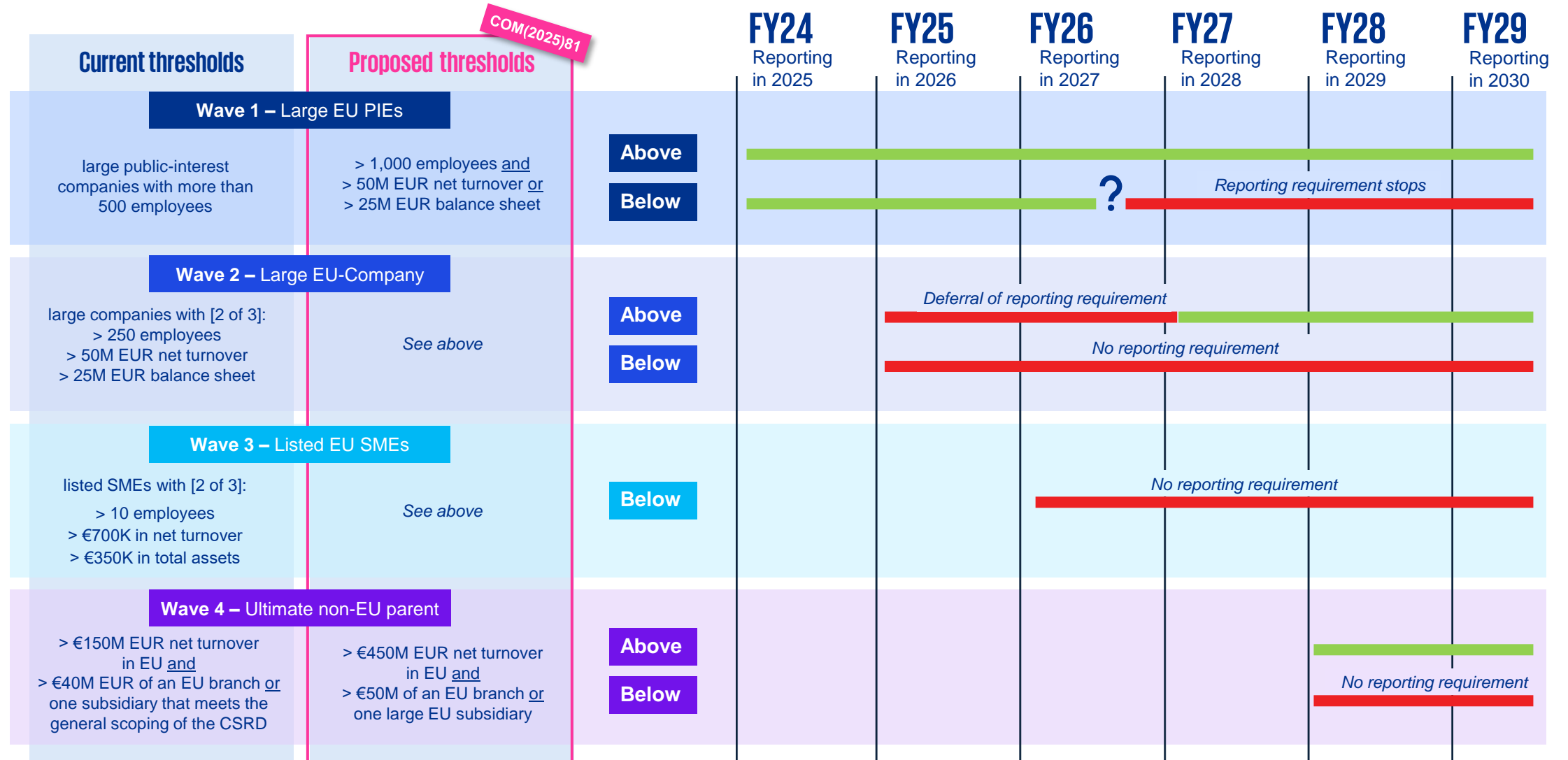
- Development of **simplified ESRS**
- **Reduction** of the number of **data points**
- **Clarifying provisions** deemed unclear
- **Improving consistency** with other pieces of legislation (e.g. CSDDD and CBAM)

The proposed thresholds will change the scope of CSRD significantly









2. What are key learnings and implications for you?

The omnibus is changing the wave approach to two thresholds



Omnibus changes also affect the CSRD beyond scoping

	Current requirements by the CSRD	Proposed key adjustments by the Commission
 Sector-specific information	Mandatory sector-specific reporting standards	Removal of mandatory sector-specific standards
 Reporting of value chain information	Companies required to obtain data from all suppliers	Cap on value chain information to avoid “trickle-down”
 ESRS	Full set of ESRS (subject to materiality)	Planned revision of ESRS: fewer data points, focus on quantitative data, data points to be made voluntary
 Standards for small and medium enterprises (SMEs)	<ul style="list-style-type: none"> – Non-official or -binding voluntary SME (VSME) standard provided by EFRAG – Listed SME standards for companies in Wave 3 	<ul style="list-style-type: none"> – Revised VSME to be adopted as a Delegated Act; Commission to issue recommendation on voluntary reporting as soon as possible – LSME standards removed
 Double materiality assessment	Required (both financial and impact materiality)	Remains required
 Assurance obligations	<ul style="list-style-type: none"> – Limited assurance required – Plans to transition to reasonable assurance – Adoption of standards for sustainability assurance by 2026 	<ul style="list-style-type: none"> – Limited assurance requirement remains – Reasonable assurance requirement removed – Targeted assurance guidelines to be provided by 2026, encompassing standards to follow

EU Taxonomy is affected in terms of scope and content

Proposed key adjustments by the Commission



Scoping

- Full reporting: More than 1,000 employees and above €450M net revenue
- Voluntary reporting: Companies in adjusted CSRD scope but below €450M net revenue that want to claim that their activities are taxonomy-aligned



Simplification for voluntary reporters

May omit OpEx KPI altogether and report partial alignment on revenue and CapEx to demonstrate progress



Materiality

Option to omit reporting on activities that make up less than 10% of total turnover, CapEx or OpEx



OpEx

Optional reporting for activities that contribute less than 25% of the company's turnover



Do-no-significant-harm criteria

Revision of DNSH criteria for pollution prevention and control



Reporting template

Reduction of data points by around 70%













KPI for financial institutions

- Exclusion from exposures to non-CSRD counterparties from GAR denominator
- Postpone initial application of some reporting templates from 2025 to 2026 reporting period

Proposed changes of CSDDD are significant in nature

Proposed key adjustments by the Commission

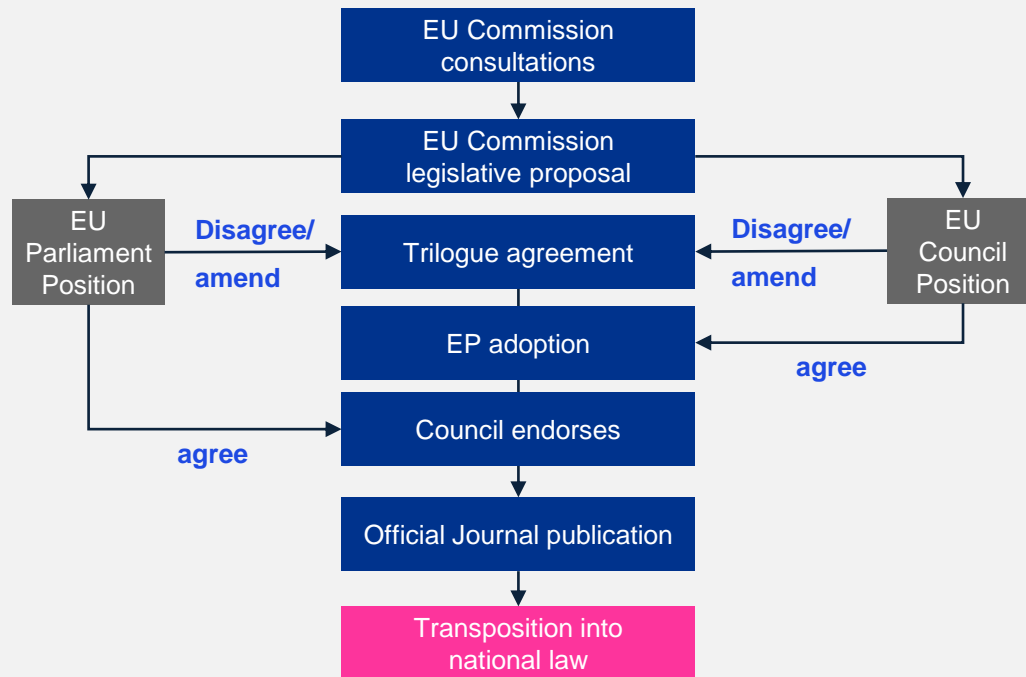
	Initial application	Delay of first application by one year to July 2028 (only two instead of three waves)	 Part of „Stop the clock“ proposal
	Chain of activities	Limitation of due diligence obligations and in-depth assessments to tier 1 business partners, as a general rule. Due diligence on indirect business partners subject to plausible information suggesting adverse impacts	
	Civil liability	Removal of harmonized civil liability regime in favor of national law	
	Penalties	Removal of explicit link of penalties to worldwide turnover (deletion of 5% minimum cap)	
	Guidelines	General guidelines advanced by six months to July 2026, timing of detailed and sector-specific guidelines unchanged (January – July 2027)	
	“SME shield”	Information requests to companies with fewer than 500 employees limited to VSME standards	
	Termination of business	Suspension rather than termination of business relationship as measure of last resort	
	Stakeholder engagement	Limitation of definition to workers, their representatives and individuals/communities who could be affected by company, its subsidiaries or business partners. Focus of consultations with “relevant” stakeholders	
	Frequency of assessments	Periodic assessments to be performed every five years (reduced from yearly)	

Due process for EU legislation is starting now

Currently, everything is just a proposal, the next steps depend on EU adaptation and national transposition

CSRD and CSDDD (Directives)

Level 1 Process



ESRS and EU Taxonomy (Delegated Regulations)

Level 2 Process



ESA = European Supervisory Authorities

* Does not apply to implementing acts or implementing technical standards

Our suggestion if you are...

QR code to
VSME
standard



a large EU PIE Wave 1	Continue!	<ul style="list-style-type: none">– Revisit scoping exercise according to newly proposed thresholds– Continue implementation effort and closely monitor regulatory developments– If below threshold also consider what voluntary ESG or EU Taxonomy reporting is necessary based on stakeholder / capital market expectations
a large EU-Company Wave 2	Keep Moving!	<ul style="list-style-type: none">– Continue implementation effort and closely monitor CSRD 1.1 (Urgent procedure)– Potentially revisit current implementation plan and adapt– If below threshold consider if and what voluntary ESG reporting is necessary based on stakeholder expectations– Identify “no regret” moves e.g., double materiality assessment and evaluate VSME standard
a listed EU SME Wave 3	Reconsider!	<ul style="list-style-type: none">– Continue implementation effort and closely monitor CSRD 1.1 (Urgent procedure)– Consider what voluntary ESG reporting is necessary based on capital market expectations– Identify “no regret” moves e.g., double materiality assessment and evaluate VSME standard
an ultimate non-EU parent Wave 4	Continue, not much changed!	<ul style="list-style-type: none">– Review size criteria (€450M net turnover in the EU and > €50M of an EU branch or one large subsidiary)– Review and assess your subsidiaries– Potentially reconsider reporting strategy– If above threshold continue CSRD and EU Taxonomy implementation efforts



Session 2

Social law aspects of ESG

3 April 2025

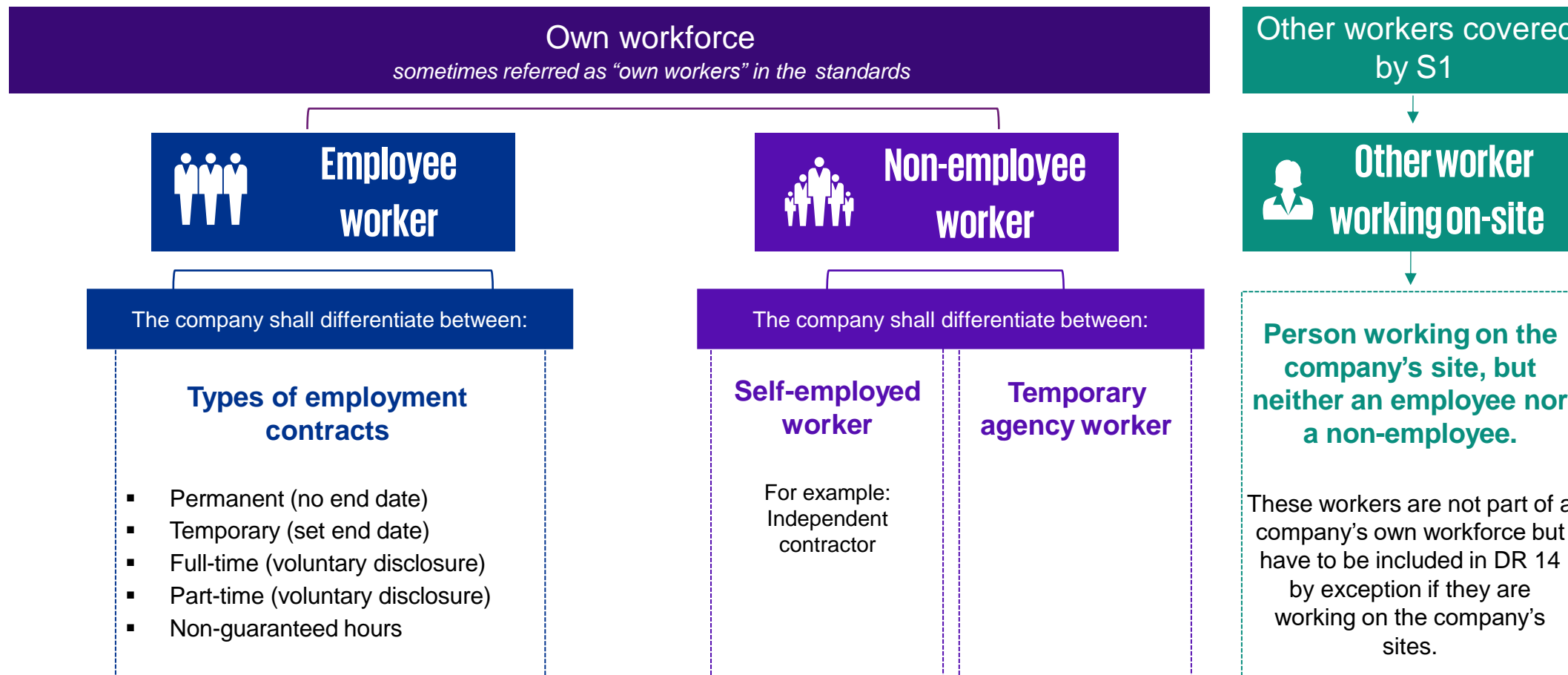
Presenters: Julie Van Kerckhoven, Isabelle Timmerman & Kirsten Van de Steen
KPMG Law Belgium

First clarifications on ESRS 1

Categories of own workforce

All Disclosure Requirements of ESRS S1

Only DR 14



Health & Safety metrics

- **Definitions**
 - Work-related accident
 - Occupational illness
 - Deaths
 - “Recordable”?
 - **Occupational illness – burnout?**
 - **Recognition by WHO?**
 - **ILO – list**
 - **Acute, recurring, and chronic health problems (such as mental illness) caused or aggravated by work conditions or practices**
 - **Reporting obligations**
 - the person concerned informed the company voluntarily of its condition;
 - a licensed healthcare professional supports this notification;
 - that healthcare professional states that the health condition is work-related.
- Re-integration procedure, medical force majeure or “back-to-work-pathway”

Pay Transparency Directive

The case for pay transparency



Legal Compliance

In an increasing number of jurisdictions organisations are or will be required to comply with local and international pay transparency laws.



