

Webinar

Vær på forkant med de nye krav til ESG-rapportering: Få indblik i de bedste cases

4. oktober 2023

Agenda

1. Welcome and introductions
2. New standards will raise the quality of data in sustainability reporting
3. Novo Nordisk case: ESG reporting and assurance
4. How to design a robust operating model for sustainability reporting
5. Q&A





New standards will raise the quality of data in sustainability reporting

Susanne Stormer

Partner, ESG & Sustainability Services

PwC

European Sustainability Reporting Standards (ESRS)

Adopted by the European Commission on July 31, 2023

EC's legislative package consists of the following

1





Delegated act

through which the ESRS
become law in the EU

13 pages

2

Annex I - 12 ESRS

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

245 pages

3

Annex II - Acronyms and
glossary of terms

for sustainability reporting in
accordance with ESRS

34 pages



See more at https://viewpoint.pwc.com/dt/gx/en/pwc/in_briefs/in_briefs_INT/in_briefs_INT/final-european-sustainability-reporting-standards-have-been-adopted.html

First set of draft European Sustainability Reporting Standards


When do companies have to apply ESRS?

EC proposes to raise the size thresholds which will impact the scope of application for CSRD - see the [public consultation](#) -

ESRS
(European Sustainability Reporting Standards)




ESRS specify the CSRD reporting requirements

- Sector-agnostic standards
- Sector-specific standards
- Standards specific for listed SMEs
- Standards specific for reporting concerning non-EU companies

 **Directly applicable**
(delegated regulation)

CSRD
(Corporate Sustainability Reporting Directive)

The CSRD provides the framework

 Scope of content	 First-time application
 Scope of application	 Assurance

and more...

 Transposition into national law!
 National law prevails!




First-time reporting under CSRD in accordance with ESRS*

FY 2024	Large PIEs and PIE-groups with more than 500 employees (NFRD scope)
FY 2025	Large companies and groups (not included above, ie not yet NFRD scope)
FY 2026	Listed SMEs (--> Opt-out possibility for FY starting before 1.1.2028)
FY 2028	Non-EU companies with > 150m€ turnover in the EU

*Determination of first-time application is complex and requires a more in depth analysis than illustrated on this slide

New tasks assigned to the audit committee in CSRD

With CSRD the audit committee will be assigned additional tasks with regard to the assurance of sustainability reporting. This includes the obligation to:

-  1. **Inform the Board of directors of the public-interest entity of the outcome of the assurance of sustainability reporting**
-  2. **Explain how the audit committee contributed to the integrity of sustainability reporting**
-  3. **Explain what the role of the audit committee was in that process**

Moreover, the Audit Committee, or a dedicated committee, must review and monitor the **independence** of the independent assurance services provider.

Overseeing ESG disclosures

ESRS 2 establishes information to be mandatorily provided at a general level, across all sustainability topics.

1 Governance (GOV)

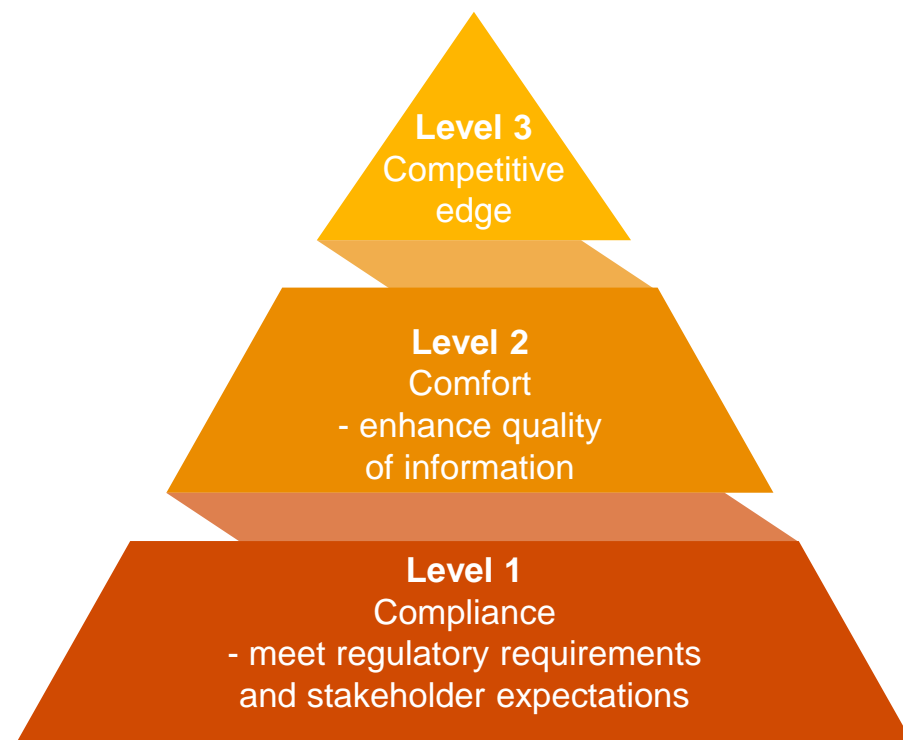
GOV-1 – The role of the administrative, management and supervisory bodies

