

Governance Ambition for Organizations

PwC ESG governance maturity model – illustrative high transition to target state Current State Ambition level The organization

pursues a decentralized approach form a local point of view

Siloed

a group-wide approach but different maturity levels for specific E, S, or G topics, or a decentralized approach but different maturity levels across individual brands



Embedded

pursues a group-wide harmonized approach for all ESG topics together, while different responsibilities for E, S, or G may arise



Desired

target

state?

Tech-enabled

The organization has the group-wide harmonized approach implemented via an automated solution

Target state and outcomes

- Clear vision for the ESG governance and organization
- ESG established as a clear steering instrument within a stringent governance framework
- Clear organizational setup, reporting lines and interfaces with other departments and branches
- Defined way of working and collaboration via **RASCI** matrices



Starting point

The organization is just at the start of setting-up a concept design for ESG governance

Centralized

The organization

The organization has



The identification and usage of cooperation potential and synergies between departments add value target-orientated and efficiently to the ESG responsibility

Illustration

Corporate Quality

Supports with strategic knowledge of Quality Management System

Risk Management

Includes ESG risks in overall Risk Management

Group Strategy

Operates sustainability strategy of CR Board and transforms it in divisions and subsidiaries

CR-Board

Sets the Sustainability Strategy and controls its implementation

Compliance

Ensures compliance with laws and regulations to match ESG requirements

Value Stream Managemen

Deliversevaluable information on customer ESG requirements

Purchase Dep.

Delivers valuable information on supplier ESG requirements and behaviour

Legal/ Corporate Audit

Ensures legal correctness with ESG reporting and data process handling

Communication

n charge of ESG repor and communication strategy

Accounting / Controlling

n charge of KPI quality control and reporting process

Investor Relations

Manages the ESG communication with investors and focuses on ESG ratings

Technology

Unites and simplifies KPI reporting processes through best available technologies

Corporate Dev.

Secures implementation of ESG related tasks in corporate development process

Subsidiaries

In charge of data collection, risk assessment and implementation of sus. strategy

KPI owners (Divisions)

Control data and calculate KPIs

Production

Has valuable information on used materials and their ESG impact

External Parties

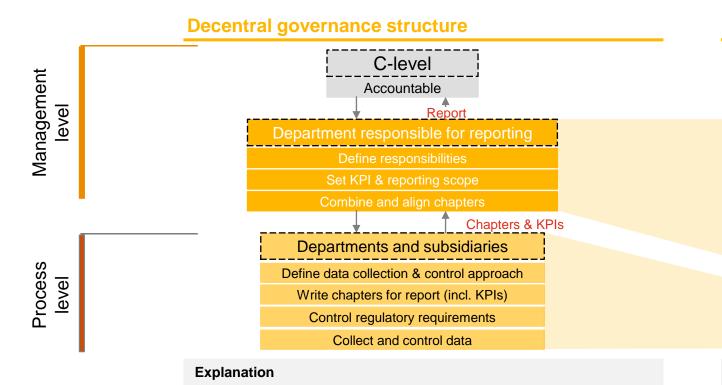
Co-determine ESG
KPIs via external
requirements
(stakeholder
expectations and legal
regulations)

People/ HR

In charge of recruiting suitable talents for ESG positions and includes ESG in hiring process

Key factors can be used to decide whether CSRD reporting should be organized centrally or a decentralized basis

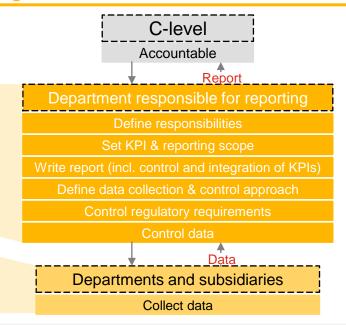
Illustration



Higher involvement/ and effort of data collectors

alignment





Explanation

- High standardization of data and reporting approach high effort for alignment
- High effort for department that is responsible for ESG report (e.g. create template, give guidance, control data, check regulatory requirements)