Employee experience

Having a transparent and trust-based culture helps drive employee productivity and engagement.



Competitive recruitment

Having pay transparency can give you access to a larger and more appropriate talent pool and reduce candidate screening time.



Responsible reward

Apart from helping the organization align with its ESG agenda, pay transparency helps close the pay gaps and promotes pay equity.

If you get it wrong:

You could face a costly equal pay claim with associated compensation, with damage to your employer brand, harming your ability to attract and retain key talent.

Pay Transparency - The evolving landscape

EU Directive changes:



Pay transparency before employment



Pay setting and career progression



Right to information for employees



Reporting on gender pay gap



Joint pay assessment



Timeline



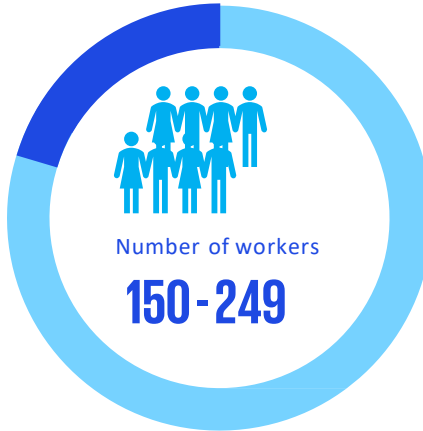
Adoption Directive
10 May 2023



First publishing date
7 June 2027
Every year



**Country per country
implementation**



First publishing date
7 June 2027
Every three year



**Deadline to transpose in
national law**
7 June 2026



First publishing date
7 June 2031
Every three year

PHASE Assess

Help build the business case with relevant stakeholders

PHASE Design

Design information access for employees and job applicants

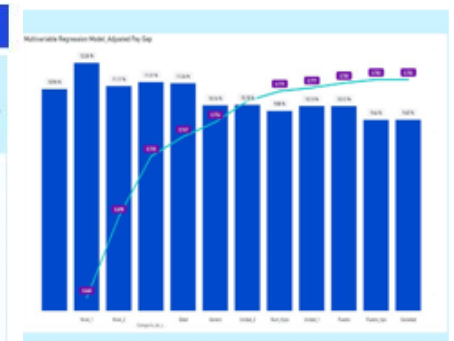
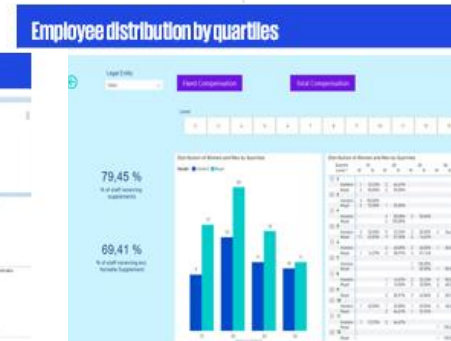
PHASE Deploy

Roll-out communication to internal and external stakeholders

PHASE Protect

Evaluate, monitor and provide recommendations for the future

Adjusted Pay Gap



Regulation on Forced Labour Ban

Regulation 2024/3015 on prohibiting products made with forced labour on the Union market

01 Forced labour

“All work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”

02 Products

- All products at any stage of the supply chain, i.e. whether extracted, harvested, produced or manufactured.
- Import and export
- All sectors

03 Economic operators

Natural or legal persons or associations of persons placing or making available on the EU market or exporting products

04 Enforcement

By competent authority Member State or EU Commission

- (1) Preliminary investigation (risk-based)
- (2) Investigation

05 Decisions

- A prohibition to place / make available or export the products; and/or
- To withdraw the products or to remove related content promoting or listing them online; and/or
- To dispose of the products

Regulation 2024/3015 on prohibiting products made with forced labour on the Union market

06 Initiative

- Complaint via Single Information Submission Point
- Own initiative of the competent authority

07 Review

- Can be requested
- Penalties in case of non-compliance

08 Facilities

- Database of forced labour risks
- Guidelines on due diligence in relation to forced labour and information on risk indicators

No additional DD obligation!

Timeline

**12
December
2024**

Publication in the EU Official
Journal

December 2025

Member States confirm their designated competent
authorities

December 2027

Forced Labour Ban Regulation
applicable on companies

**13 December
2024**

Entering into force of the Forced Labour Ban
Regulation

June 2026

EU Commission publishes guidelines + creates
evidence-based databases

How to prepare?

- Mapping and reviewing of the supply chains
- Remedying any current issues identified
- Reviewing supplier contracts, including a clause on forced labour
- Trainings about the new regulation to employees
- ...



Session 3

Civil liability and contractual risk allocation in ESG

3 April 2025

Presenters: Justine Van den Bon, Heleen Lauwers
KPMG Law Belgium





Implementing ESG in commercial contracts

KPMG Law

Incorporating ESG into contracts: why it matters



Compliance with new legislative initiatives



Commercial benefits

Enhanced reputation and brand value

Strengthened stakeholder relationships



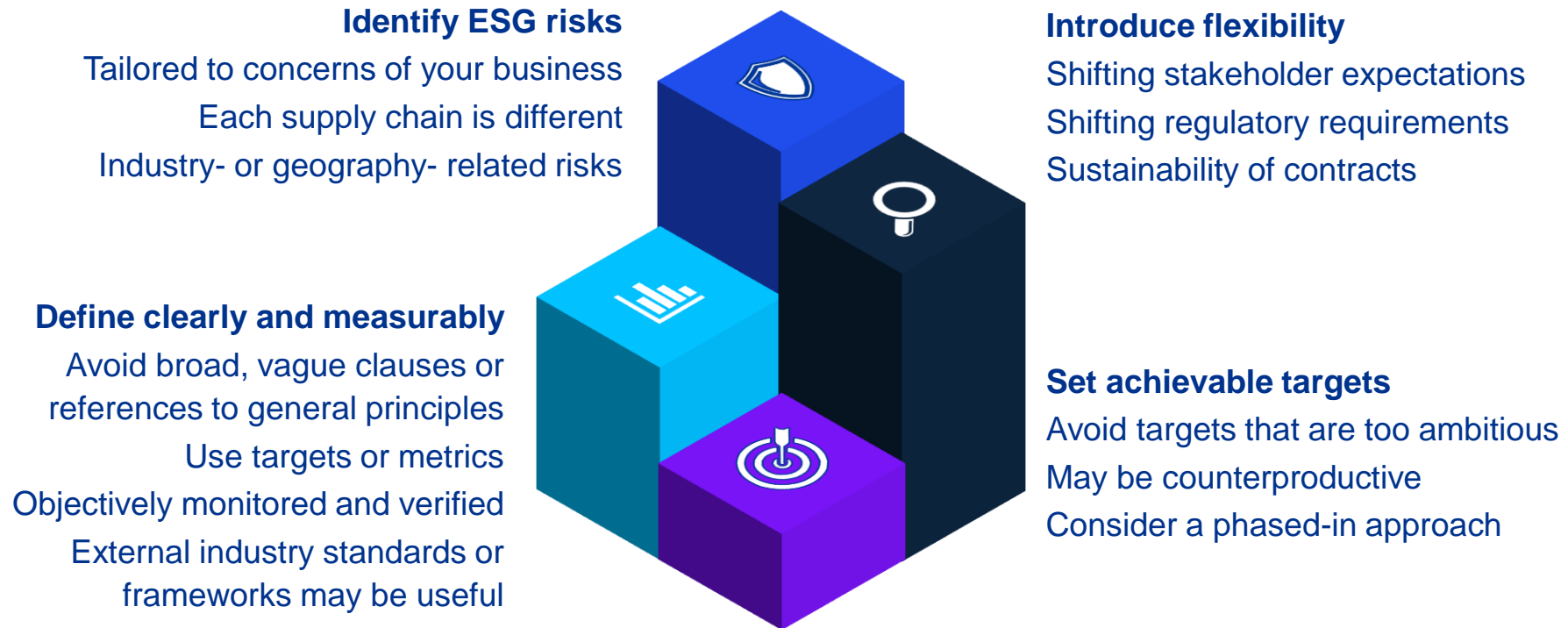
Mitigating risks

Reputational damage, legal disputes, financial risks

Attention points



Defining contractual commitments



The nature of the ESG commitment

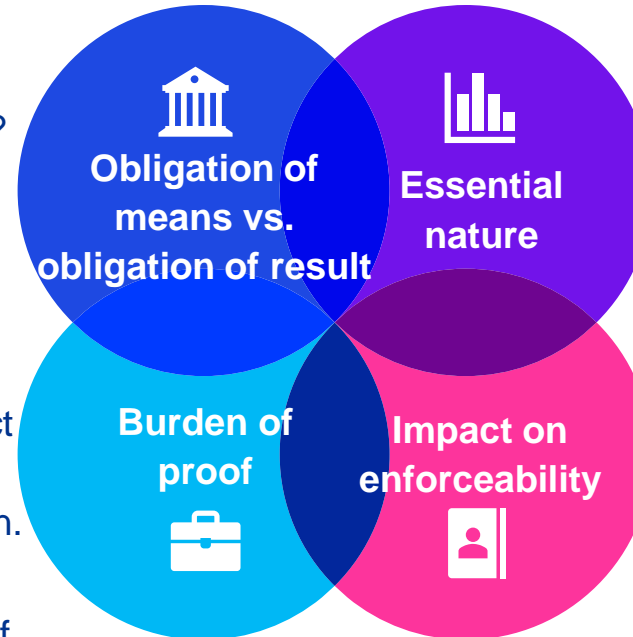
Obligation of means vs. obligation of result

All reasonable efforts?
Specific, measurable result?

Burden of proof

Obligation of means: no automatic breach of contract if outcome has not been achieved. Fault to be proven.

Obligation of result: contractual fault presumed if outcome has not been achieved



Essential nature of the commitment

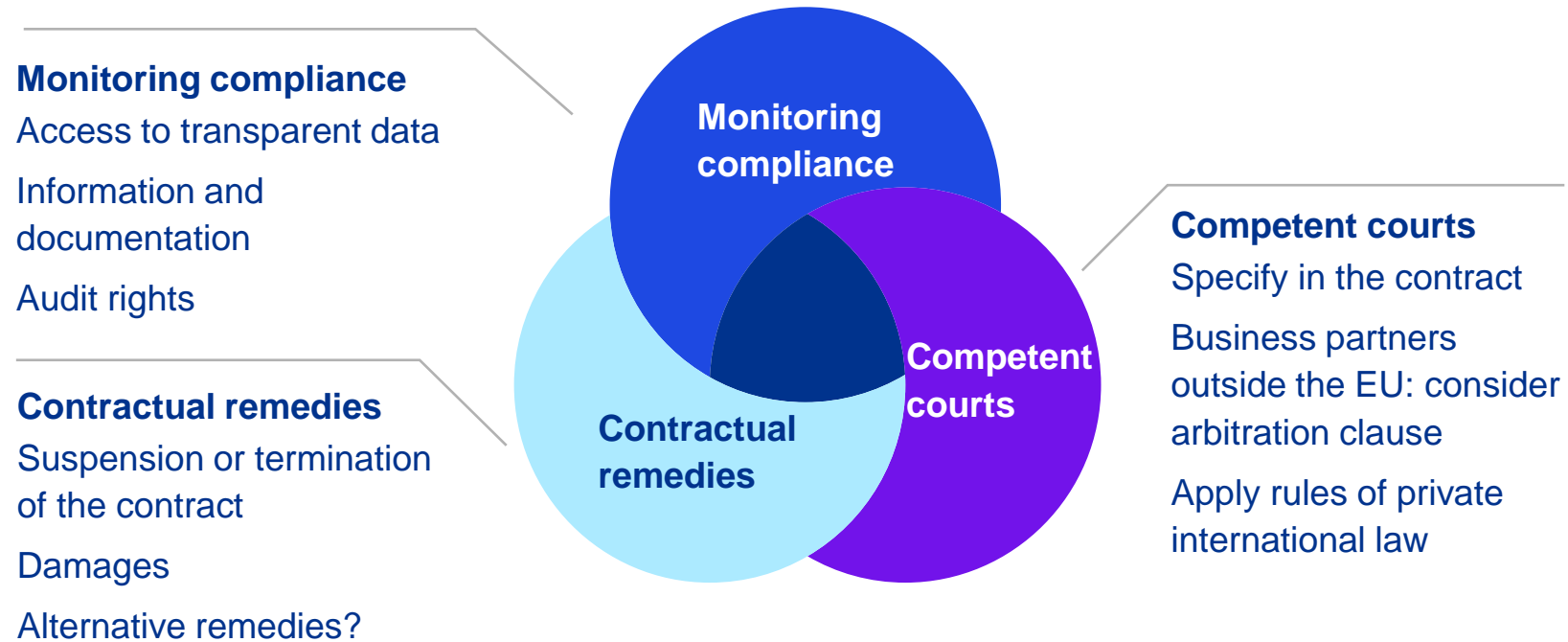
Clause deemed essential for a contract to exist or an accessory element?