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 sustainability due diligence

GOV-5 - Risk management and internal controls over sustainability reporting



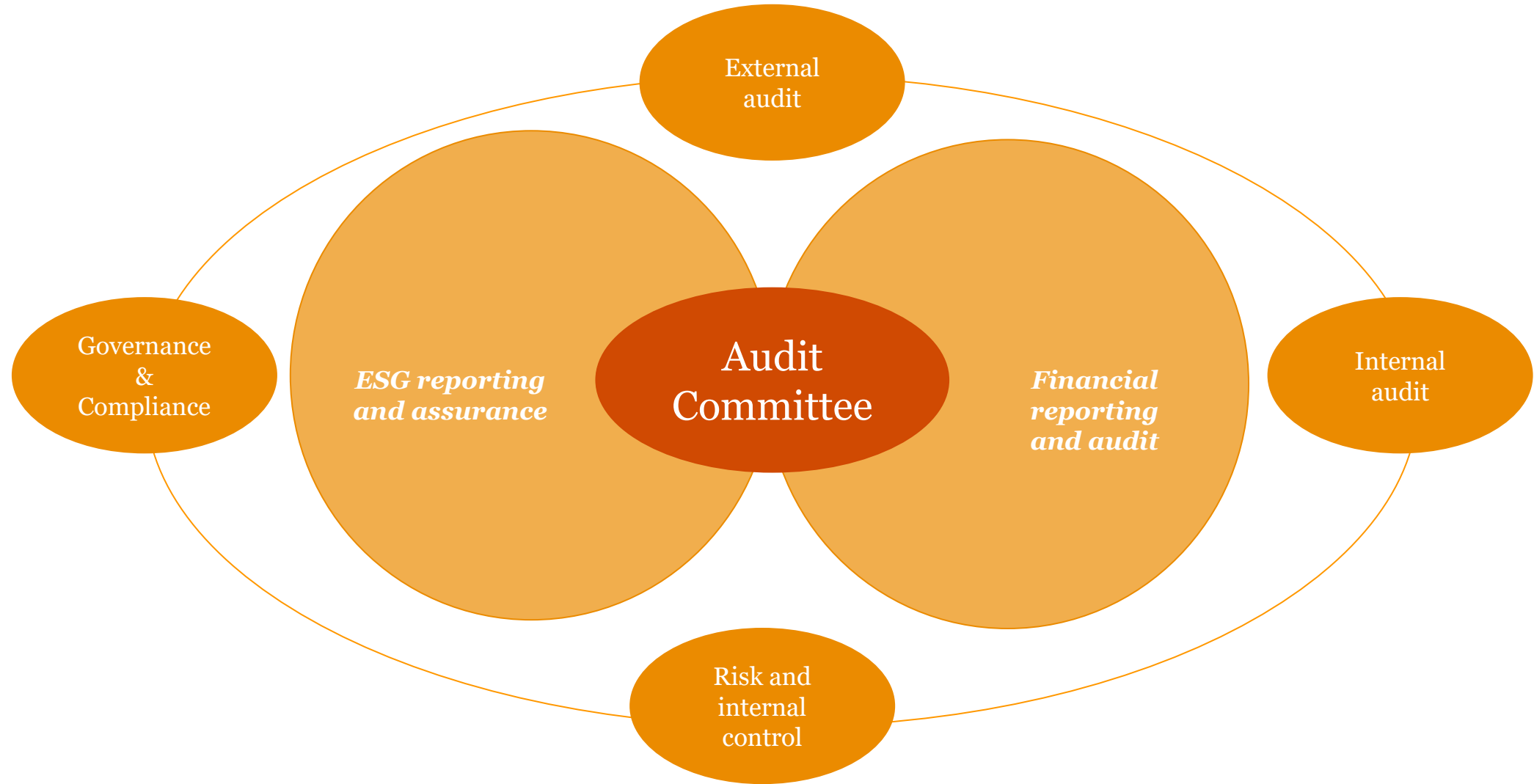
The audit committee can also ask:

