



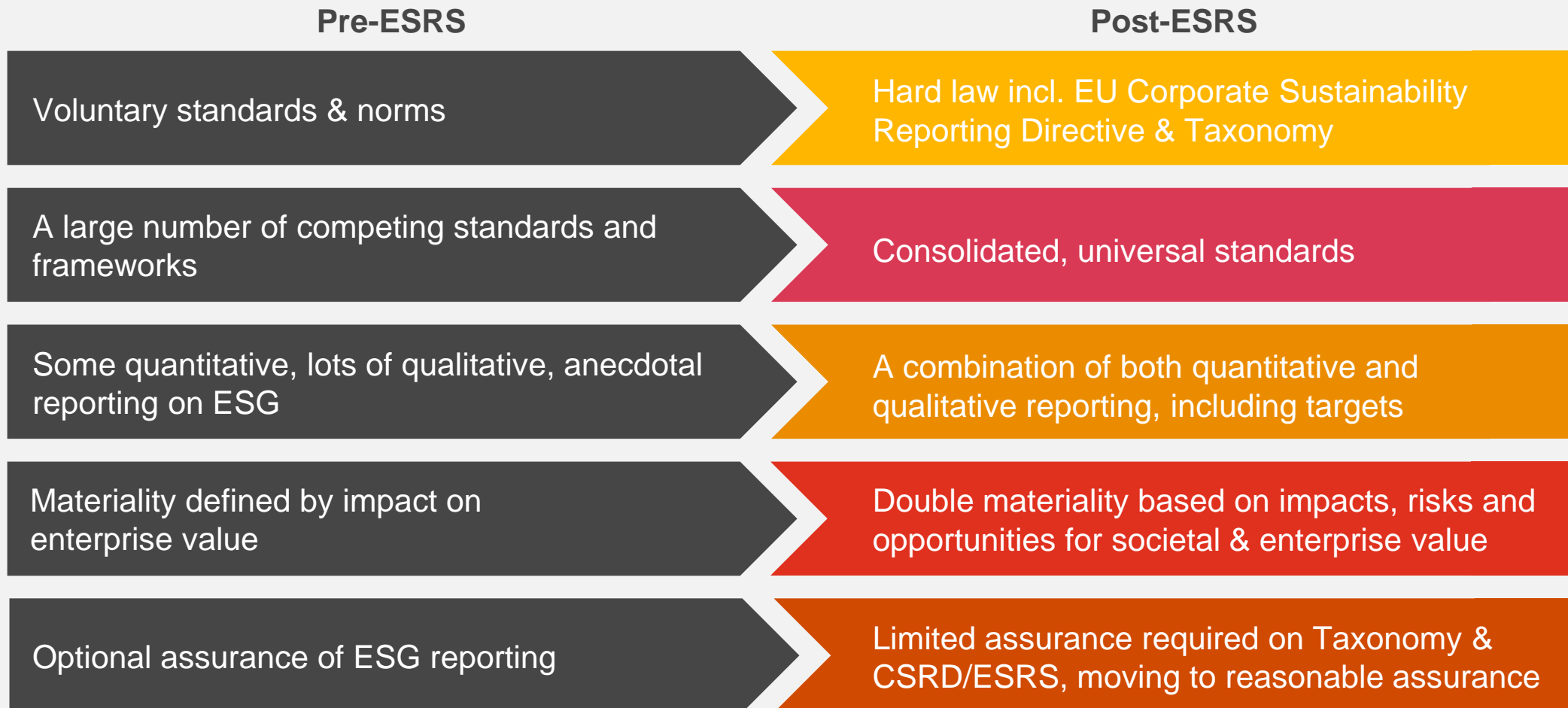
CSRD: Preparing for new EU ESG reporting requirements