Impact on enforceability

Breach of essential clause may be easily invoked to unilaterally terminate the contract

Contractual exoneration clause

Enforcement



Contractual cascading

Passing commitments throughout the chain of activities

Cascading clauses may require counterparties to pass on contractual obligations to suppliers

Requirements on a counterparty to conduct regular due diligence on its own supply chain

Impact Omnibus I

Omnibus will focus due diligence requirements on direct business partners (instead of all business partners)

In-depth assessments of indirect business partners will be conducted only when:

- plausible information suggests that adverse impacts have arisen at the level of the operations of the indirect business partner
- the indirect nature of the relationship with the business partner is the result of an artificial arrangement that does not reflect economic reality

BUT: companies shall still be required to seek contractual assurances from direct business partners that they will ensure compliance with the company's code of conduct, including by establishing corresponding contractual assurances from its partners

AND: as regards potential/actual adverse impacts that could not be adequately mitigated by the appropriate measures, may seek contractual assurances from an indirect business partner

=> Raises questions with regard to the effectiveness of the measures proposed in Omnibus I



« Greenwashing »

KPMG Law

FPS Economy reprimands Flixbus for greenwashing

The Economic Inspectorate of the FPS Economy found that Flixbus used misleading environmental claims on its Belgian website.

- The use of **vague** and **unsubstantiated claims** such as "environmentally friendly" and "climate-friendly," potentially misleading consumers about the true meaning and environmental impact.
- The claim that Flixbus is "the most environmentally friendly means of transport" **without necessary comparison and substantiation**.
- Advertising the environmental benefits of "Flixtrain," while that train is not available in Belgium.
- Offering a CO2 compensation option when booking a bus trip, **without transparency about the actual CO2 emissions** of the trip.

The identified practices may be considered misleading actions or omissions, prohibited under Articles 5, 6 et 7 of the Directive concerning unfair business-to-consumer commercial practices in the internal market.



Directive on Empowering Consumers for the Green Transition & Green Claims Directive

Directive on Empowering Consumers for the Green Transition

- Principle: Claims must be truthful, contain no false information, and be presented in a clear, specific, unambiguous, and precise manner.
- Additions to the list of unfair business practices (misleading actions and misleading omissions).
- Reinforcement of rules regarding the precontractual information obligation

Date of transposition: 27 September 2026

Sanctions:

When a contract with a consumer has been concluded as a result of an unfair commercial practice [...], the judge may, without prejudice to the general sanctions, order the reimbursement of the amounts paid by the consumer, without requiring the consumer to return the delivered product.

Green Claims Directive (proposal)

- Complementary to the Directive on Empowering Consumers for the Green Transition
- Minimum requirements to justify, communicate and verify explicit environmental claims
- Environmental claims must be verified by independent third parties

First trilogue was held on 28 January 2025

Sanctions:

- a) Fines that effectively deprive those responsible of the economic benefits derived from their infringements, with an increase in the level of these fines in case of recidivism (4% turnover)
- b) Confiscation of the revenue generated by the professional from a transaction involving the concerned products
- c) Temporary exclusion from public procurement processes and public funding

Directive on Empowering Consumers for the Green Transition

Additions to the list of misleading actions

- [...] if it contains **false information** [...] regarding the main characteristics of the product, such as its availability, benefits, risks, **environmental or social characteristics**, such as **durability, reparability or recyclability**, [...]
- making an **environmental claim** related to future environmental performance **without clear, objective, publicly available and verifiable commitments** [...], that is regularly verified by an **independent third party expert**, whose findings are made available to consumers;
- Advertising benefits to consumers that are **irrelevant** [...]

Additions to the list of misleading omissions

- Where a trader provides a service which **compares products and provides the consumer with information on environmental or social characteristics** or on circularity aspects, such as durability, reparability or recyclability, of the products or suppliers of those products, **information about the method of comparison, the products which are the object of comparison and the suppliers of those products, as well as the measures in place to keep that information up to date, shall be regarded as material information.**

Additions to the black list of misleading commercial practices

- Displaying a sustainability label that is not based on a certification scheme or not established by public authorities;
- Making a generic environmental claim for which the trader is **not able to demonstrate** recognised excellent environmental performance relevant to the claim;
- **Presenting requirements imposed by law** on all products within the relevant product category on the Union market **as a distinctive feature** of the trader's offer....
- ...

Green Claims Directive



Substantiation of explicit environmental claims

- Clear criteria and relying on widely recognised scientific evidence
- Include primary and relevant secondary information
- Demonstrate that the claim is not equivalent to requirements imposed by law
- Etc.



Communication requirements

- Made available in physical form or in the form of a weblink, QR code or equivalent
- Information including at least the environmental aspects covered by the claim, the underlying studies/calculations used to assess the impacts, relevant (international) standards, the certificate of conformity, a summary of the assessment, etc.



Environmental labelling schemes

- Environmental labelling schemes will have to comply with certain requirements (transparency, complaint and dispute mechanism, procedures for dealing with non-compliance, conditions should be proportionate to the size of the companies)
- Strict rules for establishment of new environmental labelling schemes
- The European Commission shall publish and keep-up-to date a list of officially recognised environmental labels that are allowed to be used on the Union market



Verification

- Member States shall set up procedures for verifying the substantiation and communication of explicit environmental claims and for verifying the compliance of environmental labelling schemes
- Verification shall be undertaken by an independent third-party verifier

Unfair market practices

Art. VI.104 BCEL : “Any act contrary to the fair market practices by which a company harms or may harm the professional interests of one or more other companies is prohibited.”

Constitutive conditions:

- An act contrary to fair market practices
 - Violation of the law, unethical behaviour, or negligent behaviour
 - Including a violation of consumer law (cfr.: Directive on Empowering Consumers for the Green Transition)
- Which harms or **may** harm the professional interests of one or more other companies
- It is not required for the companies to be competitors

Legal remedies:

- Action for injunction (provided the company can justify an interest in taking action) – *art. XVII.1/4 BCEL*
- Preventive effect: the judge may order the prohibition of the targeted market practices when they have not yet begun but are imminent– *art. XVII.9 BCEL*
- Compensation for damages based on tort law (where the action for injunction may serve as a useful step, as fault and damages may already be established)



ESG and Liability

KPMG Law

(a) Company liability

CSRD

CSRD amends the Accounting Directive (2013/34/EU)

Incorporated into the Belgian Code of Associations and Companies (BCAC)

General provision Accounting Directive:

“Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive.”

No specific sanctions in CSRD / BCAC at the company level

OMNIBUS

No changes

CS3D – Best Efforts

General approach: obligations of means

- The requirements to adopt and implement transition plans are understood as an obligation of means, rather than an obligation of results
- In-scope companies would be required to implement these plans on a best-efforts basis
- CSDDD does not require companies to reach certain targets, nor does it hold them liable in the event targets are not achieved

Member States shall ensure that companies take appropriate measures to

- (i) identify and assess actual and potential adverse impacts.
- (ii) prevent, or where prevention is not possible, mitigate potential adverse impacts
- (iii) bring to an end actual adverse impacts

Appropriate measures means measures that are **capable of** achieving the objectives of due diligence, by effectively addressing adverse impacts in a manner **commensurate** to the degree of severity and the likelihood of the adverse impact, and **reasonably available to the company**, taking into account the circumstances of the specific case, including the nature and extent of the adverse impact and relevant risk factors.

CS3D – Public Oversight

Supervisory Authorities may:

- supervise compliance with the obligations
 - due diligence
 - climate change action plan
- require companies to provide information and carry out investigations
- grant companies an appropriate period to take **remedial action**, if possible (without prejudice to penalties and civil liability)
- order cessation of infringements; abstention from repetition of conduct; remediation proportionate to the infringement
- impose penalties
- adopt interim measures in case of imminent risk of severe and irreparable harm

CS3D – Public Oversight

Substantiated Concerns:

- natural and legal persons are entitled to submit substantiated concerns to any supervisory authority when they have reasons to believe, on the basis of objective circumstances, that a company is failing to comply with the national provisions adopted pursuant to CS3D
- protection of the identity
- supervisory authority to inform ASAP the person of the result of the assessment of their substantiated concern + provide the reasoning
- whistleblower protection // Directive (EU) 2019/1937

CS3D – Penalties

Member States shall lay down the rules on penalties. The penalties provided for shall be **effective, proportionate and dissuasive**.

At least the following penalties shall be provided for:

- (a) **pecuniary penalties**;
- (b) if the company fails to comply with the decision imposing a pecuniary penalty within the applicable time-limit, a **public statement** indicating the company responsible and the nature of the infringement;

When pecuniary sanctions are imposed, the maximum limit of such penalties shall be not less than **5% of the net worldwide turnover** of the company in the financial year preceding the fining decision. Pecuniary penalties should be calculated taking into account the consolidated turnover reported by the **ultimate parent company**.

OMNIBUS

The provision imposing a minimum maximum fine limit and requiring fines to be based on companies' net worldwide turnover has been removed.

Instead, the Commission will, in collaboration with the Member States, develop fining guidelines.

CS3D – Public Procurement And Public Concessions

Compliance with the obligations or their voluntary implementation, qualifies as an environmental and/or social aspect that contracting authorities **may** take into account as part of the award criteria for public and concession contracts, and as an environmental and/or social condition that contracting authorities **may** lay down in relation to the performance of public and concession contracts.

CS3D – Civil liability and a right to full compensation

Liability rules of **overriding mandatory application** in cases where the law applicable to claims to that effect is not the law of a Member State.

Liability for damages caused to a natural or legal person (without prejudice to the civil liability of subsidiaries or business partners)

(a) intentional or negligent failure to comply with the obligations to prevent and mitigate potential adverse impacts, and bringing actual adverse impacts to an end and minimising their extent

(b) causation

(c) full compensation (not overcompensation)

Jointly and severally with subsidiary and business partners

A company cannot be held liable if the damage was caused only by its business partners in its chain of activities.

CS3D – Civil liability and a right to full compensation

Limitation period: **5 years**

Cost of proceedings are not prohibitively expensive for claimants to seek justice.

Injunctive measures, including summary proceedings.

Trade unions, non-governmental human rights or environmental organisations or other non-governmental organisations, and, according to national law, national human rights' institutions, can bring actions to enforce victim's rights in its own capacity

Courts can order that **evidence** be disclosed by the company

OMNIBUS

Omnibus removes EU-wide civil liability scheme.

Instead, Member States will decide whether to impose civil liability for failure to comply with the due diligence requirements.

(b) Director liability

CSRD (and BCAC) – Director Liability?

CSRD amends the Accounting Directive (2013/34/EU)

Incorporated into the Belgian Code of Associations and Companies (BCAC)

CSRD and BCAC integrate sustainability reporting in the annual report

Management body drafts the annual report in which it renders account for its policy

- ⇒ Members of the management body are jointly liable towards third parties for all damages sustained as a consequence of a violation of the BCAC

- ⇒ Members of the management body failing to observe one of the obligations contained in art. 3:5 and 3:6 (annual report) face
 - criminal penalties up to 10,000 EUR (= 80,000 EUR)
 - in case of fraudulent intention: imprisonment up to 1 year

CS3D – Director Liability?

EC and EP proposal:

Directors' duty of care

1. Member States shall ensure that, when fulfilling their duty to act in the best interest of the company, directors of companies referred to in Article 2(1) take into account the consequences of their decisions for sustainability matters, including, where applicable, human rights, climate change and environmental consequences, including in the short, medium and long term.
2. Member States shall ensure that their laws, regulations and administrative provisions providing for a breach of directors' duties apply also to the provisions of this Article.

Final text:

Not withheld

Evolutions in ESG case-law



Session 4

Tax capita selecta in ESG : CBAM

3 April 2025

Presenter: Nick Toremans
KPMG Belgium



Contents

- 01** Background
- 02** State of play
- 03** Next phase
- 04** Next phase - lite

01

Background



What a journey



In 2015, the EU and all the Member States signed the Paris Agreement. The EU ratified the agreement on 5 October 2016.



In 2019, the European Commission presented "The European Green Deal".



In July 2021, a package of legislative changes called "Fit for 55" was introduced, with the aim of reducing emissions by 55% compared with 1990 levels.

Why do we need CBAM?

In order to reduce greenhouse gas emissions in the EU by 55% by 2030, free allowances under the EU Emissions Trading Scheme (ETS) will be phased out by 2034.

The CBAM is intended to mitigate the risk of carbon leakage created by the elimination of free ETS allowances. Moreover, it is intended to provide incentives for global decarbonization and to create equal conditions of competition.

Climate neutrality

CBAM is designed to function in parallel with the EU ETS which encourages high-emission industries in the EU to reduce emissions.

EU ETS

- Cap-and-trade system
- Revision entails phasing out free allowances and extending covered sectors



Global impact

CBAM should encourage other countries to establish carbon pricing policies.