- How will the company's ESG commitments impact its financial statements?
- Has management communicated, through disclosure, its forecasted projections and necessary investments in financial statements?
- How is management keeping up with regulatory changes in these areas?
- What is the plan for evaluating the return on sustainability investments?
- Has management considered the impact of strategy changes on the useful lives and valuations of existing assets?

Don't forget the charter

When an audit committee begins to oversee ESG processes, controls, disclosures, and assurance, it should update its charter to reflect the new responsibility.

Responsibilities of the Audit Committee in accordance with CSRD



Novo Nordisk Case: ESG reporting and assurance

Søren Olsen

CVP of Group Internal Audit, Finance and Compliance
Novo Nordisk

19
2023

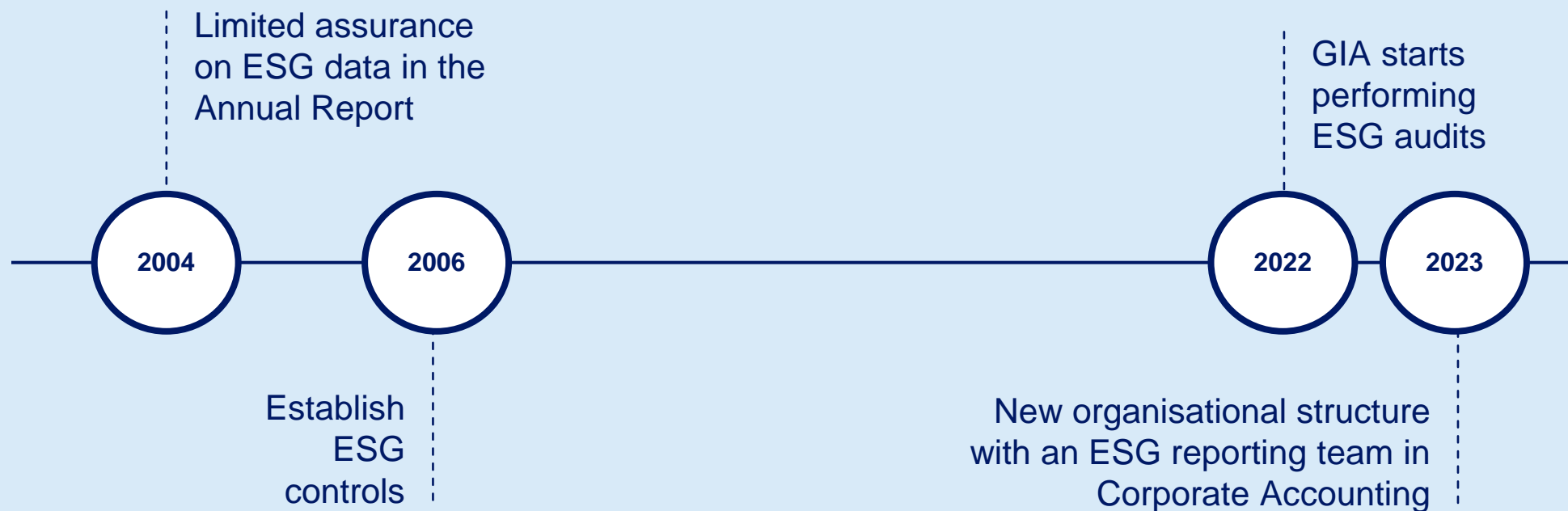
Driving change for generations

ESG Assurance - Group Internal Audit

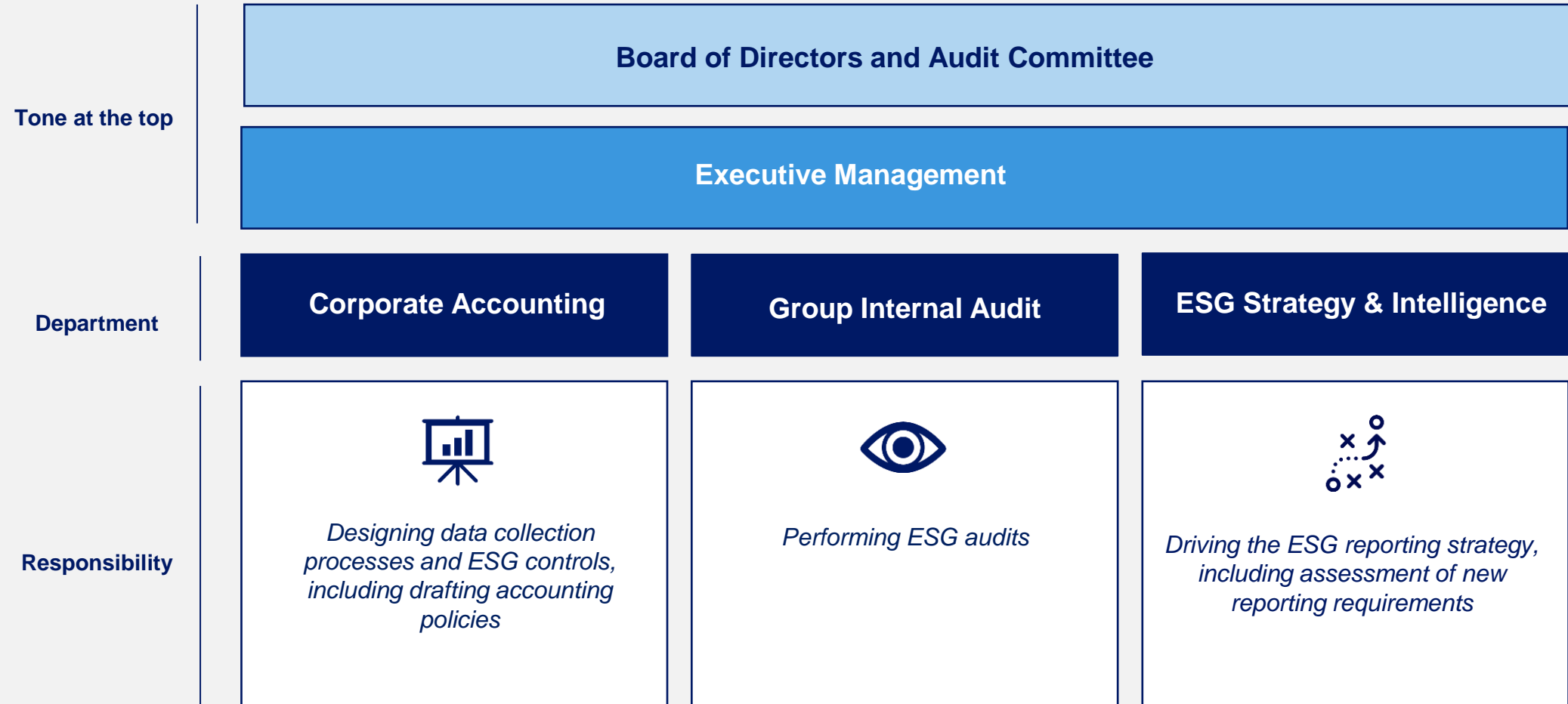
Anne Sofie Weekes Hald
and her daughter
Anne Sofie is living with
type 1 diabetes



