ESG related
disclosure obligations

Speaker: Claudia Feick

How is the "big picture" structured in Europe?

Presentation of "green" economic activities

EU-Taxonomie

Transparent reporting

CSRD

CBAM

CSDDD

EED

LkSG

Fulfilment of corporate due diligence obligations

RED

EPBD

Perspective: Guidelines & packages ("Fit for 55")
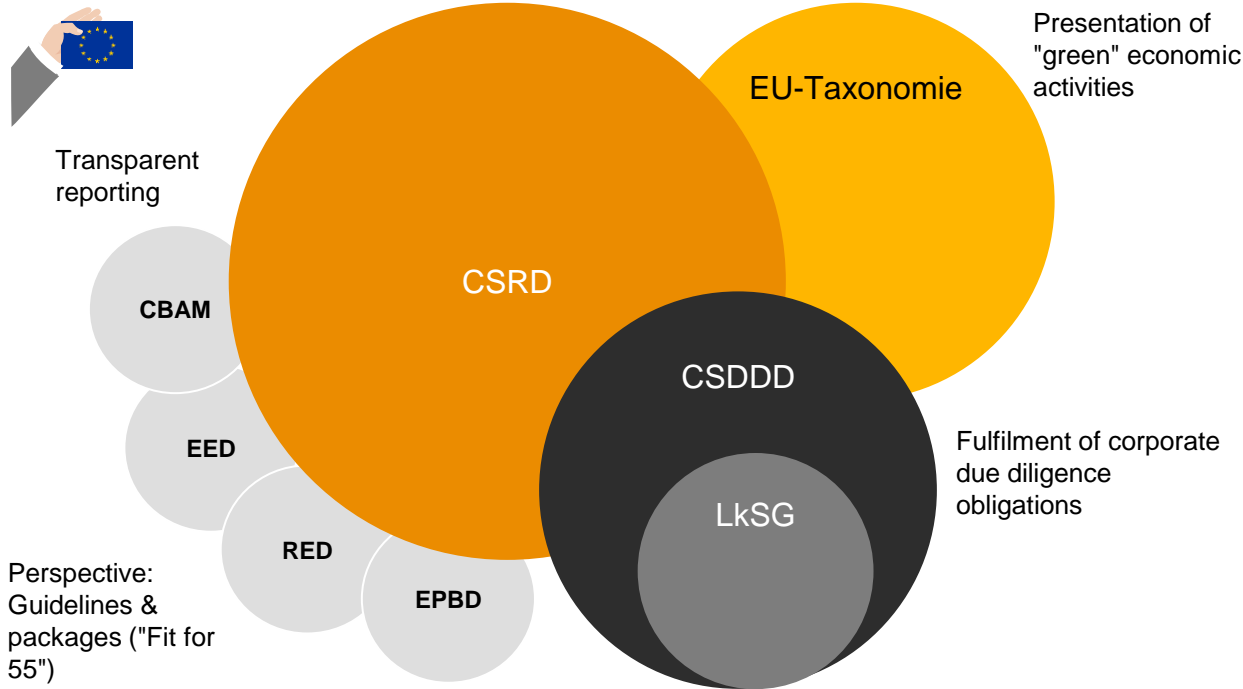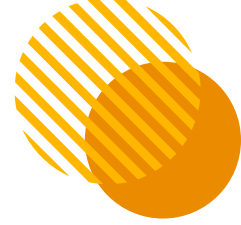
CSRD: What is the EU's Corporate Sustainability Reporting Directive?

WHY

The **spirit is to drive change in business conduct by prompting companies to relate sustainability topics to the financial opportunities and risks** as well as **its impacts on society and the environment**—and disclose strategies and plans for managing sustainability performance and financial performance in tandem.

WHO

All companies **listed on EU-regulated** markets and **large companies not listed** (may include non EU-based multinational companies). Expected to impact approximately **50,000 companies globally/10,000 companies headquartered outside of the EU**.