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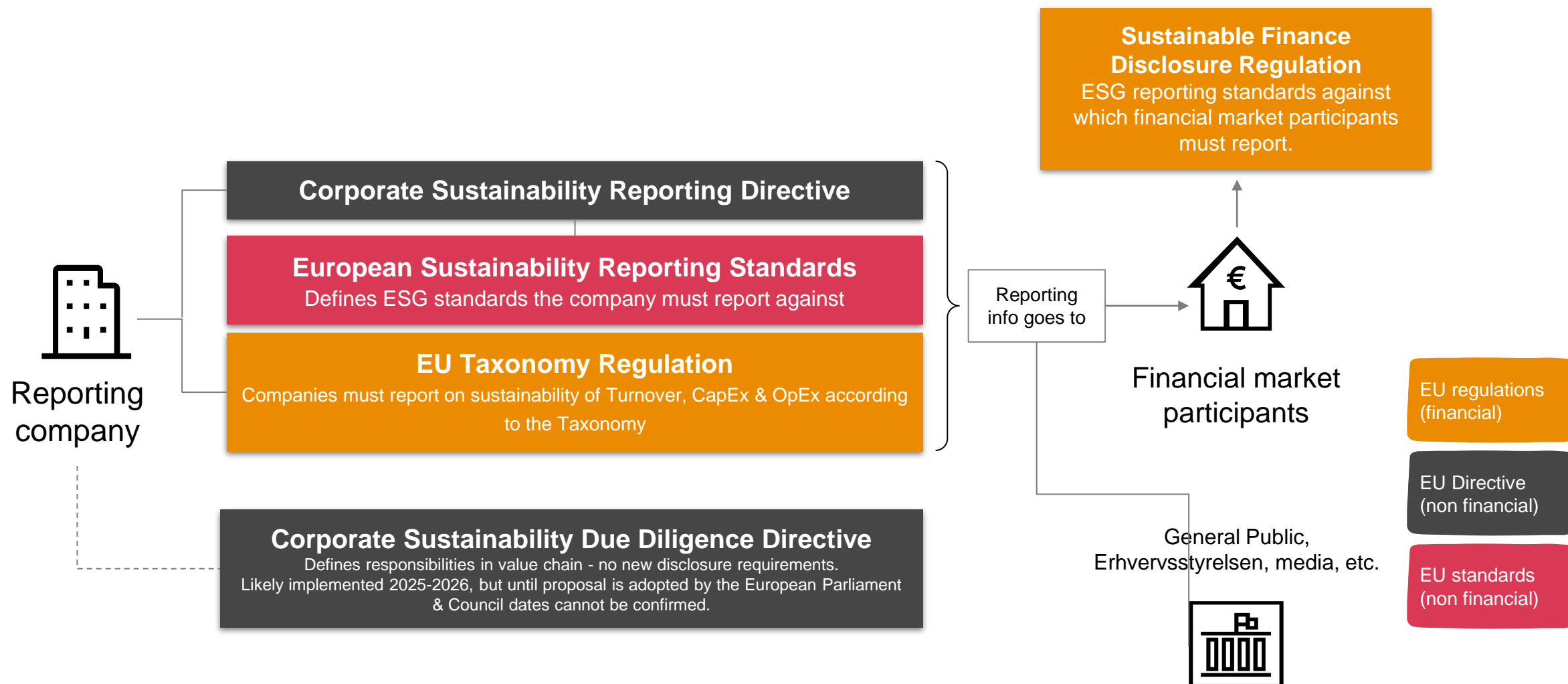
Sustainability is a megatrend.

This is a game changer

All large and listed companies must report against the ESRS



The purpose is to increase quality and transparency of ESG reporting to encourage the flow of capital



The CSRD is expected to apply for large listed companies from FY24 and for large 'C' companies from FY25