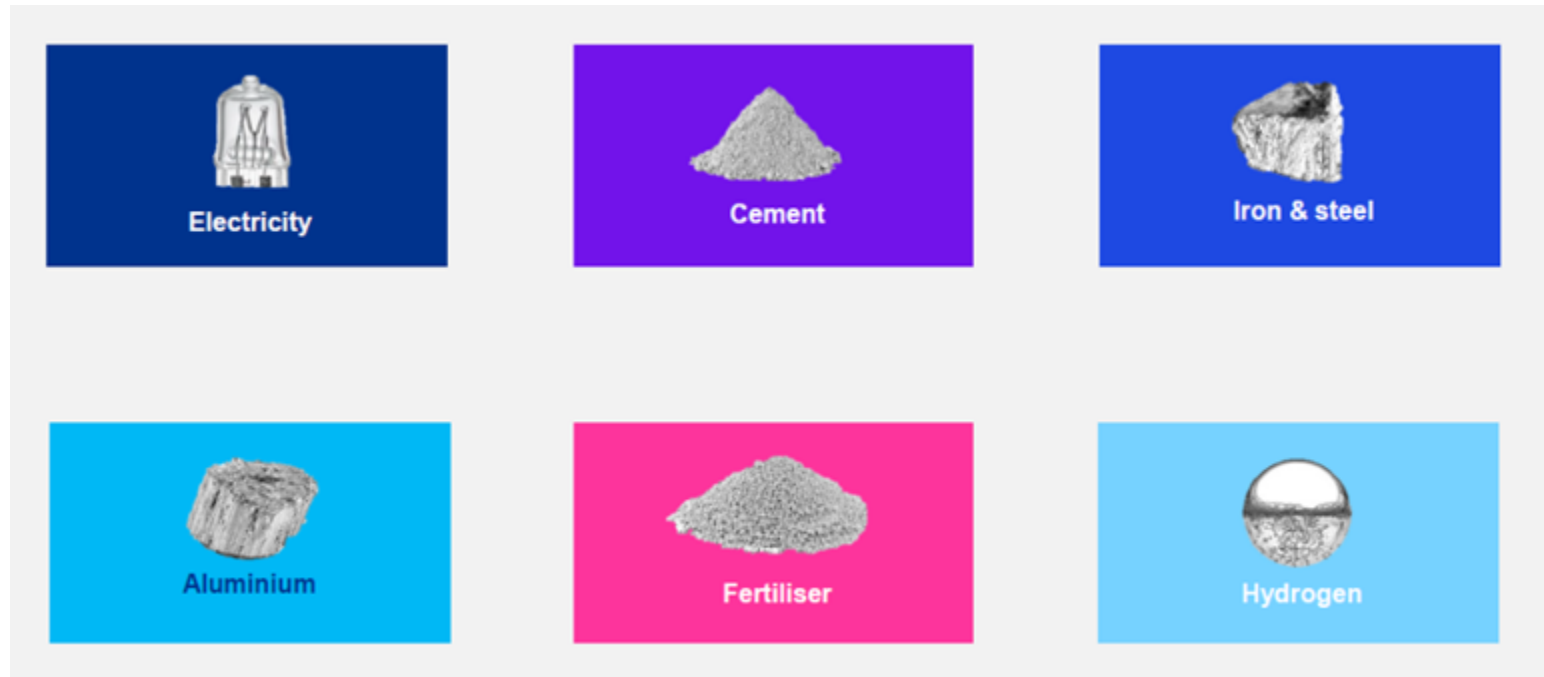


Covered products

In the first phase, CBAM will cover sectors with high carbon emissions and high risk of carbon leakage. In the future, the scope is expected to extend to more sectors.



Target sectors



Revision of target sectors and goods will take place as from 2026. It is very likely that other products will fall in scope of CBAM in the future

Phased approach



	1 October 2023 – 31 December 2025	From 1 January 2026
Authorization requirement	No	Yes
Reporting period	Quarterly	Yearly
External verification CBAM report	No	Yes
Purchase CBAM certificates	No	Yes

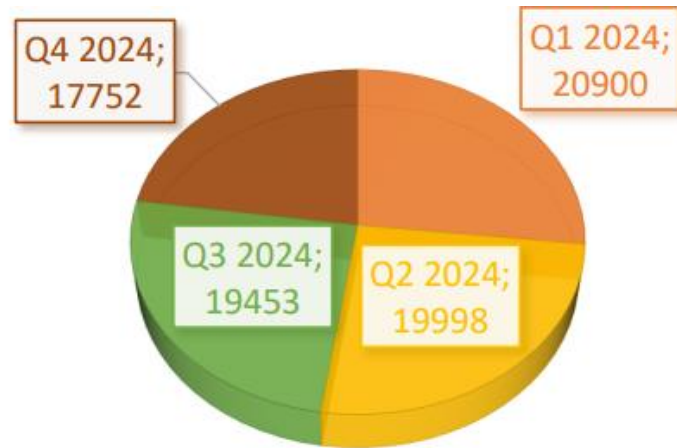
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State of play

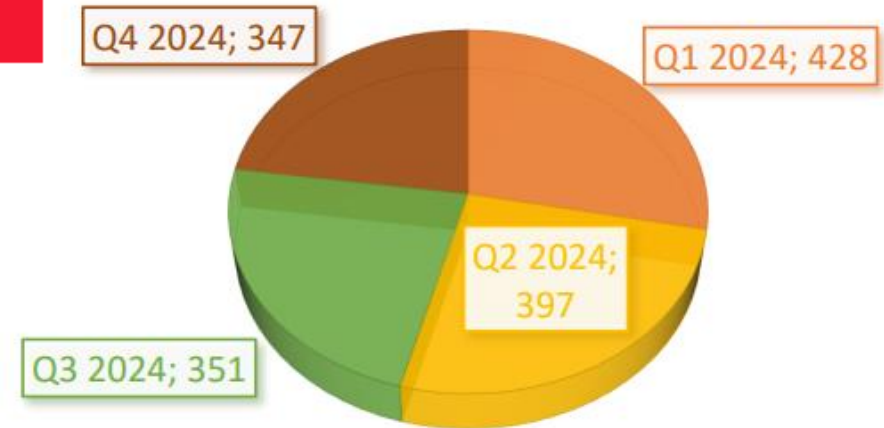


1.5 years into CBAM

Number of CBAM-declarations submitted – up to 26.02.2025

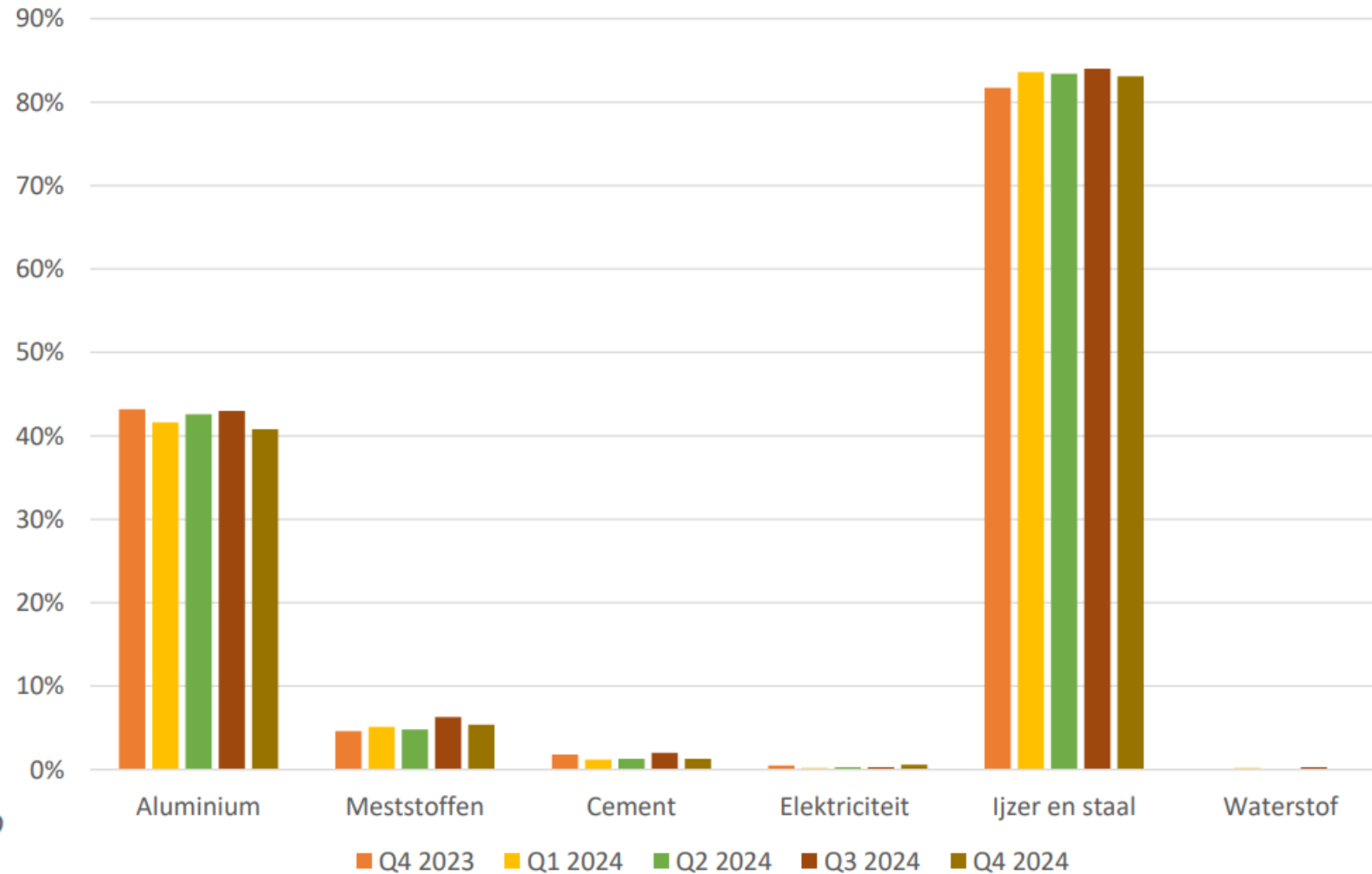


Source: EC/ DG TAXUD



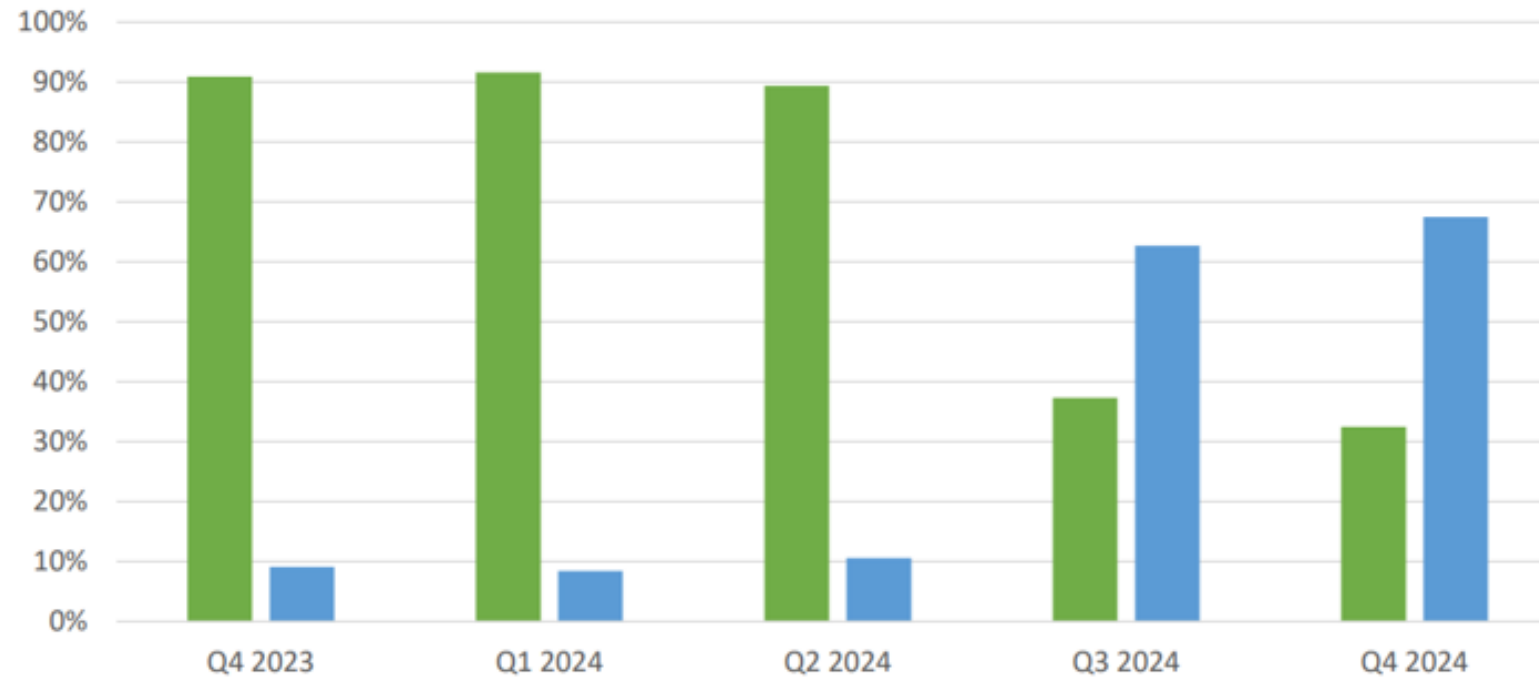
Source: BE NCA via het CBAM Overgangsregister

Sector involvement



Source: EC/ DG TAXUD

Use of standard values



Source: EC/ DG TAXUD

■ Standard values
■ Actual values

03

Next phase



9 months to go

Register as an authorized declarant

As from 2026, goods can only be imported into the customs territory of the Union by an established declarant that is authorized by the competent authority.

Gather data

In order to avoid using the more costly standard values, suppliers should confirm among other things actual emission values.

Certification by an accredited verifier

Declared embedded emissions in imported products must be verified by an independent, authorized third party.

CBAM certificates

Authorized declarants have to purchase CBAM certificates covering 80% of imported emissions on a quarterly basis, and surrender certificates once a year.

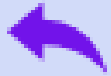
CBAM declaration

By 31 May of each year every authorized declarant shall submit a CBAM declaration for the calendar year preceding the declaration, via the CBAM registry.



Member States are to apply penalties to infringements to ensure that the EU CBAM is properly implemented.

Penalties



100 EUR for each CBAM certificate not surrendered by authorized CBAM-declarant



300 - 500 EUR for each CBAM certificate not surrendered by other persons



Prohibited to import CBAM-products



Revocation of the status of authorized CBAM-declarant

04

Next phase - lite



Omnibus



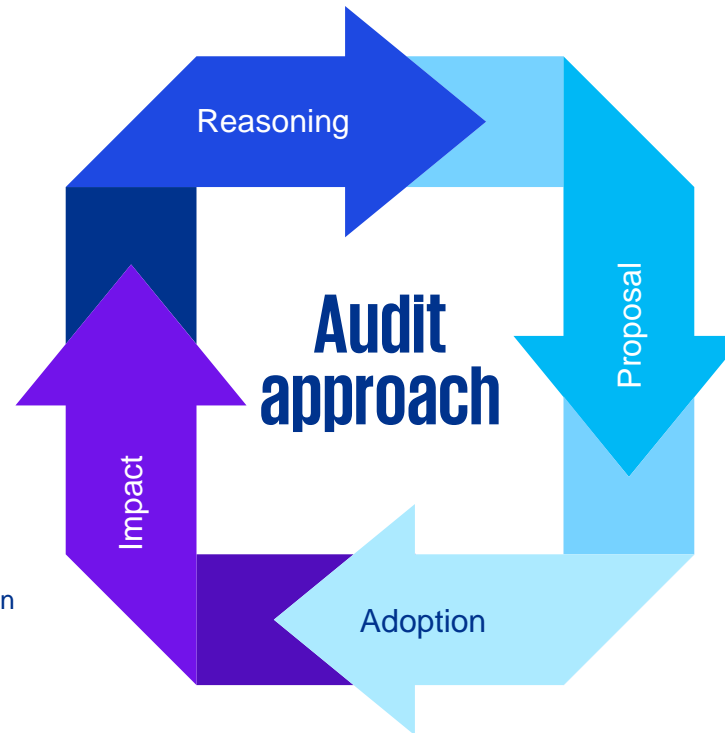
European competitiveness

There is a need for a regulatory landscape which facilitates competitiveness and resilience.