WHAT

Disclosures across four areas: **Governance; Strategy; Impact, risk and opportunity management and Metrics and targets**. Disclosure requirements about how sustainability matters affect a company's business, and the impact of the business' activities on people and the environment

WHEN

Timing would be phased by the type of entity. Timelines are most pressing for EU organisations with disclosure requirements applicable as early as 2024 (filing in 2025).

WHERE

Disclosures must be **integrated** into the management report (or consolidated sustainability report for non-EU companies), prepared in single electronic format and digitally tagged.

HOW

Sustainability **information will require the same level of rigour as financial reporting.** Directors bear explicit responsibility and audit committee tasks are expanded - with limited assurance required; later transition to reasonable assurance.
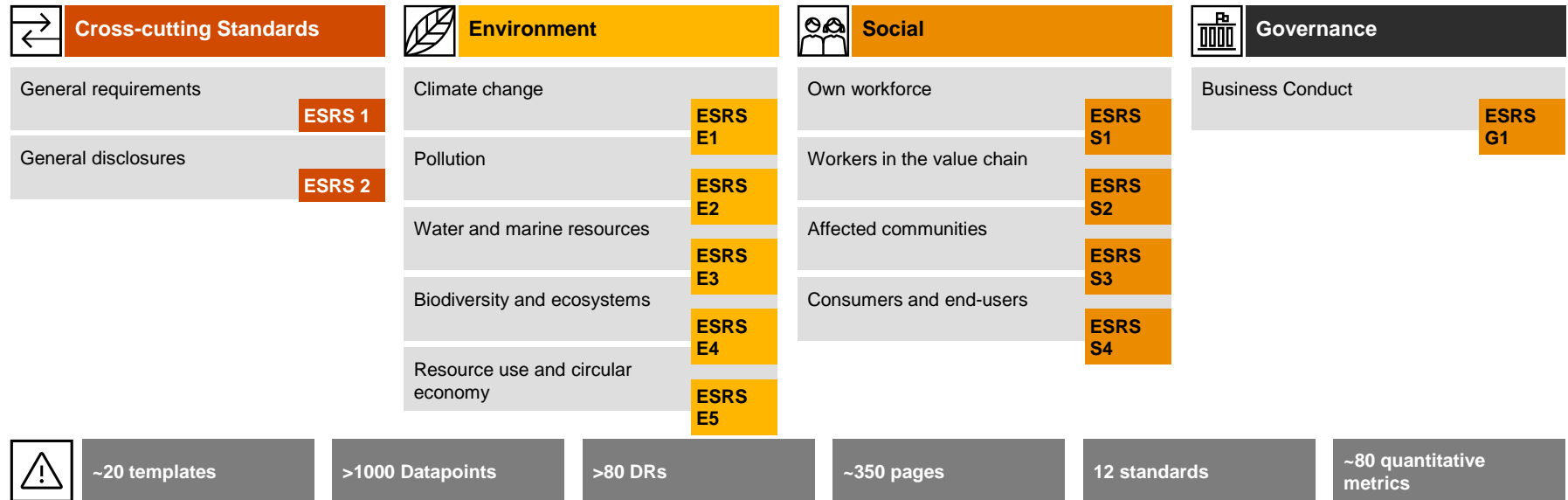
"Even for companies considered to have mature sustainability reporting, CSRD will require significant time and investment. Something we're seeing time and again across the market" Nadja Picard, Global Reporting Leader