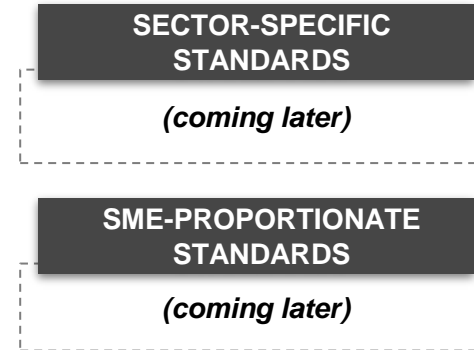
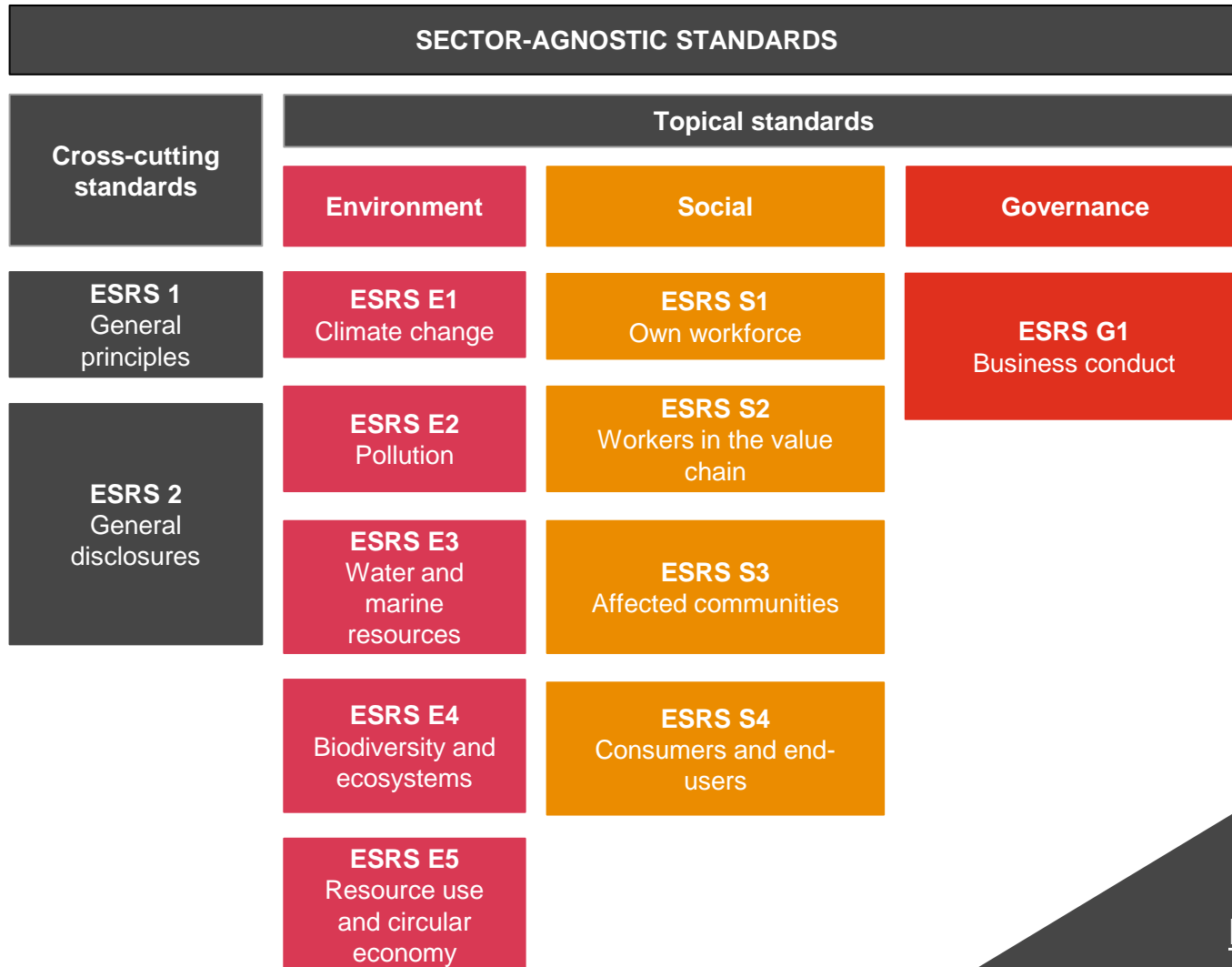
Main changes

Who?	Significant extension of the scope of sustainability reporting
What?	<ul style="list-style-type: none"> • Expanding the content of sustainability reports • Reporting must meet requirements of European Sustainability Reporting Standards. • ESG reporting in management report of annual accounts
Where?	Sustainability report mandatory component of the (consolidated) management report
How?	Electronic format and tagging of sustainability reports mandatory
Responsibility?	Responsibility of management and governance and new role (oversight) of the audit committee
Enforcement?	Clear responsibilities for preparation, oversight and enforcement
Audit?	Mandatory audit of sustainability reports with limited assurance