Impact

Assessment has to be made by companies on whether they will still be in scope of CBAM. Quid a potential extension to other product categories and the inclusion of downstream goods?



Proposal

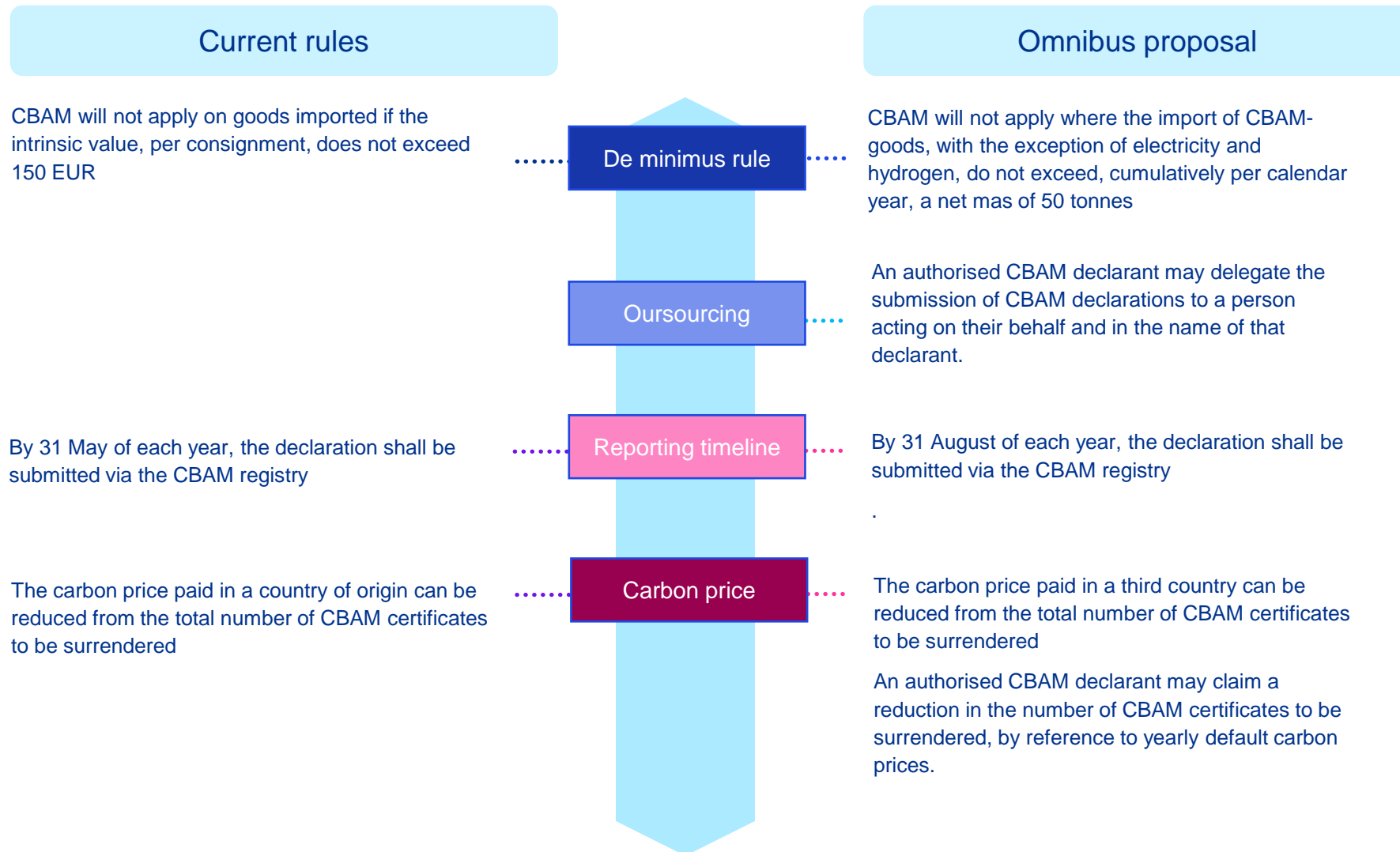
The Commission drafted a proposal to amend the CBAM-Regulation so to deliver simplifications and cost-efficient improvements to it without affecting the achievement of objectives in this policy area. It would also keep around 99% of emissions still in scope, while exempting around 90% of the importers.



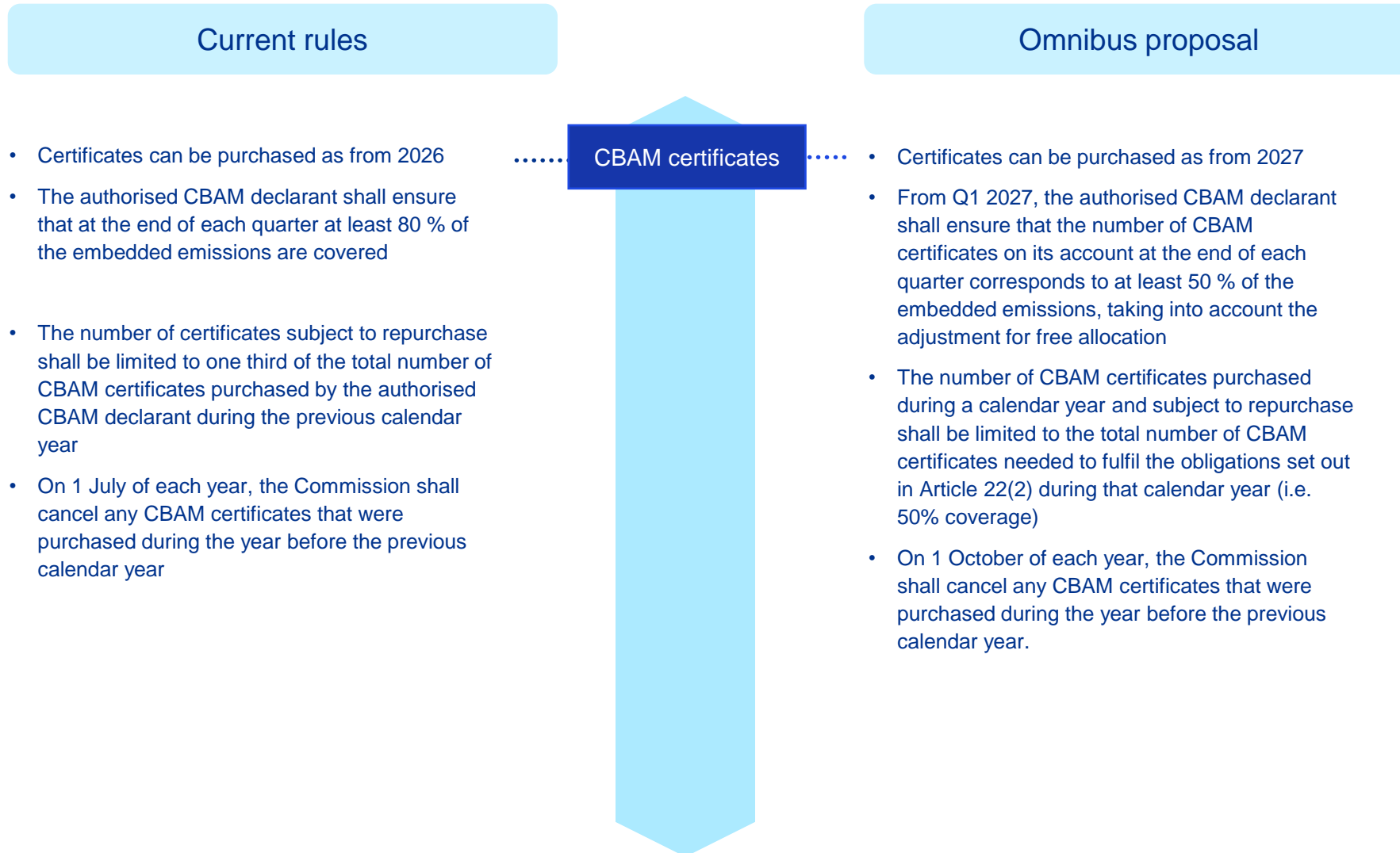
Next steps

The current Regulation will continue to apply until the proposal is accepted and a new Regulation implemented. Adopting the proposal will be required by all three institutions. A sense of urgency could speed up the process.

Comparison



Comparison





Session 5

SAP **Green** ledger

SAP and sustainability: elevating compliance to the next level

3 April 2025

Presenter: Bart Van Kerckhoven
KPMG Belgium

SAP and KPMG – a strong partnership

(Co) Design & development:

- KPMG SAPNext international collaboration team for ESG development
- Green Ledger / Green Token / SCT / SFM / SDX: weekly calls with SAP for co-design, co-development and issue resolving
- SAP RDP: co-development KPMG & SAP
- Multi-million internal investments for bringing our KPMG proprietary ESG tools on SAP BDC / BTP



KPMG on stage:

SAP Innovation Day Belgium '25

SAP NOW ('23 and '24)

SAP SC Innovation Day ('24)

SAP Spend Connect Live ('23)

- KPMG as Golden SAP partner with a dedicated booth and sessions on SAP Green Ledger
- KPMG as official sustainability partner for SAP
- all-day ESG sessions together with SAP on the dedicated sustainability stage
- Main Stage session : resolving the EU Supplier Sustainability reporting requirements with SAP Ariba
- Golden sponsor
- Booth set up around sustainability & CSDDD
- Keynote session on SAP Ariba Supplier Due Diligence with our KPMG Supplier Sustainability template



ERP-centric sustainability management



Carbon
measurement
and reporting



Footprint
reduction
goals



Regulatory
compliance



Strategic
carbon
planning

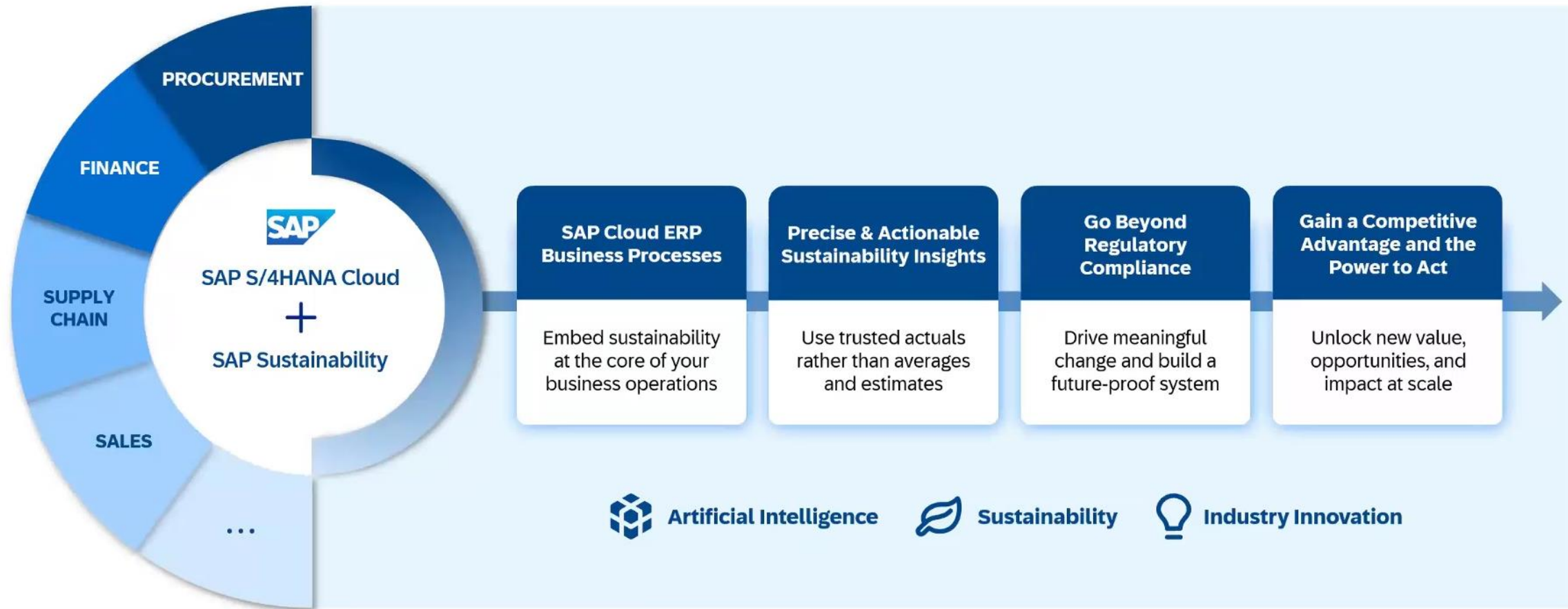


Questions to solve and to address

- How to provide business users a data foundation they trust
- How to provide an auditable solution from the source document to the final report
- How to understand and analyze from which business process the carbon originates
- How to manage reporting requirements and collect and account carbon in a structured and efficient way
- How to move from aggregated Excel and data warehouse solutions
- How to understand the correlation between finance and sustainability



SAP's vision – Combine ERP and sustainability data



Carbon Accounting – Treat Carbon like Money

Account for greenhouse gas emissions (GHG) the same way you balance your financials using the SAP **Green** ledger, allowing you to track, measure, and report on carbon impact at a transactional level.



Foundation for carbon accounting based on **existing and trusted financial processes** and structures.