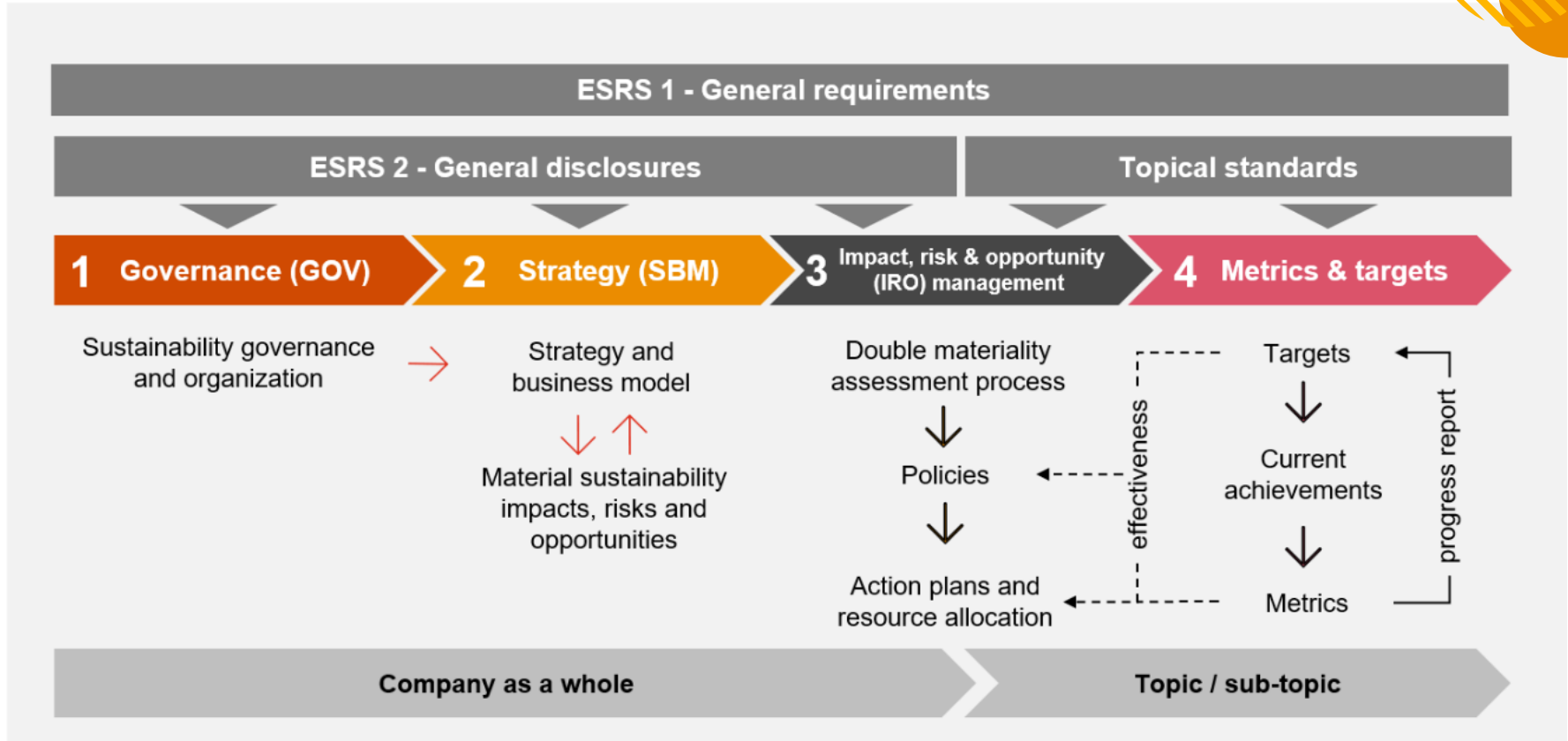# What are relevant ESG Disclosures? – The perspective of CSRD
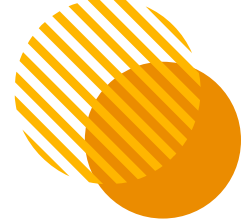
The CSRD requires organizations to disclose information about environmental, social and governance aspects across 12 different sub-standards based on their overall materiality in the context of the organization:

What are the standards for reporting?