Application intended for reporting periods starting from:

- Large listed undertakings for first financial year from 1 January 2024
- Large undertakings for first financial year from 1 January 2025

The architecture of the new European Standards (ESRS)

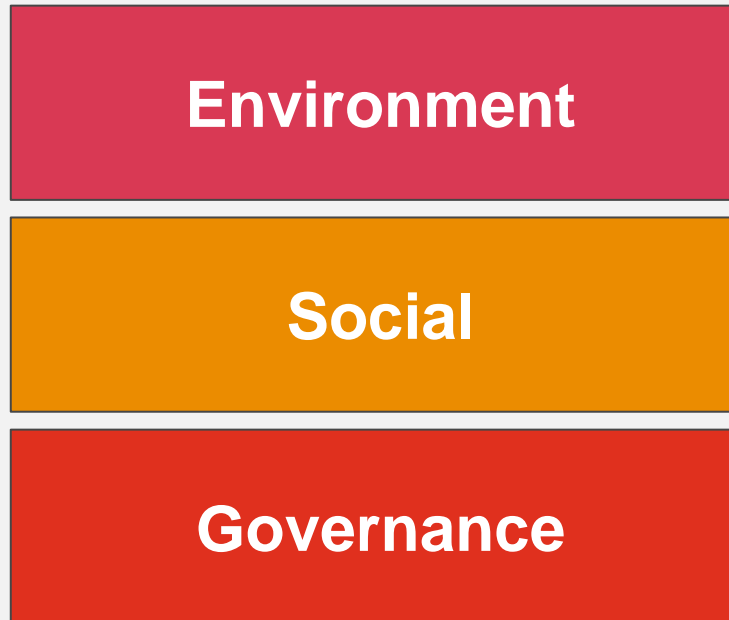


[Link to draft standards.](#)

- 12 standards, of which 10 are topical.
- Up to **82 disclosure requirements (DRs)** in total. With up to 1,000+ data points in all to be reported.
- Includes up- and downstream value chain impacts.
- Over 400 pages.

ESRS differentiates three kinds of reporting requirements across Environmental, Social & Governance Topics