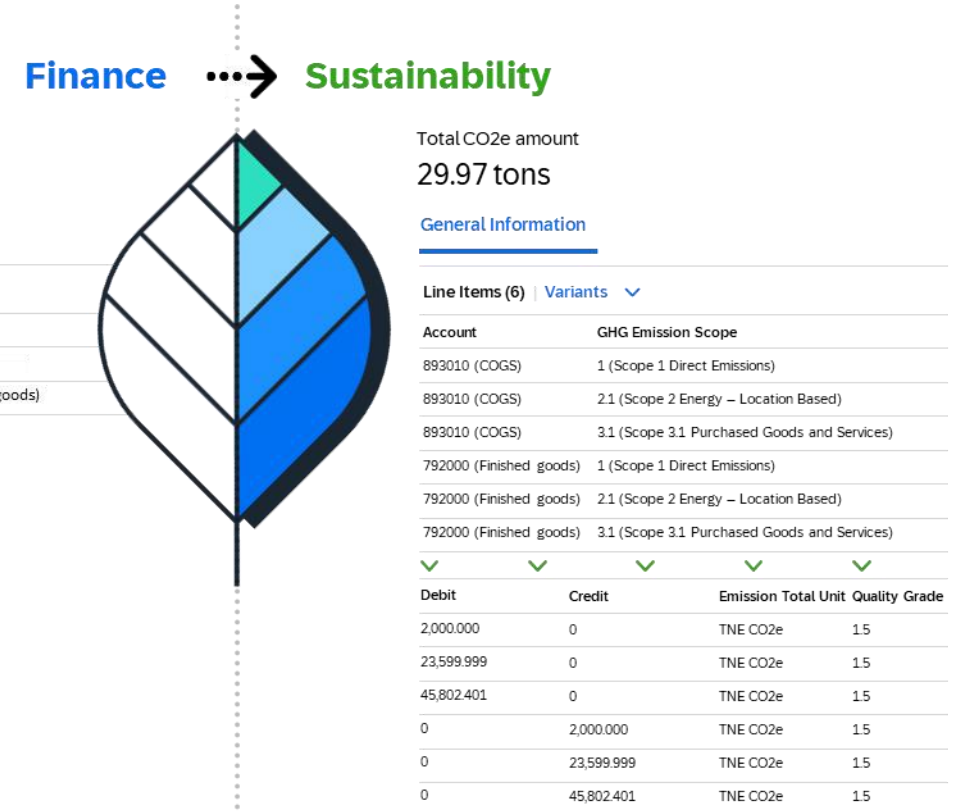
Financial quantification of carbon impact and the integration into **decision-making processes**.



Leverage **rigor and trust** associated with financial reporting making carbon accounting **traceable, accountable, and auditable**.



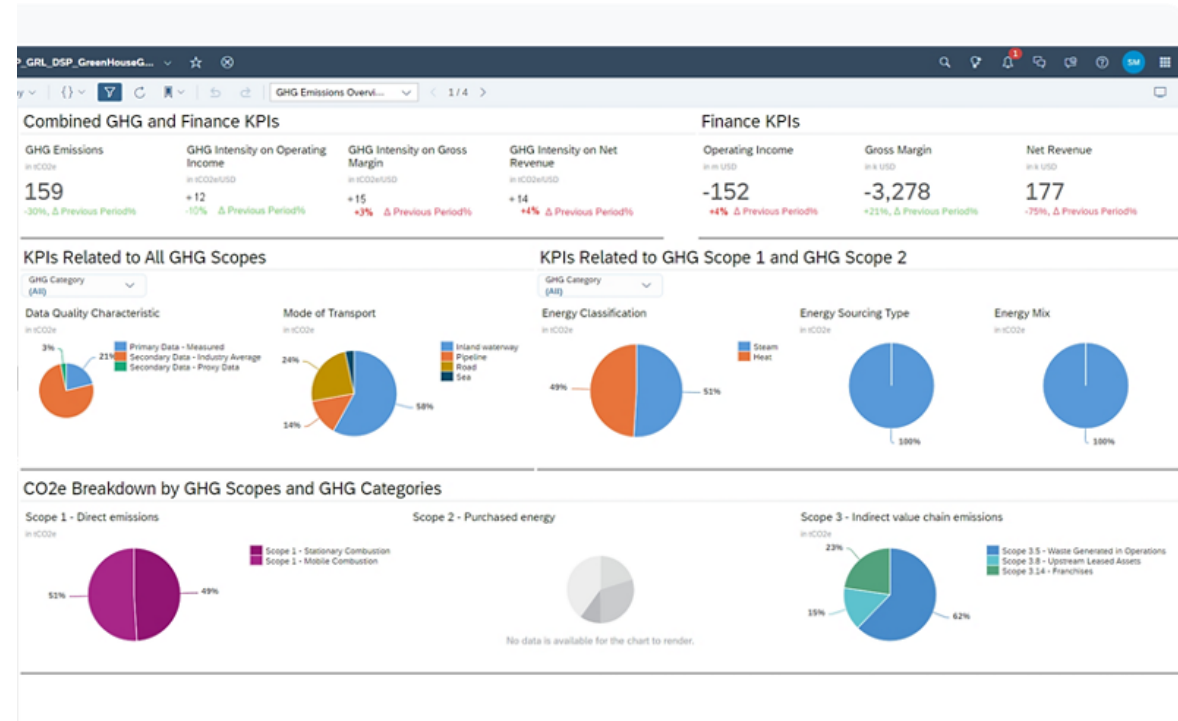
Make **strategic decisions** by aligning carbon and financial plans based on actual data.



So what is the SAP Green Ledger?

SAP Green Ledger is an SAP Solution build on the Business Technology Platform (BTP) that integrates your carbon accounting with your financial accounting system running on SAP S/4HANA Cloud.

- Integrate carbon and financial data
- Leverage standard accounting practices
- Align profitability and sustainability goals



Integrate carbon and financial data

1. Collect, post, and allocate carbon data to the respective cost center, profit center, account, or GHG category. Correlate financial and non-financial data on a transactional level.
2. Integrate carbon accounting and management into ERP business processes and transactions using actual figures instead of averages.
3. Create a reliable, single source of truth to manage carbon and its impact across cloud ERP processes. Embed carbon impact into your operations and drive meaningful change.
4. Improve operational efficiency, foster emissions transparency, and go beyond regulatory compliance.

The screenshot displays the SAP Carbon Collection interface. The main table shows journal entries for carbon data. The table has the following columns: Journal Entry, Account, Company Code, Quantity, Debit / Credit..., CO2e Unit of Meas..., GHG Category, and Profit Center.

Journal Entry	Account	Company Code	Quantity	Debit / Credit...	CO2e Unit of Meas...	GHG Category	Profit Center
> Cost Center: Empty Value			1,000.00000				
> Cost Center: 17101001 (Budget Control)			800.00000				
> Cost Center: 1710103 (CC: J/A 17103)							
Fiscal Period: 009							
0000000000000029	99999999	1710	500.00000	D	Tonne	1.03 (Process emissions)	Y8101 (Consulting Unit A)
0000000000000029	99999999	1710	50.00000	D	Tonne	1.03 (Process emissions)	Y8101 (Consulting Unit A)
			550.00000				
			550.00000				
> Cost Center: 1710104 (CC: J/A 17104)			550.00000				
> Cost Center: 17101301 (Back Office-US)			-2,000.00000				
> Cost Center: 17102999 (Anas Cost Center)			100.00000				
> Cost Center: 51515152 (COST_CENTER_3UP)			-1,600.00000				
			0.00000				

Leverage standard accounting practices

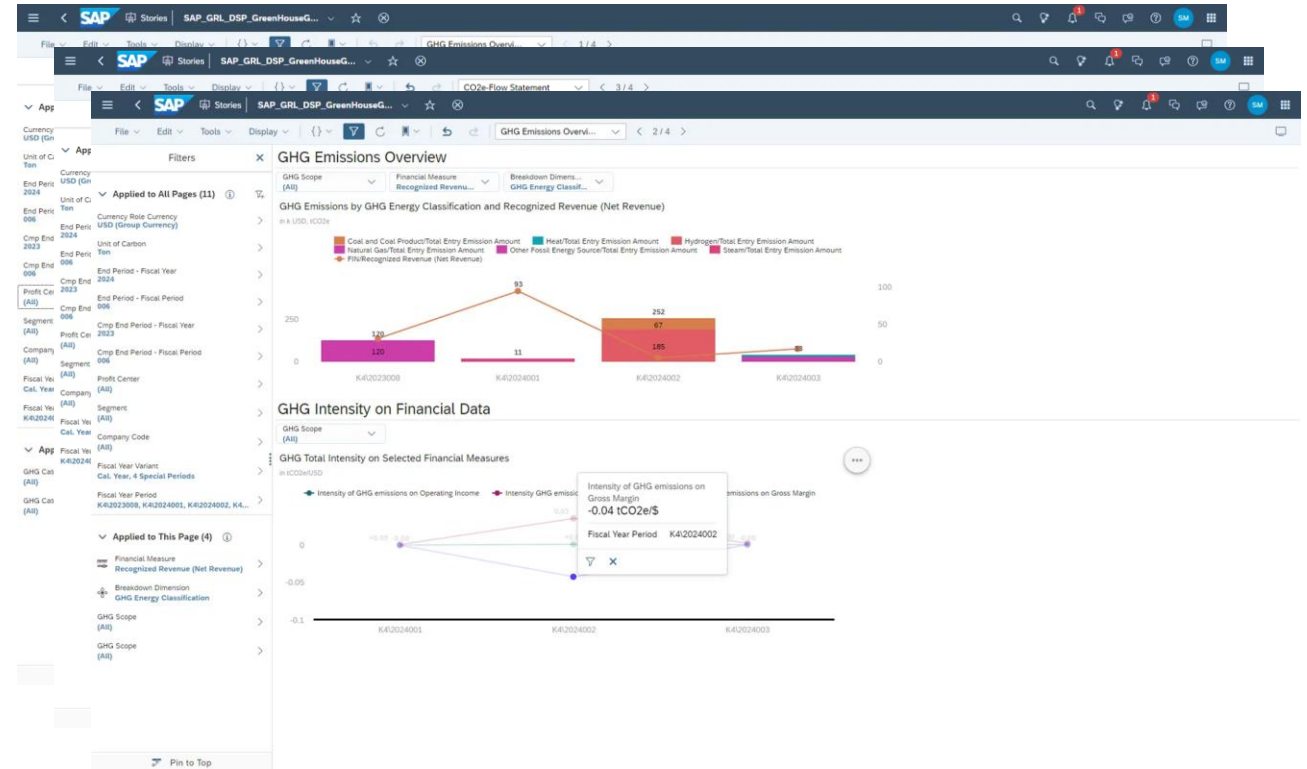
1. Apply standard financial accounting and governance methodologies to improve transparent carbon emissions reporting..
2. Trace and audit actual carbon footprints along the value chain.
3. Create audit-ready carbon accounts and reporting that contextualizes carbon data to corresponding financials.

The screenshot displays the SAP 'Manage Journal Entries' interface. The main section is titled '2022-001-Dr5' and shows 'General Information' for a journal entry. The entry is dated 'Jan 3, 2022' and has a 'Posting Period' of 'Open'. The 'CO2e Unit of Measure' is 'Tonne'. The 'Sender' section shows 'Account: No Filter', 'Profit Center: No Filter', 'Cost Center: No Filter', 'Segment: Mechanics', 'GHG Category: No Filter', 'Posting Date: No Filter', 'Journal Entry: No Filter', and 'Product: No Filter'. The 'Receiver' section shows 'Receiver Selection Method: FixedRate', 'Receiver Type: -', and 'Receiver Name: Build. & Maint (US) (17101750) - Back Office-(US) (17101901)'. The 'Receiver Fields' section shows a table with 'Receiver Name' and 'Value (%)' columns. The table has two rows: 'Build. & Maint (US) (17101750)' with a value of 40.00, and 'Back Office-(US) (17101901)' with a value of 60.00. The total is 100.00. There is a 'Run' button at the bottom right.

Receiver Name	Value (%)
Build. & Maint (US) (17101750)	40.00
Back Office-(US) (17101901)	60.00
Total	100.00

Align profitability and sustainability goals

1. Treat carbon like money. Reconcile business and environmental goals based on actual transactions in an ERP system. Identify where changes can be made to reduce your carbon footprint.
2. Build a holistic view of your carbon footprint to gain a deeper understanding of environmental impacts. Provide stakeholders with trusted financial and environmental data and reports.
3. Forecast, budget, and integrate carbon and financial data at a transactional level based on existing and trusted financial processes and structures.



In the end, it's all about data and insights ... For better!

GHG Emissions Over... < 1 / 4 >

Currency Role Currency USD (Group Currency) Unit of Carbon Ton End Period - Fiscal Year 2024 End Period - Fiscal Period 006 Cmp End Period - Fiscal... 2023 Cmp End Period - Fiscal... 006 Profit Center (All) See More Filters (4)

Combined GHG and Finance KPIs

GHG Emissions	GHG Intensity on Operating Income	GHG Intensity on Gross Margin	GHG Intensity on Net Revenue	Operating Income	Gross Margin	Net Revenue
in k tCO2e	in tCO2e/USD	in tCO2e/USD	in tCO2e/USD	in m USD	in m USD	in m USD
44 +312,374,886%, Δ Previous Period%	-0 -88%, Δ Previous Period%	-0 -, Δ Previous Period%	+0 +2,280,200%, Δ Previous Period%	176 -88%, Δ Previous Period%	238 +335%, Δ Previous Period%	242 +19,080%, Δ Previous Period%

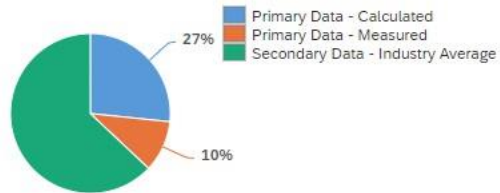
Finance KPIs

KPIs Related to All GHG Scopes

GHG Category (All)

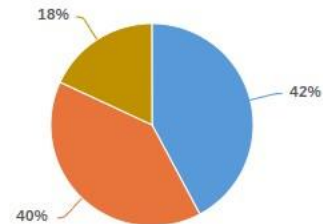
Data Quality Characteristic

in k tCO2e



Mode of Transport

in tCO2e

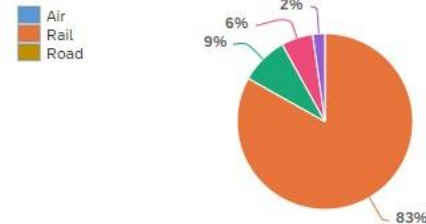


KPIs Related to GHG Scope 1 and GHG Scope 2

GHG Category (All)