Cross-cutting Standards	Environment	Social	Governance
General requirements **ESRS 1**	Climate change **ESRS E1**	Own workforce **ESRS S1**	Business Conduct **ESRS G1**
General disclosures **ESRS 2**	Pollution **ESRS E2**	Workers in the value chain **ESRS S2**	
	Water and marine resources **ESRS E3**	Affected communities **ESRS S3**	
	Biodiversity and ecosystems **ESRS E4**	Consumers and end-users **ESRS S4**	
	Resource use and circular economy **ESRS E5**		

~20 templates	>1000 Datapoints	>80 DRs	~350 pages	12 standards	~80 quantitative metrics

Deep Dive – Basic Structure of CSRD Reporting

Deep Dive – Double Materiality

Impact materiality
actual or potential

A sustainability matter is material when

- it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment (environmental, social and governance matters),
- over the short-, medium- or long term.

Includes impacts caused or contributed to by the undertaking and impacts which **are directly linked** to the undertaking's operations, products, and services through its business relationships

Example: GHG emission

Materiality perspectives

Impact materiality
Inside-out

Financial materiality
Outside-in

Sustainability matter **is "material"** when it meets the criteria defined **for impact materiality OR for financial materiality OR both**

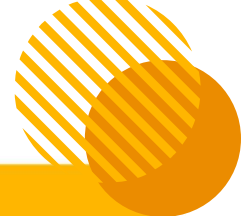**Financial materiality**
only prospective

A sustainability matter is material if it triggers or may trigger material financial effects on the undertaking. This is the case when

- it generates or may generate risks or opportunities that have a material influence (or are likely to have a material influence) on the undertaking's cash flows, development, performance, position, cost of capital or access to finance,
- in the short-, medium- and long-term time horizons.

Example: Assessment of the influence of GHG emissions on the undertaking's future cash flows, such as the effect of carbon pricing mechanisms

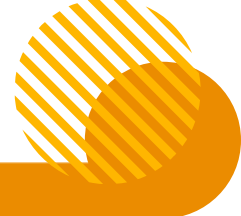Consideration of impact on all affected stakeholders → individual + investors + business partners + NGOs…

Deep Dive – Environmental Disclosures

Environment

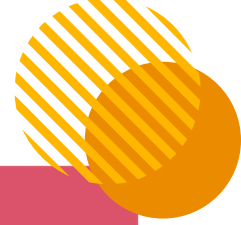| ESRS	Topic	Sub-topic	Sub-sub-topic
ESRS E1	Climate change	• Climate change adaptation • Climate change mitigation • Energy ⓘ ESRS E1 shall be included irrespective of the outcome of the materiality assessment	
ESRS E2	Pollution	• Pollution of air • Pollution of living organisms and food resources • Pollution of water • Substances of concern • Pollution of soil • Substances of very high concern	
ESRS E3	Water and marine resources	• Water withdrawals • Water discharges in water bodies and in the oceans • Water consumption • Habitat degradation and intensity of pressure on • Water use marine resources	
ESRS E4	Biodiversity and ecosystems	• Direct impact drivers of biodiversity loss	• Climate Change • Land-use change • Direct exploitation • Invasive alien species • Pollution • Others
		• Impacts on the state of species	Examples: • Species population size • Species global extinction risk
		• Impacts on the extent and condition of ecosystems	Examples: • Land degradation • Desertification • Soil sealing
		• Impacts and dependencies on ecosystem services	
ESRS E5	Resource use and circular economy	• Resources inflows, including resource use • Resource outflows related to products and services • Waste	