3 Topics: ESG



3 reporting layers



Example of Social Sustainability Topics in the ESRS

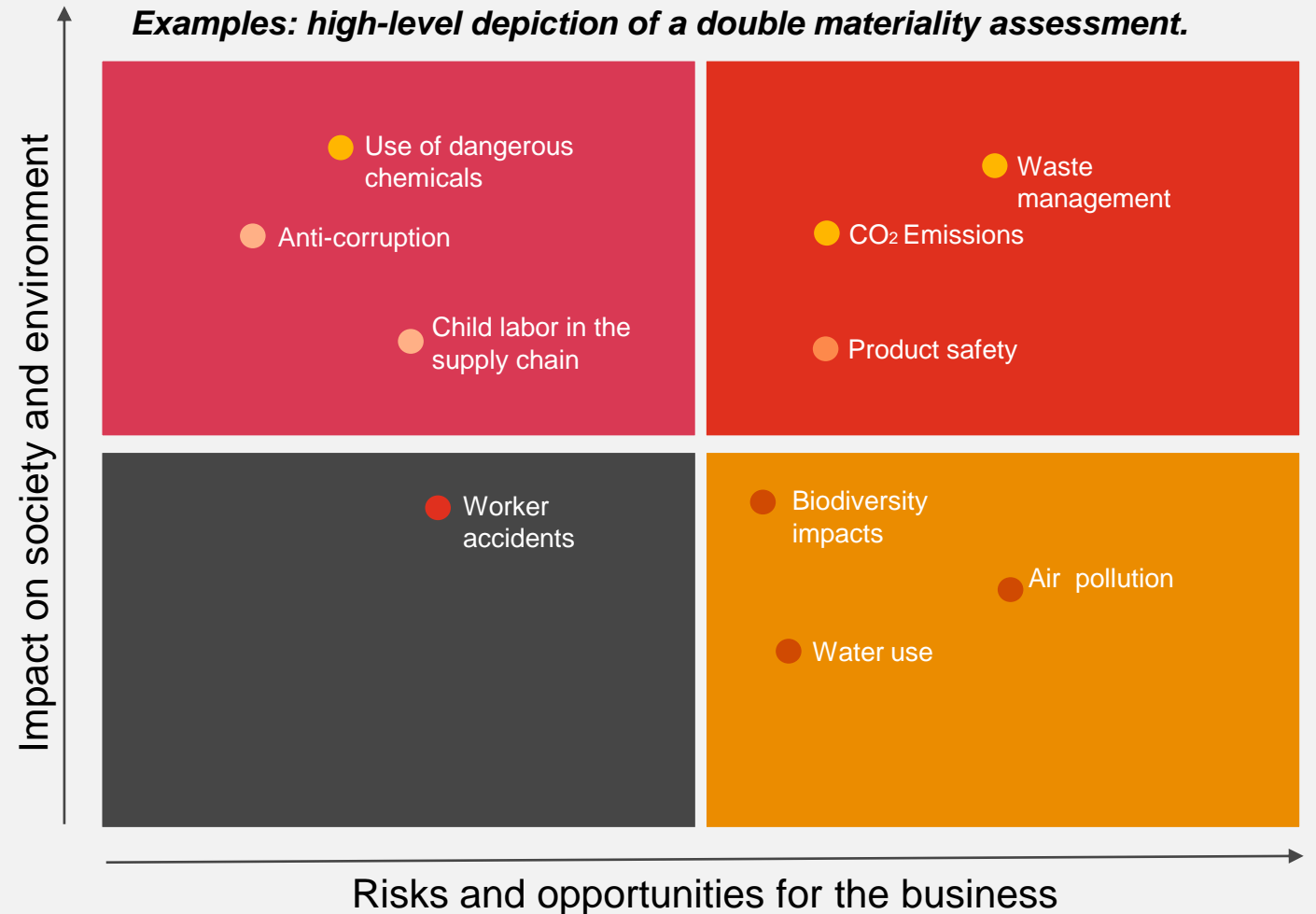
ESRS 1 Appendix B - List of sustainability matters to be included in the materiality assessment

 Social			
ESRS	Topic	Sub-topic	Sub-sub-topic
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
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
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
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

Double materiality assessment: the starting point

Double materiality assessment

- According to the ESRS, companies must conduct a double materiality assessment.
- The assessment enables companies to identify their reporting requirements - and understand where their impacts are greatest.
- The new EU standards have clear guidelines on how this must be done, including inclusion of external stakeholders' views and value chain impacts.



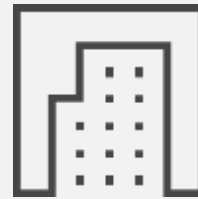
Double materiality reflects risks and opportunities *on* and impacts *from* the company

Financial materiality

ESG risks and opportunities that may impact the performance, development and position of the company.

Examples: carbon taxation increasing costs of operation, supply chain disruptions due to extreme weather events, changing customer demands affecting revenue.

Risks and opportunities for the business



Company



Impacts of the business on society and environment

Impact Materiality

Actual or potential impacts on people and the environment, connected to a company's operations and value chain.

Examples: human rights issues in the supply chain, GHG emissions from production contributing to climate change, bribery and corruption due to poor governance.