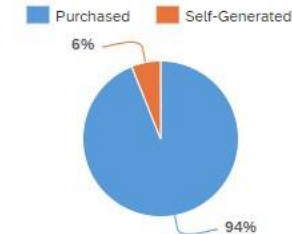
Energy Classification

in tCO2e



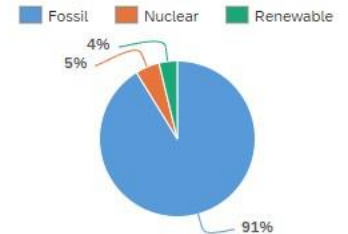
Energy Sourcing Type

in tCO2e



Energy Mix

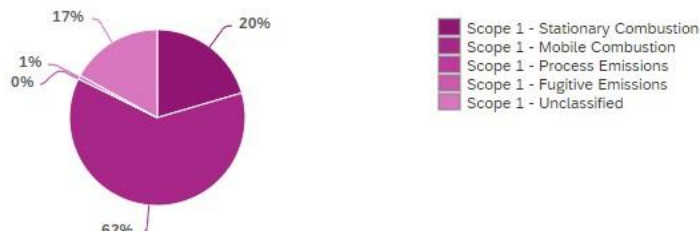
in tCO2e



CO2e Breakdown by GHG Scopes and GHG Categories

Scope 1 - Direct emissions

in tCO2e



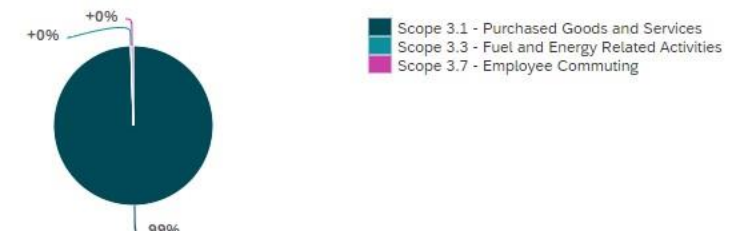
Scope 2 - Purchased energy

in tCO2e

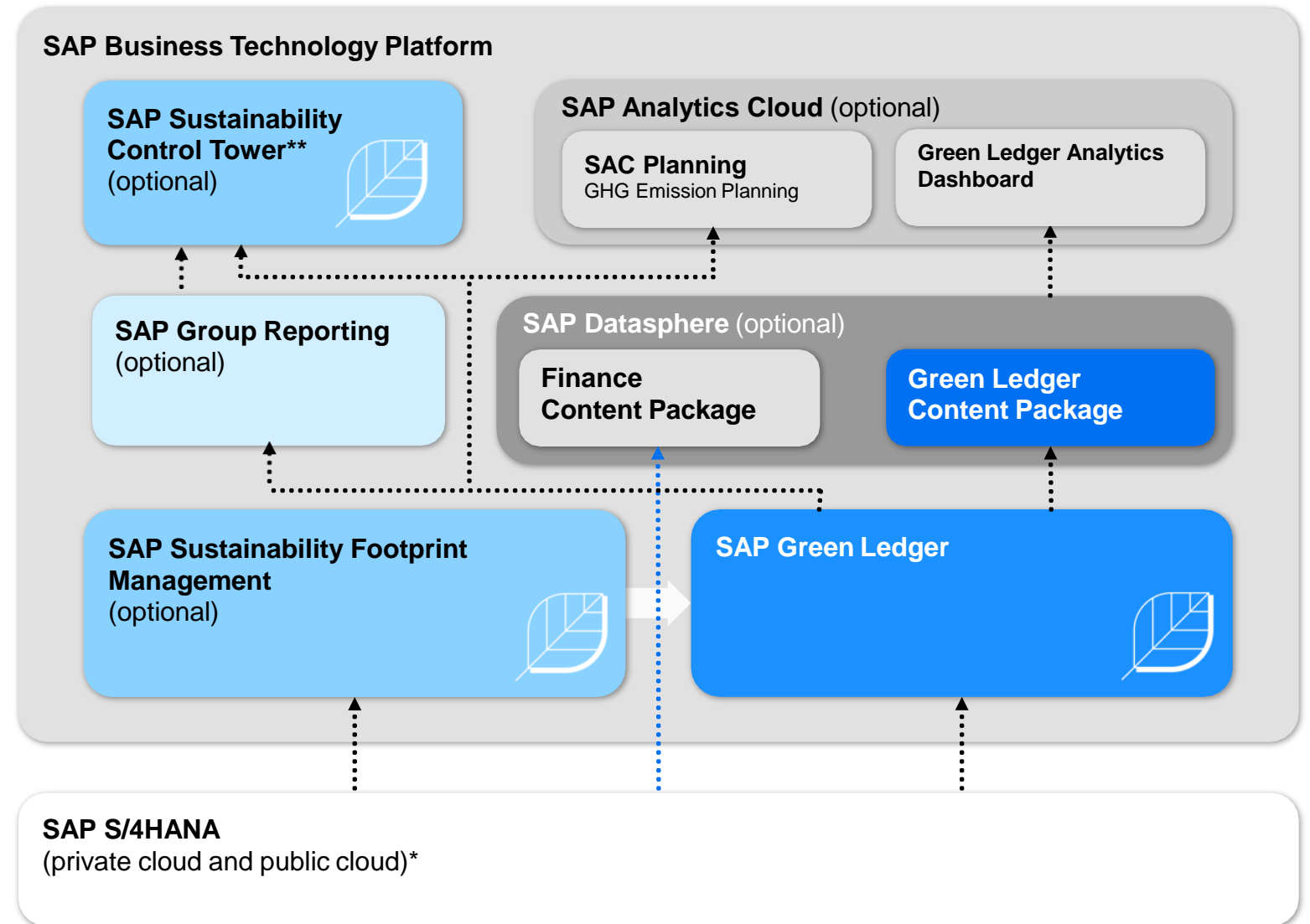


Scope 3 - Indirect value chain emissions

in k tCO2e



The Green Ledger - Building blocks



* Only offered to customers with a GROW or RISE contract

** integration with SCT planned, not part of GA version



Session 6

Voluntary sustainability reporting for SMEs

3 April 2025

Presenters: Elizna Senekal & Ian Daniels
KPMG Belgium

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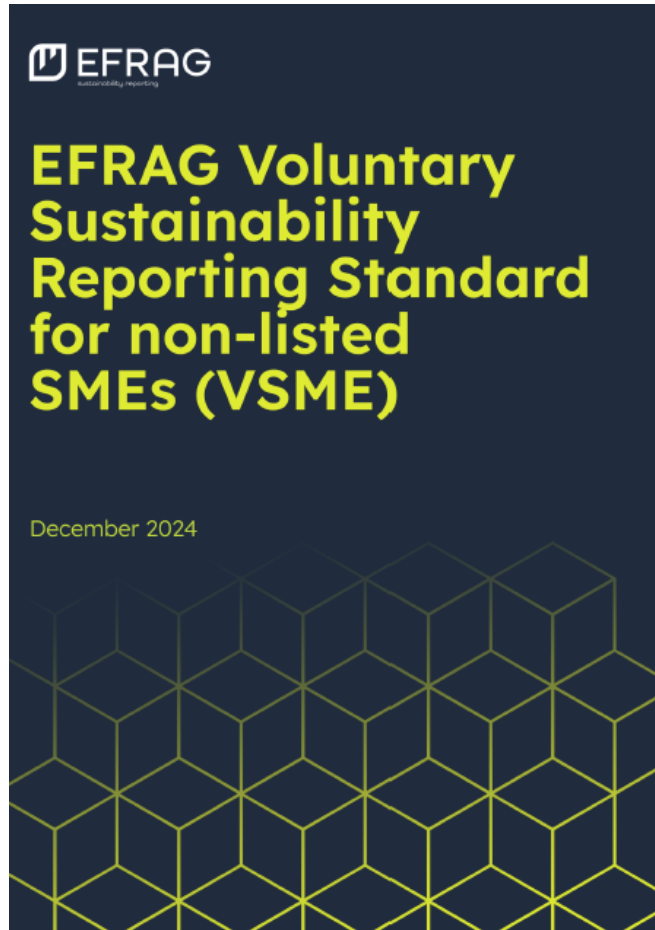
- 01** **Setting the scene: VSME**
- 02** **Omnibus impact**
- 03** **ESRS & VSME comparison**
- 04** **Double materiality creates value**
- 05** **Q&A**



01

Setting the scene: VSME

Voluntary reporting standard for SMEs (VSME)



[VSME Standard.pdf](#)

Voluntary Sustainability Reporting Standard for (non-listed) SMEs (VSME)

VSME is a voluntary standard, published by the European Financial Reporting Advisory Group (EFRAG). The VSME standard is supposed to support Small and Medium Enterprises (SMEs) with a modular approach in their **voluntary ESG reporting**.

Why report under the VSME ?

- 01** Providing information that will help **satisfy the data needs** of large undertakings requesting sustainability information from their suppliers.
- 02** Providing information that will help satisfy data needs from banks and investors, therefore helping undertakings in their **access to finance**.
- 03** **Improving management** of sustainability issues.
- 04** Contributing to a **sustainable and inclusive economy**.

VSME standard– Key principles

VSME is a **non-legally binding reporting method** that can be used by *companies that fall outside of the new proposed scope of CSRD* to voluntarily share detailed information on sustainability relevant matters for them.

VSME

Finalized on
December 17th, 2024



Covers ESG areas similar to those of the European Sustainability Reporting Standard (ESRS).

The basis is the same, but the set of datapoints is significantly reduced (~90%) and the requirements are expressed in very simple terms.



Follows the principle of proportionality.

The reporting requirements are adapted to the size and capacity of the company, reducing administrative burdens.



No double materiality analysis (DMA) → 'if applicable' principle.

The "if applicable" principle means that a disclosure requirement is only relevant if it applies to the company's operations, industry, or business context.



2 modules: Basic module and Comprehensive module.

- **The Basic Module** is designed as a simplified framework to help SMEs meet essential sustainability reporting needs.
- **The Comprehensive Module** expands on the Basis Module, offering detailed guidelines for SMEs seeking to report more advanced sustainability metrics for investors, banks, or clients.



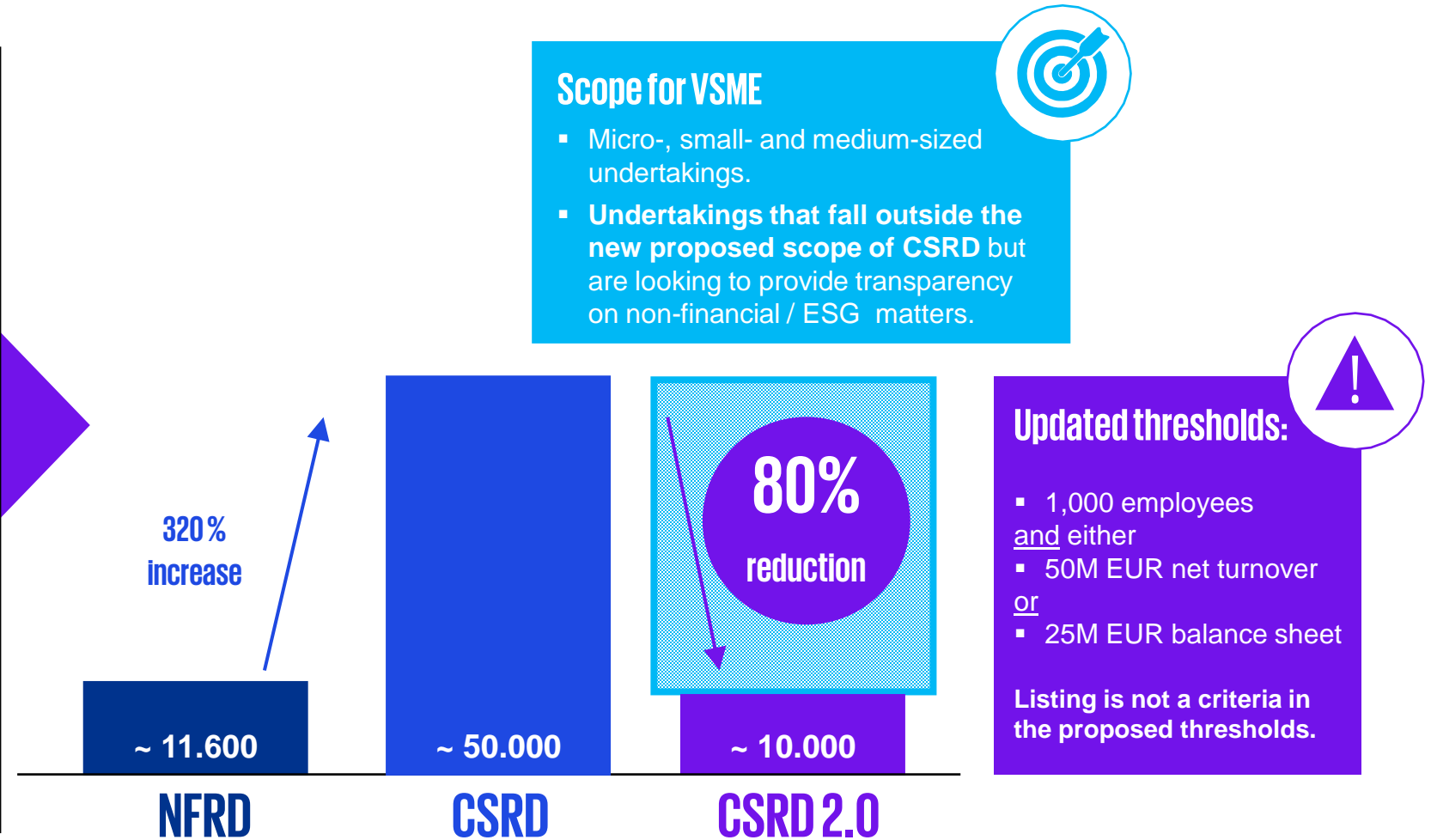
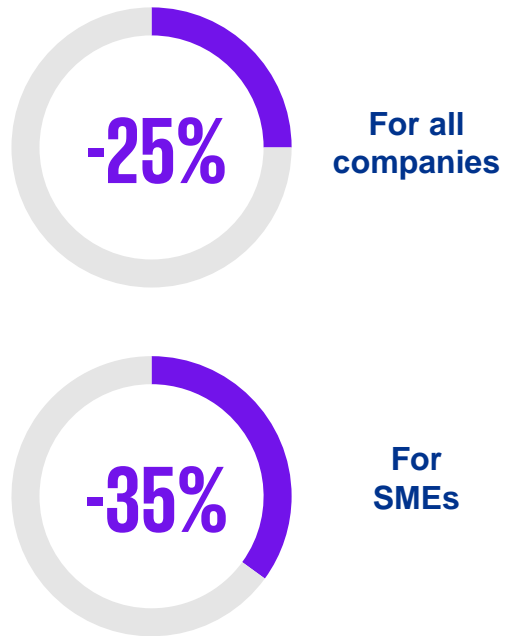
02