Deep Dive – Social Disclosures

Social

ESRS	Topic	Sub-topic	Sub-sub-topic
ESRS S1	Own workforce	• Working conditions	• 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 • Collective bargaining, including rate of workers covered by collective agreements • Work-life balance • Health and safety
		• Equal treatment and opportunities for all	• Gender equality and equal pay for work of equal value • Training and skills development • Employment and inclusion of persons with disabilities • Measures against violence and harassment in the workplace • Diversity
		• Other work-related rights	Child labour • Forced labour • Adequate housing • Privacy
ESRS S2	Workers in the value chain	• Working conditions	• Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association, including the existence of work councils • Collective bargaining • Work-life balance • Health and safety
		• Equal treatment and opportunities for all	• Gender equality and equal pay for work of equal value • Training and skills development • The employment and inclusion of persons with disabilities • Measures against violence and harassment in the workplace • Diversity
		• Other work-related rights	• Child labour Forced labour • Adequate housing • Water and sanitation • Privacy
ESRS S3	Affected communities	• Communities' economic, social and cultural rights	• Adequate housing • Adequate food • Water and sanitation • Land-related impacts • Security-related impacts
		• Communities' civil and political rights	• Freedom of expression • Freedom of assembly • Impacts on human rights defenders
		• Particular rights of indigenous communities	• Free, prior and informed consent • Self-determination • Cultural rights
ESRS S4	Consumers and end-users	• Information-related impacts	• Privacy • Freedom of expression • Access to (quality) information
		• Personal safety	• Health and safety • Security of a person • Protection of children
		• Social inclusion	• Non-discrimination • Access to products and services • Responsible marketing practices

Deep Dive – Social Disclosures

Governance			

ESRS	Topic	Sub-topic	Sub-sub-topic
ESRS G1	Business Conduct	• Corporate culture • Protection of whistleblowers • Animal welfare • Political engagement and lobbying activities • Management of relationships with suppliers including payment practices	
		• Corruption and bribery	• Prevention and detection including training • Incidents

On a par with financial reporting in future

The world of (non-)financial reporting today	The world of (non-)financial reporting from 2024/2025

Financial Reporting

Sustainability Reporting

Financial reporting

Sustainability Reporting
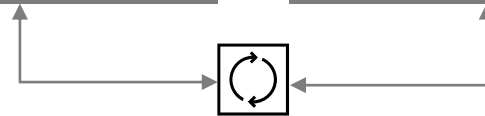
Key organizational dimensions highly affected by the transformational changes of CSRD reporting obligations

REPORTING CONTENT & Data

- **AMBITIONS** and Priorities
- Amount & granularity of **INFORMATION**
- **FORMALIZED** Policies, Actions, Metrics

GOVERNANCE

- Involvement of governance **BODIES**
- Overall governance **STRUCTURE**
- Additional **RESOURCES**

PEOPLE

- Impacts on scope of work, **RESPONSIBILITIES**
- Onboarding and **ENGAGEMENT** (#northstar)
- Tailored **COMMUNICATION**

PROCESSES

- **LANDSCAPE**
- Tools and methodologies
- Documentation and A**UDITABILITY**

Reporting content-related changes

Financial Reporting   **Sustainability Reporting**

Moving from heterogeneity and various methodologies …

Reporting content **limited to own operations**

Brief description of the business model of the company

Report on policies, actions and KPI for material topics identified, with **no further requirements**

Methodologies used for KPIs calculation defined by companies
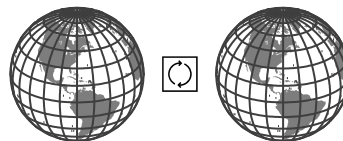
Financial Reporting   **Financial Reporting**

... To standardized and comparable reports

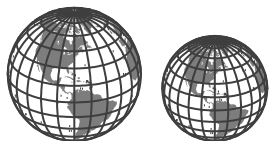**1**   **Increased number of information** (incl. financial effects) to report on respecting a specific format (ESEF) and requirements, with increased complexity to encompass companies' **value chain**

2   Room for setting **reporting ambition** leading to strategic implications (comparability with competitors, increased investors scrutiny)