Mapping the value chain is a crucial step to identify impacts risks and opportunities



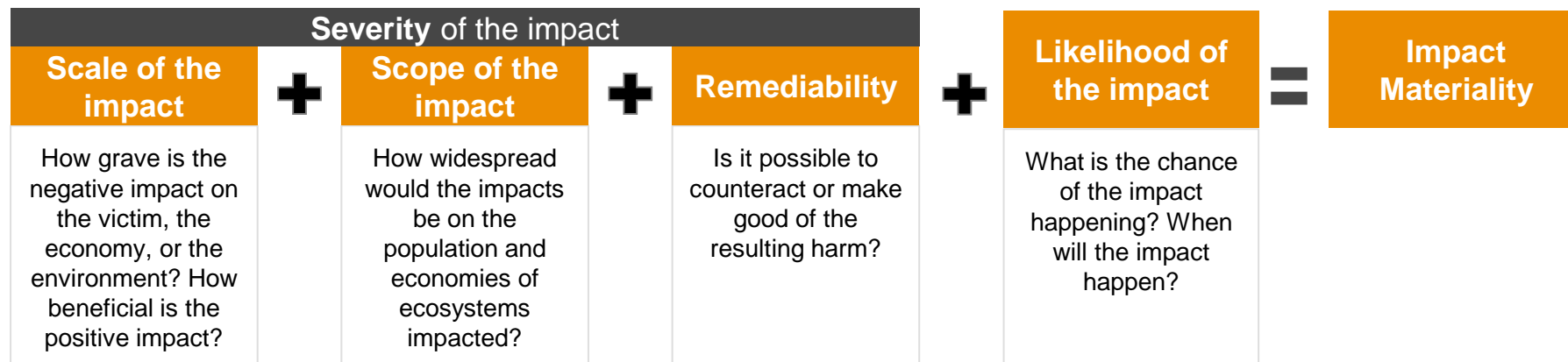
Example Topics	<ul style="list-style-type: none"> • Climate change • Biodiversity & Ecosystems • Workers in the value chain 	<ul style="list-style-type: none"> • Climate change • Pollution • Business conduct 	<ul style="list-style-type: none"> • Pollution • Water & Marine Resources • Own Workforce • Business conduct 	<ul style="list-style-type: none"> • Climate change • Pollution • Business conduct 	<ul style="list-style-type: none"> • Climate change • Workers in the value chain 	<ul style="list-style-type: none"> • Pollution • Resource use & Circular economy • Consumers and end-users
Example Impacts, Risks & Opportunities	<p>Risk Increase in raw material costs through emission tax</p>	<p>Negative impact Contributing to climate change and air pollution through GHG emission of trucks</p>	<p>Positive impact Developing innovative technology that helps save water and therefore reduces contribution to water stress</p>	<p>Opportunity Switching to green fuels ahead of peers and thereby gaining competitive advantage and market share</p>	<p>Positive impact Ensuring fair working conditions for delivery personnel through contracts</p>	<p>Negative impact Selling a product that can have harmful consequences for end-user</p>

The ESRS requires a specific methodology for assessing impacts *from* the company on the environment and people

