

EU'S CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

Navigating politics, business and policymaking



WHAT IS THE CSRD

Corporate Sustainability Reporting Directive entered into force 5 January 2023. Companies will have to report in line with mandatory EU sustainability reporting standards and alongside an external assurance of sustainability reporting

Who will the proposed directive apply to?

- All companies listed on the EU regulated markets. SMEs will have until 1 January 2026 to comply
- 2. "Large undertaking" that is either a EU company or a EU subsidiary of a non-EU company
 - A net turnover of more than €40m
 - Balance sheet assets greater than

€20m

- More than 250 employees
- 3. Insurance undertakings and credit

What will companies need to do?

- Companies already subject to the NFRD will need to comply with the amended rules for fiscal years beginning on or after 1 January 2024 (reporting in 2025 on 2024 data)
- Expected 49,000 companies will be required to report in future, with 11,600 at present
- Wall Street Journal reporting estimate 10.000 foreign-HQ companies will likely required to disclose with CSRD
- EC President Ursula von der Leyen announced an initiative to reduce reporting by 25%.

Proctical implication remain to be seen

SMEs will start reporting from 1 January 2026. A subsidiary will be exempt if the parent company includes the subsidiary in its report that complies with the CSRD. Listed micro companies and non-listed SMEs fall outside of the scope.

Political context and tensions

- Industry lobbying groups (incl. significant lead from Germany) are consolidating attempts to reduce scope and delay implementation deadlines of CSRD
- Market participants regularly complain that EU apply heavy-handed and prescriptive approach to sustainability regulations while market based standards (i.e. ICMA) may work better
- EU Commissioner McGuiness requested EFRAG to prioritise sector-agnostic and delay sector guidance. 4 weeks consultation from 6 June

2023 EC adopted ESRS as delegated act

IMPLICATIONS FOR CORPORATES

CEOs, finance teams and businesses colleagues need to understand what it means for their strategy, financial and investment decisions, products, processes and controls, and assess whether any additional training is required

#1.

Designing a sustainability plan with material impact

#3.

Communicating in a credible way

#2.

Embedding sustainability in the organisation

#4.

Sourcing robust data and using the right technology

Additional disclosures

- **Business** strategy
- Sustainability risks
- Climate neutral economy
- Sustainability policies, targets and KPIs
- Role of the board and management in sustainability Social considerations

New sustainability reporting

- Climate, air, land, water and biodiversity matters
- Physical risks & resilience
- Greenhouse gas emissions, removals and offsets
- Energy use and efficiency

Data

Calculation & Reporting

Insights

Decision Making

Delivery & Performance Supplier Engagement

Assurance

Single source of truth of sustainability data at audit quality

Identify, deliver and track the right sustainability interventions

Evidence in your products to sell 'net zero' and 'sustainability'

NEXT STEPS & THINGS TO WATCH

Understand sustainability risks and opportunities

ESG Due
Diligence of
Corporate
Capabilities

Identify
sustainable and
transition
activities

Sustainability at financial decisions and investments

Evolving sustainability standards

- Transition Plan Taskforce (TPT)
- SEC climate-related disclosures
- •UK 2023 Green Strategy
- •ISSB standards
- •TNFD framework

Understand financial and impact material factors in supply chain and production

Assess ESG organisational and management activities enterprise level

Define sustainability actions across production, operations and supply chain

Understand impact on corporate finance, investments and bolton acquisitions

Client questions we seek to answer at each stage

How carbon emissions may impact the bottom line, and what is impact on environment, communities and places?

How to improve management capabilities to implement the sustainable solution strategy? What do company need to do to execute on its sustainability journey?

How the enterprise manage investments with financials, decarbonisation and sustainability commitments?

Ongoing 2023 developments

- 1.EU DG FISMA consultations on the first set of ESRS
- 2.ISSB consultations on its standard setting priorities.
- 3.ISSB is expected to finalise and initial sustainability disclosure standards
- 4.EU Commission plans to adopt the first set of final ESRS (sector-agnostic) standards
- 5.IOSCO is expected to release decision on the endorsement of the ISSB standards