decentral Degree of centralization

• Comparable low effort for department that is responsible for ESG report

• Low standardization of data and reporting approach - high effort for

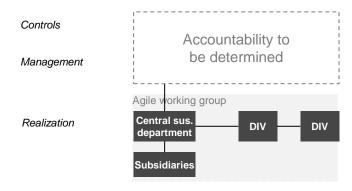
central

Three different models of organizational structure

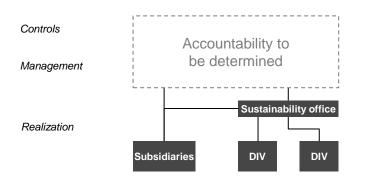
Centralized

Controls Accountability to be determined Realization Central sus. department Subsidiaries

Siloed



Embedded



Explanation

- Large central team sets the sus. agenda, incubates and drives initiatives before handing them over to the 'natural owners' in the line organization
- Cross-functional initiatives without a clear 'natural owner' may require continuous support from the central team
- Low involvement of DIVs

Explanation

- Central sus. team orchestrates sus. agenda and agile working groups drive implementation
- Agile topic working groups develop guidelines & best practice, incubate initiatives and drive their initial execution before transferring them to the 'natural owners' in the line organization

Explanation

- · No central sus, team exists
- Sustainability is embedded as an integral part in all work processes across the entire organization, and is part of everyone's job description
- Decision-maker considers sustainability in all their decisions
- · Coordination of sus. activities via sustainability office

Degree of decentralization

high

Size

Navigating the ESG Landscape PwC

low

Pros and cons of the different three organizational structures+

Centralized Siloed **Embedded** Controls Controls Controls Accountability to Accountability to Accountability to be determined be determined be determined Management Management Management Agile working group Sustainability office Central sus. Realization Realization Realization department department **Subsidiaries** Subsidiaries **Pros & Cons Pros & Cons Pros & Cons**

- Speed Rapid implementation of the transformation roadmap
- Centralization of workload to one sus. team
- Potential for transfer problems, as central solution often not applicable to all departments (DIVs)

- Involvement of wider parts of the organization in transformation - Distribution of workload
- Transfer problems are reduced because departments (DIVs) are more involved in developing the content
- Exchange between sus. team and departments (DIVs) slows down transformation implementation

- Involvement of the entire organization in transformation - distribution of the workload
- Slow implementation of the transformation roadmap high coordination effort (especially at the beginning of the sus. journey)
- Potential risk of inefficiencies due to lack of coordination between departments (DIVs)

Degree of decentralization

high

low

PwC's project insights shows that companies, regardless of their ambitions, mostly prefer an centralized or siloed approach

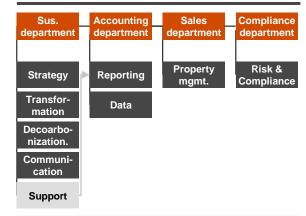
Manufacturer (pharma)1)



Manufacturer (automotive)¹⁾



Mobility provider¹⁾



Manufacturer (fashion)¹⁾



Explanation

- Governance structure: centralized
- Respon. sus. depart.: reporting & decaronization
- Characteristic: Large central team sets the sus. agenda by focusing mainly on the fulfilment of minimum requirement

Explanation

- · Governance structure: Siloed
- Respon. sus. depart.: Strategy, sus. reporting, decarbonization
- Characteristic: Specific sus. projects under the responsibility of other departments with support from sus. department

Explanation

- · Governance structure: Siloed
- Respon. sus. depart.: Strategy, transformation, decarbonization & communication
- Characteristic: Central sus. team orchestrates sus. with high involvement of other department

Explanation

- Governance structure: Siloed to embedded
- Respon. sus. depart.: Different departments responsible for ESG (reporting) tasks according to expertise
- Characteristic: Decentral organization of sus. topics with an agile working group to manage ESG reporting

Navigating the ESG Landscape

PwC

Department

t

Supporting task



2) Incl. Business Planning & Analysis and Risk Management & Internal Controls April 2024

¹⁾ Source: Project expertise PwC

Governance, Structures & Processes – To define responsibilities for processes

Definition RASCI

R

Responsible

Who is the project owner and has to ensure that the project is completed?