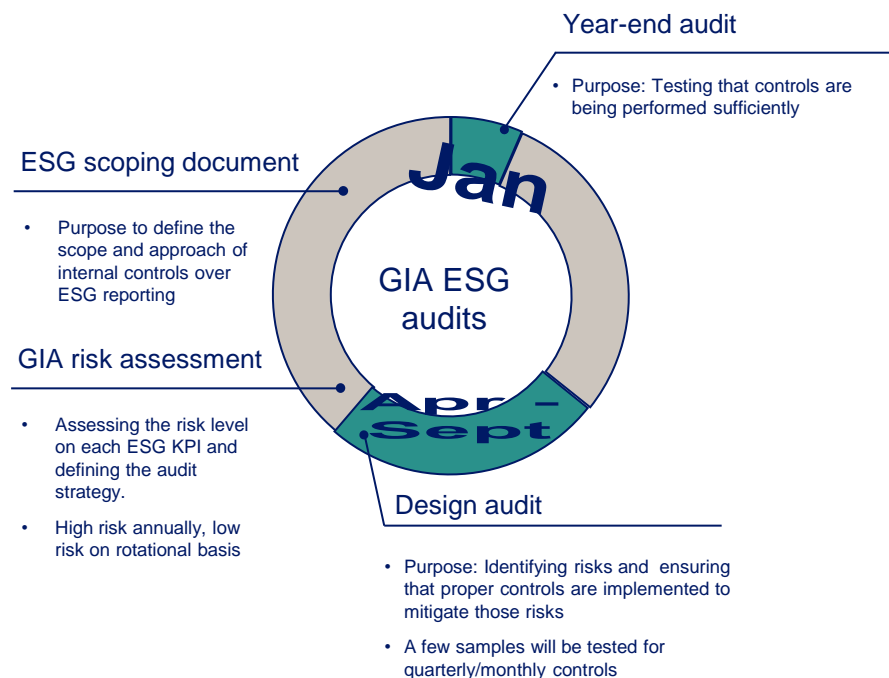
Our journey| ESG



Organisational structure| ESG Reporting



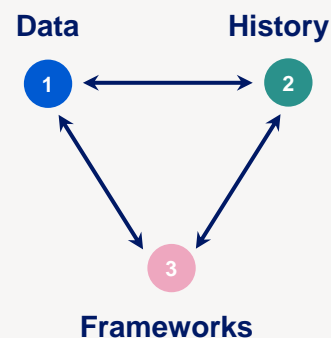
Scope and annual wheel | ESG Assurance



	Note	2022	2021	2020
Environmental performance				
<i>Resources</i>				
Energy consumption for operations (1,000 GJ)	7.1	3,677	3,387	3,191
Share of renewable power for production sites	7.1	100%	100%	100%
Water consumption for production sites (1,000 m ³)	7.2	3,918	3,488	3,368
Breaches of environmental regulatory limit values	7.3	75	12	15
<i>Emissions and waste</i>				
Scope 1 emissions (1,000 tonnes CO ₂)	7.4	76	77	75
Scope 2 emissions (1,000 tonnes CO ₂)	7.4	16	16	15
Scope 3 emissions (1,000 tonnes CO ₂) ¹	7.4	2,041	N/A	N/A
Waste from production sites (tonnes)	7.5	213,505	180,806	140,783
Social performance				
<i>Patients</i>				
Patients reached with Novo Nordisk's Diabetes care products (estimate in millions)	8.1	36.3	34.6	32.8
– Hereof reached via the Novo Nordisk Access to Insulin Commitment (estimate in millions) ²	8.1	1.8	1.7	3.2
– Hereof children reached through the Changing Diabetes® in Children programme (cumulative)	8.1	41,033	31,846	28,296
<i>People & employees</i>				
Employees	8.2	55,185	48,478	45,323
Employee turnover	8.2	8.2%	11.0%	7.9%
Sustainable employer score ³	8.3	85%	84%	N/A
Frequency of occupational accidents (number per million working hours)	8.4	1.5	1.3	1.3
Gender in leadership positions (ratio men:women)	8.5	56:44	57:43	59:41
Gender in senior leadership positions (ratio men:women)	8.5	61:39	64:36	65:35
Gender in the Board of Directors (ratio men:women)	8.5	54:46	67:33	62:38
<i>Societies</i>				
Change in average list price across US product portfolio (% change to previous year)	8.6	2.4%	1.6%	2.3%
Change in average net price across US product portfolio (% change to previous year)	8.6	(10.5%)	(12.3%)	(16.9%)
Change in average list price across US insulin portfolio (% change to previous year)	8.6	0.0%	0.0%	0.5%
Change in average net price across US insulin portfolio (% change to previous year)	8.6	(19.5%)	(10.9%)	(26.9%)
Total tax contribution (DKK million)	8.7	36,003	32,593	26,376
Donations and other contributions (DKK million)	8.8	126	92	158
Governance performance				
<i>Governing processes</i>				
Business ethics reviews	9.1	35	37	32
Employees trained in business ethics	9.1	99%	98%	99%
Supplier audits	9.2	294	253	177
Product recalls	9.3	3	1	—
Failed inspections	9.4	—	—	—
<i>Values & trust</i>				
Facilitations of the Novo Nordisk Way	9.5	36	34	26
Company reputation (scale 0-100) ⁴	9.6	82.3	82.6	N/A
Animals purchased for research	9.7	79,750	47,879	50,036