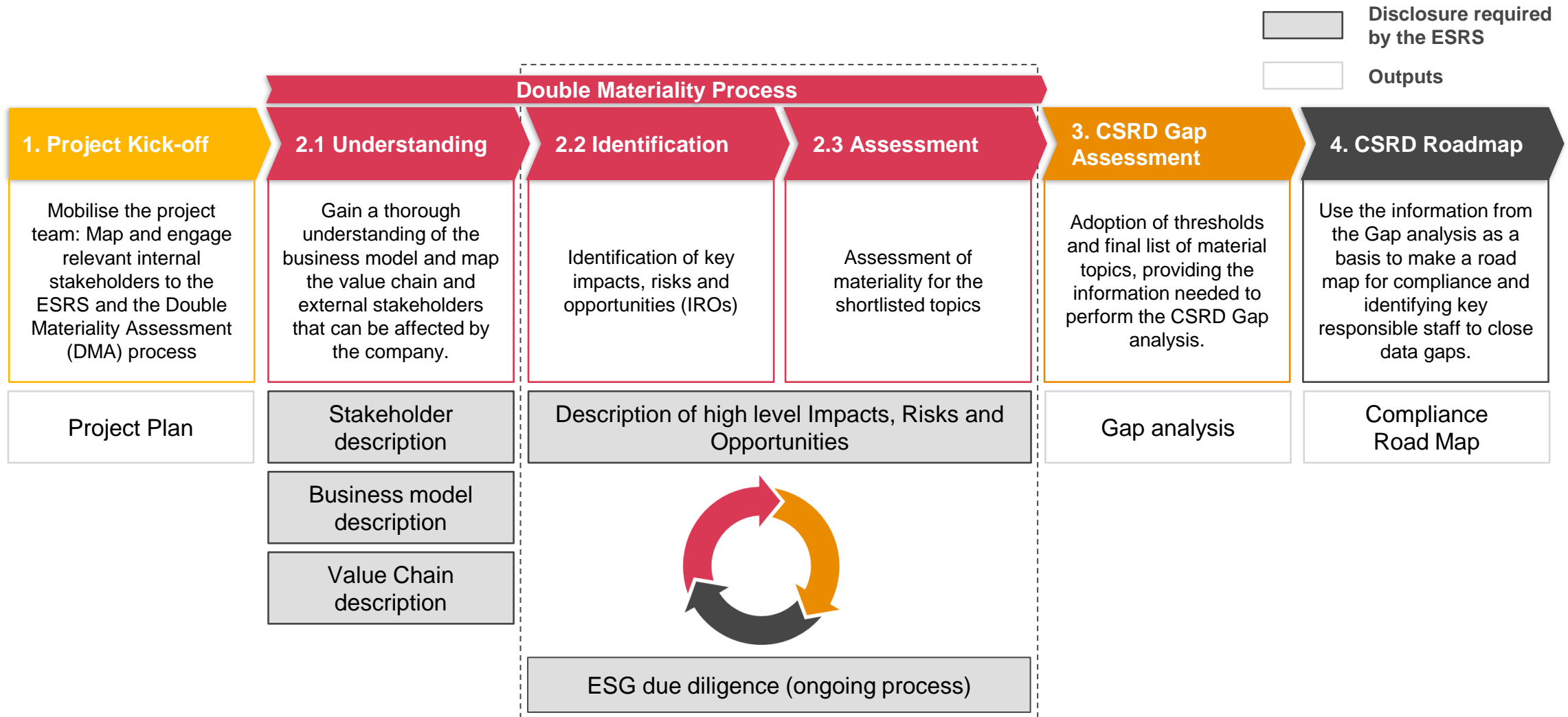
According to the assessment must address 4 parameters: **scale**, **scope**, **difficulty to repair** (remediability), and **likelihood**.

A quantitative value assesses the relative materiality of the given topic. This will rank the company's 'impact *from* the business' with respect to the given topic.