A

Accountable

Who has the final control over the project task and the resources associated with it?

S

Support

Who supports the responsible person with provided resources?

C

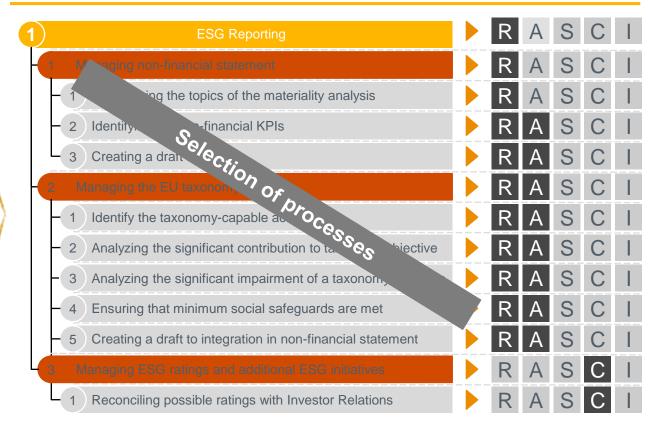
Consulted

Who consults the responsible person with expertise?

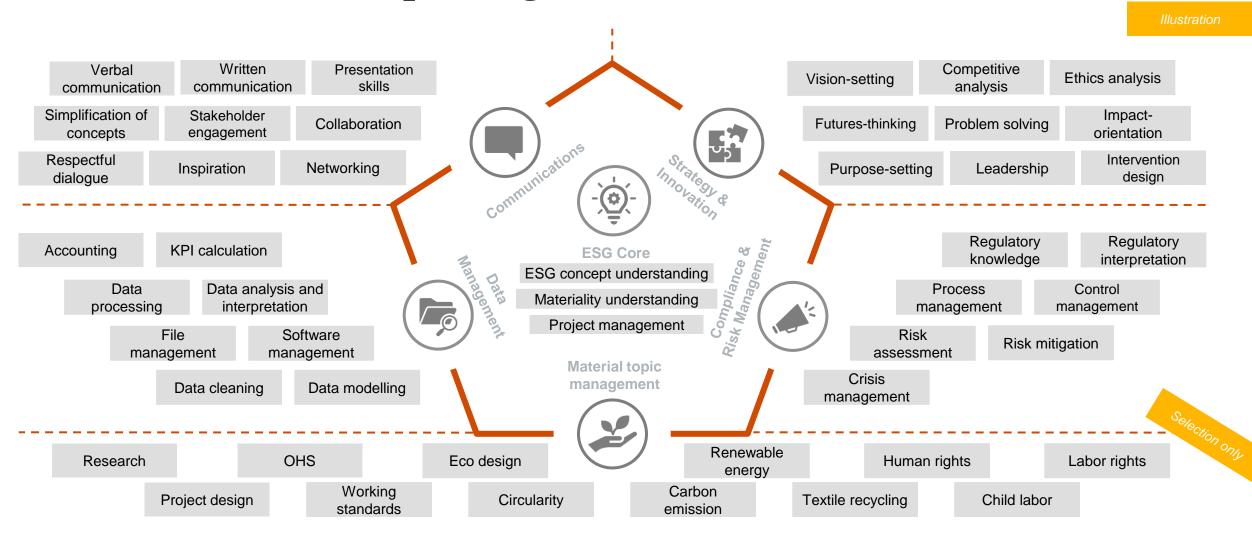
Informed

Who needs to be kept in the loop during the project life-cycle?

Exemplary illustration of RASCI for ESG reporting processes



CSRD reporting requires a range of skills and capabilities to deliver the CSRD Reporting TOM



Upskilling and/or



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