Challenges| ESG Assurance

3 interconnected themes to be addressed



... with ESG data

Data

- 1
 - Uncertainty and estimates
 - Collected yearly
 - No/little accounting manual

2

History

- Little or no historic data

3

Frameworks

- Many ESG frameworks
- Subjective accounting policies



... with sustainability assurance

- Difficult to assure estimates
- Difficult to set up ESG controls to test, if data is collected yearly
- Little/no comparability to historic figures or other companies
- No accounting manual
- No centralised IT system
- Difficult to set a materiality threshold
- Push back from the organisation
- Little experience with audits in the ESG organisation

Challenges in measuring ESG data

Tracking patient outreach through usage of product

A Novo Nordisk specific example:

- Data for **number of patients reached** is not directly measurable.

Proposed solution

A potential solution is to use **sales** and **publicly available sources**:



Annual sales volumes per product from SAP

Annual usage dose per patient per product from WHO



SAMUEL JACK ROY
Samuel has growth
hormone deficiency
UK

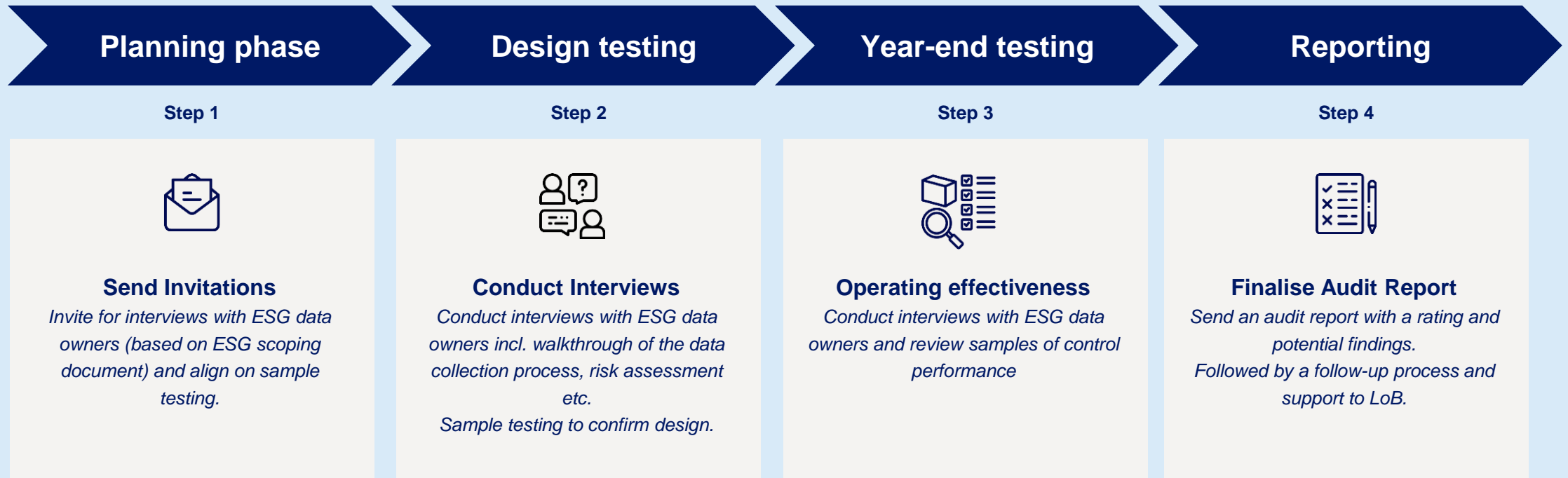
ROSHNI
Type 1 diabetes
India

Accounting policy in the annual report

“The number of full-year patients reached with Novo Nordisk’s Diabetes care products (human insulin in vials) via the Access to Insulin Commitment is estimated by dividing Novo Nordisk’s annual sales volume by the annual usage dose per patient reached via the Access to Insulin Commitment as defined by the WHO.