Omnibus impact

The proposed thresholds changes the scope of CSRD significantly

Ambition of Competitiveness Compass

Reduce administrative burden through simplification measures



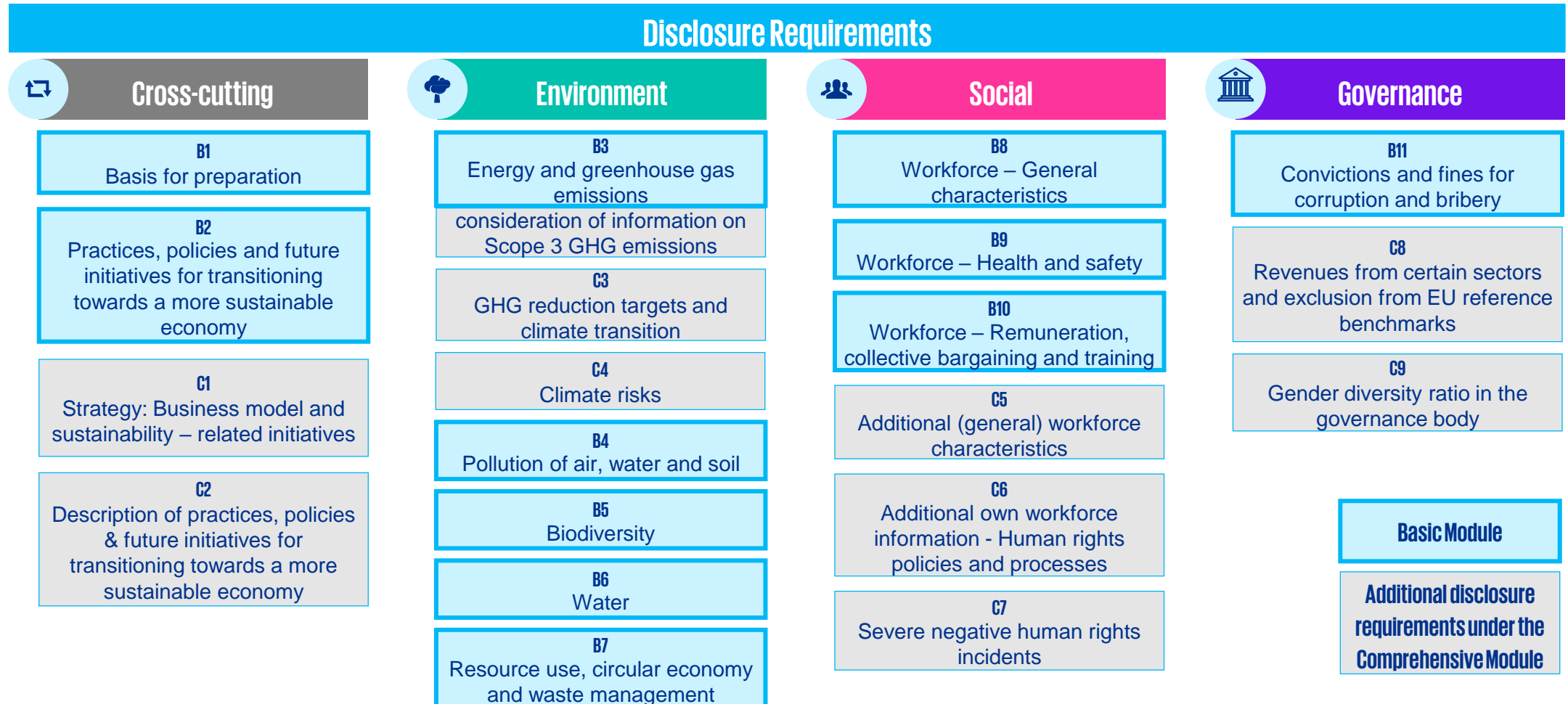


03

ESRS & VSME comparison

VSME standard – Disclosure Requirements

VSME is a **non-legally binding reporting method** that can be used by companies *that fall outside of the new proposed scope of CSRD – companies with 1000 employees and 50M EUR net turnover or 25M EUR balance sheet* – to voluntarily share detailed information on sustainability relevant matters for them.



ESRS Full Scope vs. VSME standard – KPIs

Quantitative Disclosure (KPI)	ESRS Reference	VSME Reference	VSME Disclosure Classification
General Disclosures			
Turnover	ESRS 2	B1 Basis for preparation	Mandatory
Headcount	ESRS 2	B1 Basis for preparation	Mandatory
Environmental Disclosure			
Energy consumption (+ breakdown)	E1 Climate change	B3 Energy and greenhouse gas emissions	Mandatory
GHG emissions Scope 1 + 2			Mandatory
GHG emissions Scope 3			Voluntary
GHG intensity			Mandatory
GHG reduction targets		C3 GHG reduction targets and climate transition	If applicable
Number of sites	E4 Biodiversity and ecosystems	B5 Biodiversity	If applicable
Land use (+breakdown)			If applicable
Water withdrawal	E3 Water and marine resources	B6 Water	Mandatory
Water consumption			If applicable
Total produced waste breakdown (incl. Recycling)	E5 Resource use and circular economy	B7 Resource use, CE and waste management	If applicable
Social Disclosure			
Number of employees (+ breakdown)	S1 Own workforce	B8 Workforce – General characteristics	Mandatory
Work-related accidents		B9 Workforce – Health & safety	Mandatory
Gender pay gap		B10 Remuneration, collective bargaining and training	If above threshold
Training hours			Mandatory
Governance Disclosure			
Convictions and fines for corruption/bribery	G1 Business Conduct	B11 Convictions and fines for corruption and bribery	If applicable
Revenues from certain sectors		C8 Revenue from certain sectors, excl. from EU bench.	If applicable
Gender diversity ratio	ESRS 2	C9 Gender diversity ratio in the governance body	If applicable

ESRS topics not covered by VSME standard

ESRS topic	ESRS sub-topic
Environmental Disclosure	
E2 Pollution	<ul style="list-style-type: none"> ▪ Pollution of living organisms & food resources ▪ Substances of concern ▪ Substances of very high concern ▪ Microplastics
E3 Water and marine resources	<ul style="list-style-type: none"> ▪ Marine resources
E4 Biodiversity and ecosystems	<ul style="list-style-type: none"> ▪ Direct impact drivers of biodiversity loss ▪ Impact on the state of species ▪ Impacts on the extent and condition of ecosystems services
Social Disclosure	
S1 Own workforce	<ul style="list-style-type: none"> ▪ Secure employment ▪ Working time ▪ Adequate wages ▪ Social dialogue ▪ Freedom of association, the existence of works councils and the information, consultation and participation rights of workers ▪ Work-life balance ▪ Employment and inclusion of persons with disabilities ▪ Adequate housing ▪ Privacy
S2 Workers in the value chain	Not covered, except incidents
S3 Affected communities	Not covered, except incidents
S4 Consumers and end-users	Not covered, except incidents
Governance Disclosure	
G1 Business conduct	Not covered, except incidents for corruption and bribery

General DRs not covered in VSME standard

General ESRS DRs not covered in VSME	
MDR-A	Actions and resources in relation to material sustainability matters
MDR-M	Metrics in relation to material sustainability matters
BP-2	Disclosures in relation to specific circumstances
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
GOV-3	Integration of sustainability-related performance in incentive schemes
GOV-4	Statement on due diligence
GOV-5	Risk management and internal controls over sustainability reporting
SBM-2	Interests and views of stakeholders
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement

Environmental DRs not covered in VSME standard

Environmental ESRS DRs not covered in VSME					
E1 – Climate Change Mitigation		E4 – Biodiversity and Ecosystems			
E1 GOV-3	Integration of sustainability-related performance in incentive schemes	E4 IRO-1	Description of processes to identify and assess material IROs		
E1-2	Policies related to climate change mitigation and adaptation	E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model		
E1-3	Actions and resources in relation to climate change policies	E4-2	Policies related to biodiversity and ecosystems		
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	E4-3	Actions and resources related to biodiversity and ecosystems		
E1-8	Internal carbon pricing	E4-4	Targets related to biodiversity and ecosystems		
		E4-6	Anticipated financial effects from material biodiversity and ecosystem-related risks and opportunities		
E2 – Pollution		E5 – Resource Use and Circular Economy			
E2 IRO-1	Description of processes to identify and assess material IROs	E5 IRO-1	Description of processes to identify and assess material IROs		
E2-1	Policies related to pollution	E5-1	Policies related to resource use and circular economy		
E2-2	Actions and resources related to pollution	E5-2	Actions and resources related to resource use and circular economy		
E2-3	Targets related to pollution	E5-3	Targets related to resource use and circular economy		
E2-5	Substances of concern and substances of very high concern	E5-4	Resource inflows		
E2-6	Anticipated financial effects from material pollution-related risks and opportunities	E5-6	Anticipated financial effects		
E3 – Water and Marine Resources					
E3 IRO-1	Description of processes to identify and assess material IROs				
E3-1	Policies related to water and marine resources				
E3-2	Actions and resources related to water and marine resources				
E3-3	Targets related to water and marine resources				
E3-5	Anticipated financial effects from material water and marine resources-related risks and opportunities				

99

Social and Governance DRs not covered in VSME standard

Social ESRS DRs not covered in VSME		Governance ESRS DRs not covered in VSME	
S1 – Own Workforce		G1 – Business Conduct	
S1 SBM-2	Interests and views of stakeholders	G1 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities
S1 SBM-3	Material IROs and their interaction with strategy and business model	G1-1	Corporate culture and business conduct policies
S1-2	Processes for engaging with own workers and worker's representatives about impacts.	G1-2	Management of relationships with suppliers
S1-4	Taking action on material impacts on own workforce and effectiveness of those actions.	G1-3	Prevention and detection of corruption and bribery
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	G1-5	Political influence and lobbying activities
S1-11	Social protection	G1-6	Payment practices
S1-12	Persons with disabilities		
S1-15	Work-life balance metrics		
S2 – Workers in the value chain (except disclosure of human rights violations)			
S3 – Affected communities (except disclosure of human rights violations)			
S4 – Consumers and End-Users (except disclosure of human rights violations)			

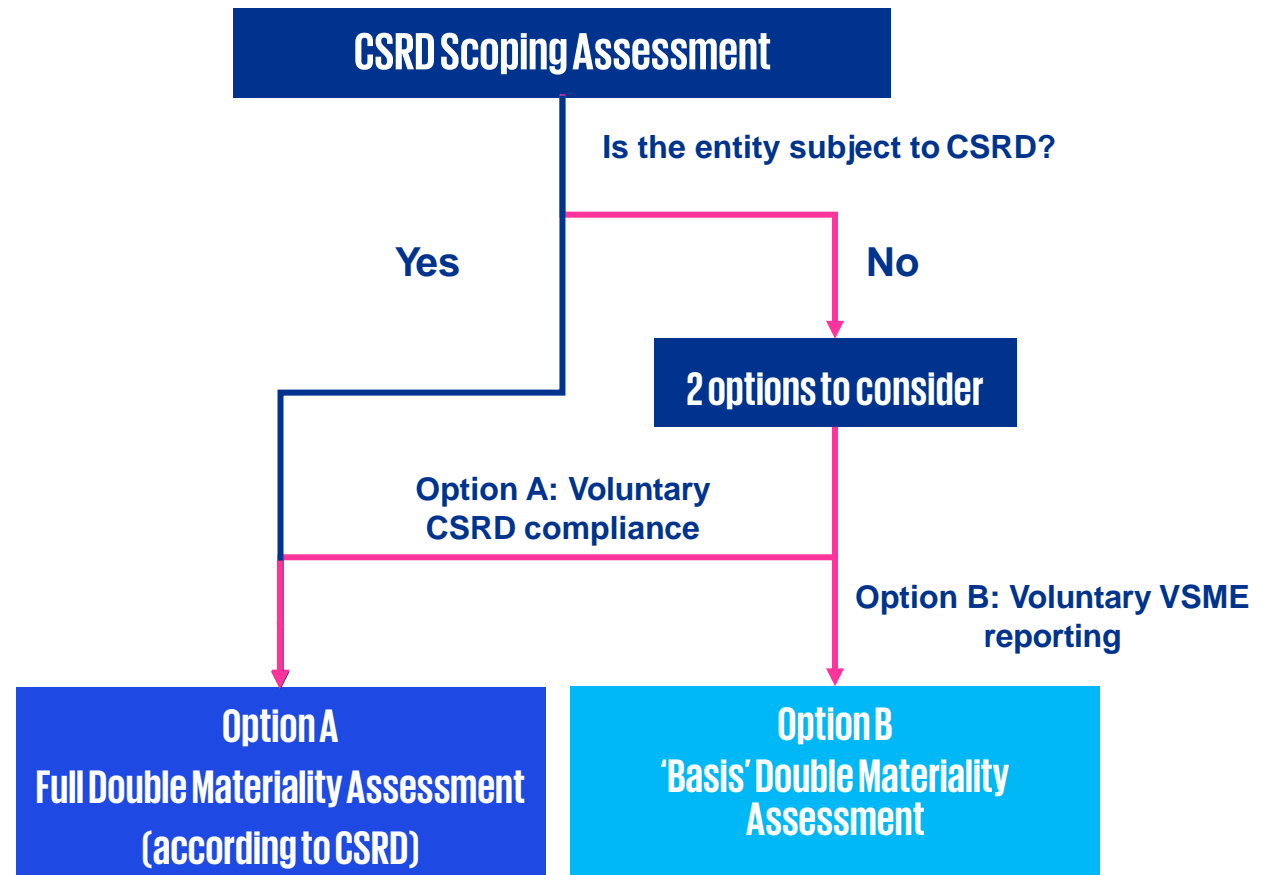
04

**Double materiality
creates value**



Double Materiality creates value by:

- 01** Strengthens Business Strategy & Risk Management.
- 02** Drives Innovation & Competitive Advantage.
- 03** Enhances Stakeholder Engagement & Trust.
- 04** Improves Capital Allocation & Investment Decisions.





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