Impact assessment methodology required by the ESRS

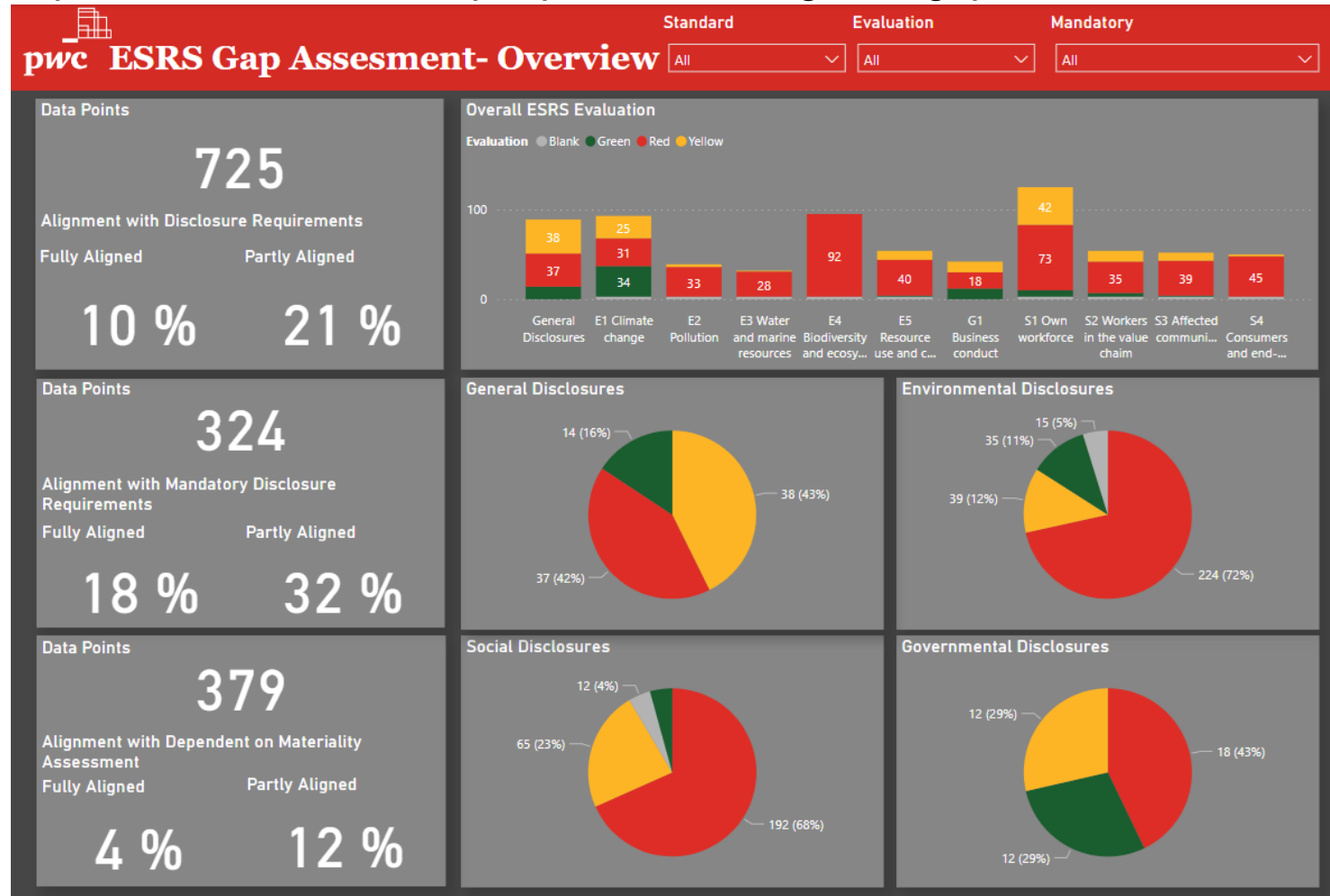


The compliance process begins with double materiality assessment and gap analysis



Next step: ESRS Gap Analysis

After determining the material reporting requirements, companies should map current ESG data against future requirements, and develop a plan for closing data gaps.



Roadmap to close data gaps

We recommend a step-by step approach as you prepare for reporting according to the CSRD/ESRS

✓ First focus	✓ Short term	✓ Medium term	✓ Long term
<ul style="list-style-type: none">● Document the business, identify relevant internal and external stakeholders, outline the business model, map the value chain and identify peers● Identify Impacts, Risks and Opportunities (IROs) based on currently available information● Double materiality assessment considering both financial and impact materiality and external stakeholder mapping (ESRS requirement)● ESRS gap assessment in relation to mandatory reporting standards● High-level compliance road map Review existing sustainability reporting and available data and compare to the output of the ESRS gap assessment	<ul style="list-style-type: none">● Review and revisit sustainability and reporting governance● Review due diligence procedures for sustainability risk and impact assessment, prevention and mitigation● Develop detailed roadmap towards full compliance with CSRD● Prepare Audit Committee for tasks and obligations in CSRD● Expand data collection on selected disclosure requirements in accordance with draft standards (ESRS)● Prepare reporting on eligibility and alignment with the EU Green Taxonomy	<ul style="list-style-type: none">● Complete data collection and consider targets to track progress in accordance with the reporting standards (ESRS)● Prepare for limited assurance in line with CSRD requirements● Prepare for digital tagging of sustainability information● Prepare inclusion of accounting principles for Taxonomy KPIs● Explore digital tools for reliable data management (collection, internal controls and data analysis)	<ul style="list-style-type: none">● Prepare for possible reasonable assurance in line with evolution of CSRD implementation● Design ongoing feedback mechanisms to continuously assess reporting (legislative and stakeholders)● Review digital solutions to support efficient data collection and controls through the value chain

Thank you



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