The WHO-defined daily dosage for these products may not accurately reflect the recommended or prescribed daily dose. Actual doses are based on individual characteristics (e.g., age and weight) and pharmacokinetic considerations. Despite this uncertainty, Novo Nordisk assesses this to be the most consistent way of reporting

Audit approach| ESG Assurance

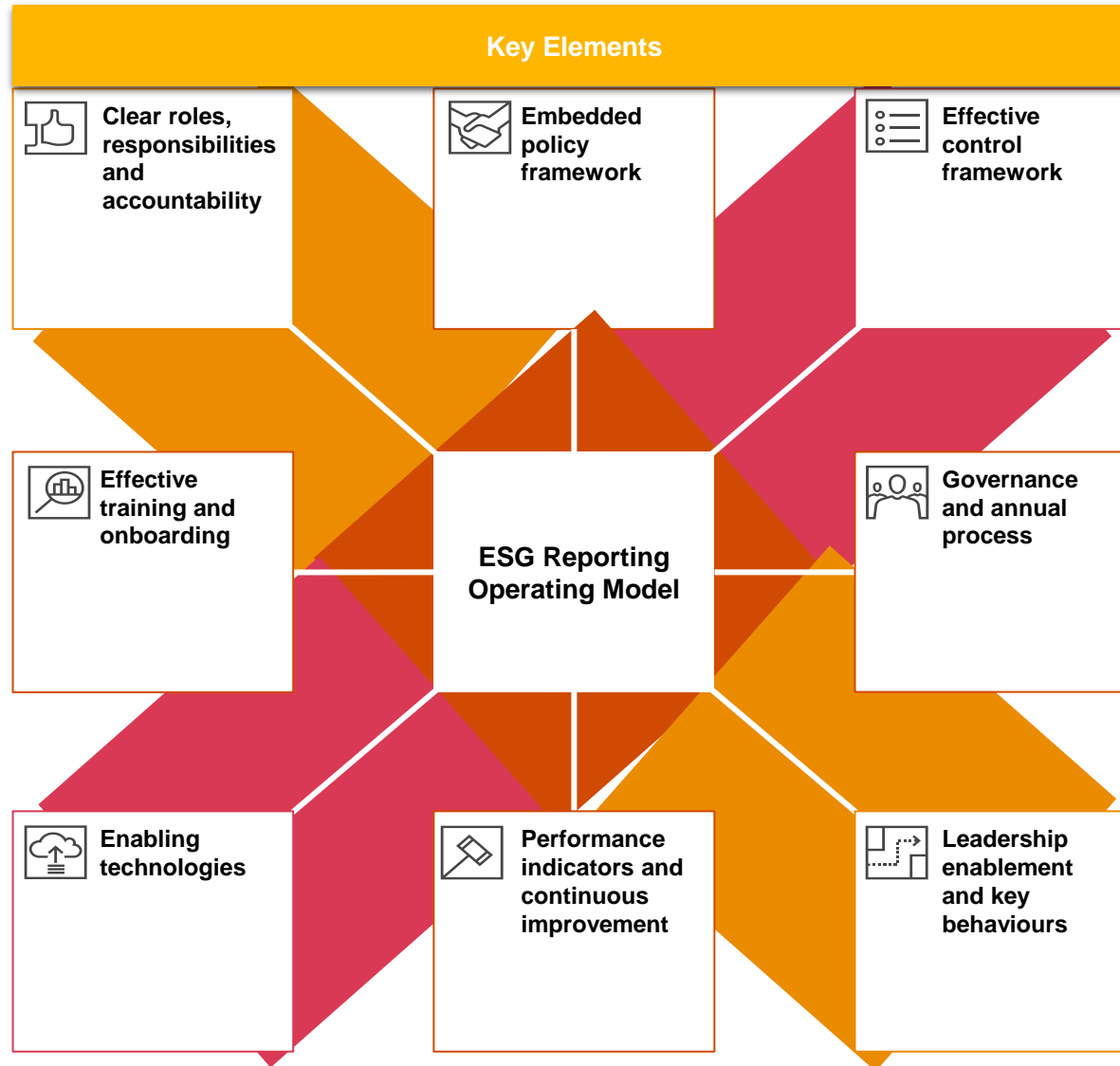


How to design a robust operating model for sustainability reporting

Thomas Nygaard

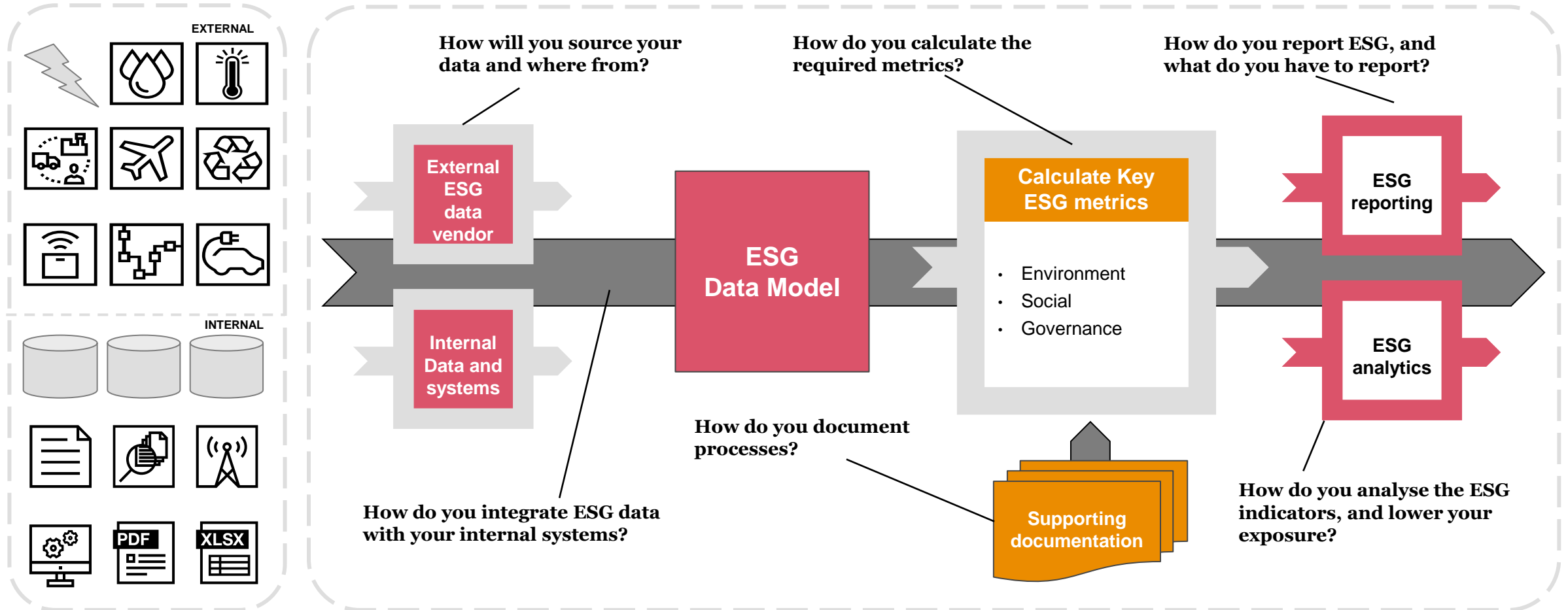
Partner, Governance, Risk & Compliance, Internal Audit
PwC

Key elements of a robust reporting operating model



Data quality and related risks

The process will involve structured data, unstructured data, policies, scanned documents and more.



Optimizing internal controls based on reporting risks



A close-up, macro photograph of a green leaf. The leaf's surface is covered with numerous small, clear water droplets of varying sizes. The intricate network of veins is clearly visible, creating a complex, grid-like pattern across the leaf's surface. The overall color is a vibrant, natural green.

Q&A

Eksempler på god ESG- årsrapportering

Vær på forkant med de nye krav om bæredygtighedsrapportering og lad dig inspirere af eksempler fra virksomheders årsrapporter, der repræsenterer højeste standard, inden for ni afgørende områder af ESG-rapportering

Download på pwc.dk/esg

Aktuelle webinarer inden for bæredygtighed

Sæt skub i din bæredygtige virksomhedsstrategi
Den 26. oktober 2023

Etablering af en effektiv operationel model og
governance for ESG-rapportering
Den 16. november 2023

Den kommende CO2-afgift - aktuelt nyt og dens
påvirkning
Den 7. december 2023

Se, gense eller tilmeld dig på
pwc.dk/sustainability-2023

Thank you



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