3   Increased complexity on the **scoping** and the inclusion of subsidiaries and entities not included so far

4   Mandatory **audit with limited assurance** (review by the EC as to whether and when transition to reasonable assurance) and inclusion to the **management report**

Define roles and responsibilities for all relevant participants in the information and reporting process

Key Accountabilities

Disclosure Owners
- Reviews interim and year-end readouts by topic
- Reviews information and disclosures prior to public release

ESG COE (Center of Excellence)
- Centralized team with expertise in ESG + risk & controls tasked with execution of the Disclosure Committee's vision to support the Metric SMEs and Information Owners through training, certifications, validation, and reporting.
- Reconciles the provided supporting documentation to final ESG disclosures

Metric Information Owners
- Owns topic-level guidance and metric-level process documentation and is responsible for making sure that it is updated appropriately
- Responsible for identifying key risks in the process, implementing key controls, and ensuring that key controls are effective throughout the reporting period

Data Steward
- Responsible for collecting, maintaining, controlling, and submitting high quality data for use in disclosures

High level reporting process for CSRD

Sustainability management	Strategy development	Organization & budget	Targets	Performance & steering	**Communication**

Process step	**1** Scoping	**2** Preparation	**3** Data Collection, Processing, & Calculation	**4** Data Consolidation	**5** Reporting
Key tasks	• Consider results from sustainability risk assessment • Update materiality analysis • Define topics, priorities & confirm KPIs by focusing on reporting requirements	• Validate data collection & control and KPI calculation methodology • Confirm data collectors • Awareness creation for (local) managers • Integration of new targets into regular monitoring mechanisms planning & management reporting	• Data collection & control • KPI calculation & control • Prepare text for CSRD reporting	• Consolidate KPIs • Cross-check KPIs	• Integrate KPIs into report • Manage audit • Finalize report • Publish & distribute report(s)

Sustainability reporting process for CSRD

Ongoing activity	Management & steering (regular exchange between involved actors; e.g. regulatory requirement check)
	Knowledge sharing between involved roles

Considering people and their needs in the CSRD process is essential for the CSRD readiness

Financial Reporting | **Sustainability Reporting**

Sustainability as centralized expertise

Sustainability experts in charge of collecting and organizing data and processes:
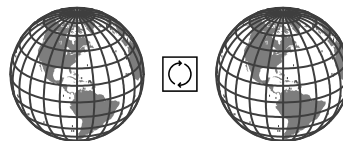
Extensive knowledge on sustainability

Standardized processes to collect and report data

Sustainability reporting as main tas

Clear expectation setting and delivery for stakeholders involved

Financial Reporting | **Financial Reporting**

CSRD reporting as collaborative effort

1 More uncertainty

2 More responsibility

3 More stakeholders involved (internal / external)

4 Less time

Employees are concerned about **bureaucratic** and **organisational requirements of the CSRD**

Learning organizations and their first year CSRD implementation

- **Unclear mandate** (overall CSRD reporting) and **insufficient allocation of roles and responsibilities** (for sub activities); **insufficient stakeholder involvement**

- **Diverse perspectives regarding CSRD reporting ambition** level (materiality of topics, level of assurance)

- **Late engagement into internal controls** while sustainability reporting structures (IT infrastructure, disclosure process) have already been started / designed

- **High level of uncertainty about how to perform key activities such as e.g. double materiality and gap assessment**

- **Undertainty about individual disclosure requirements**

- **Experienced delays in techonology selection and implementation**

- **Overwhelmed topic owners** (many new tasks to be executed – during project and later run mode)

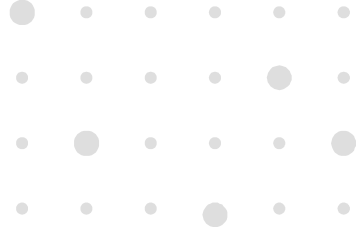- **Weak project management** in this significant transformation

- ….

Questions?

Thank you for your attention!

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