

# Sustainability reporting: are you ready?

# CSRD and ESRS

- Corporate Sustainability Reporting Directive (CSRD – 2022/2464)
- Coverage: large companies and listed SMEs
- Timelines:
  - ❖ Large entities (PIEs, over 500 employees on a stand-alone or consolidated basis): application began from January 2024 for the 31 December 2024 financial year in reports issued in 2025
  - ❖ Other large companies: application will begin from January 2025 for the 31 December 2025 financial year in reports issued in 2026
  - ❖ Listed SMEs or SME PIEs: application will begin from January 2026 for the 31 December 2026 financial year in reports issued in 2027. Voluntary opting out for 2026 and 2027
- Reporting standards:
  - ❖ ESRS for large entities (endorsed)
  - ❖ ESRS for listed SMEs (draft)
  - ❖ Voluntary reporting standard for non-listed SMEs (draft)

# Sustainability report

- ▶ Information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position
- ▶ A brief description of the undertaking's business model and strategy, including:
  - ▶ The resilience of the undertaking's business model and strategy in relation to risks related to sustainability matters
  - ▶ The opportunities for the undertaking related to sustainability matters
  - ▶ The plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement
  - ▶ How the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters
  - ▶ How the undertaking's strategy has been implemented with regard to sustainability matters

# Sustainability report

- ▶ A description of the time-bound targets related to sustainability matters set by the undertaking, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050
- ▶ A description of the progress the undertaking has made towards achieving those targets
- ▶ A statement of whether the undertaking's targets related to environmental factors are based on conclusive scientific evidence
- ▶ Role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills
- ▶ Undertaking's policies in relation to sustainability matters
- ▶ Incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies

# Sustainability report

- ▶ Due diligence process implemented by the undertaking with regard to sustainability matters
- ▶ Principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain, including its products and services, its business relationships and its supply chain
- ▶ Any actions taken by the undertaking to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions
- ▶ Principal risks to the undertaking related to sustainability matters, including a description of the undertaking's principal dependencies on those matters, and how the undertaking manages those risks
- ▶ Indicators relevant to the disclosures
- ▶ For the first three years of the application and in the event that not all the necessary information regarding its value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future

# ESRS for Large Entities Structure

- ▶ Cross cutting standards (not subject to materiality):
  - ▶ ESRS 1 General requirements
  - ▶ ESRS 2 General disclosures
- ▶ ESG standards (subject to materiality):
  - ▶ ESRS E1 Climate change
  - ▶ ESRS E2 Pollution
  - ▶ ESRS E3 Water and marine resources
  - ▶ ESRS E4 Biodiversity and ecosystems
  - ▶ ESRS E5 Resource use and circular economy
  - ▶ ESRS S1 Own workforce
  - ▶ ESRS S2 Workers in the value chain
  - ▶ ESRS S3 Affected communities
  - ▶ ESRS S4 Consumers and end users
  - ▶ ESRS G1 Business conduct



# ESRS for Listed SMEs Structure

- ▶ Cross cutting standards (not subject to materiality):
  - ▶ ESRS LSME 1 General requirements
  - ▶ ESRS LSME 2 General disclosures
  - ▶ ESRS LSME 3 Policies, actions and targets
- ▶ ESG standards (subject to materiality):
  - ▶ ESRS LSME 4 Environmental disclosures
  - ▶ ESRS LSME 5 Social disclosures
  - ▶ ESRS LSME 6 Business conduct



# Voluntary Reporting Standard for non-listed SMEs

- ▶ Basic module (not subject to materiality):
  - ▶ B1 Basis for preparation
  - ▶ B2 Practices for transitioning towards a more sustainable economy
  - ▶ B3-11 Basic metrics
- ▶ Policies, actions and targets (subject to materiality):
  - ▶ N1-5 Strategy, material sustainability matters, management of material sustainability matters, key stakeholders, governance
- ▶ Business partners (based on questionnaires required by investors, financiers and value chain participants)

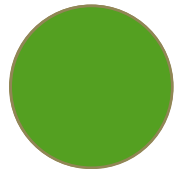




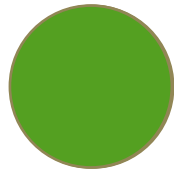
# Information required by ESRS

- ▶ Environmental factors: climate change mitigation, climate change adaptation, water and marine resources, resource use and circular economy, pollution, biodiversity and ecosystems
- ▶ Social and human rights factors: equal treatment and equal opportunities for all, working conditions, human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions
- ▶ Governance factors: role of the undertaking's administrative, management and supervisory bodies, main features of the undertaking's internal control and risk management systems, business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare, activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities the management and quality of relationships with customers, suppliers and communities affected by the activities of the undertaking

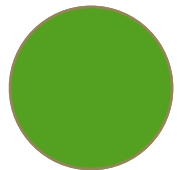
# Major challenges



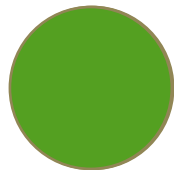
Do we have something to report?



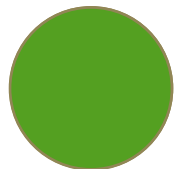
Extensive disclosure requirements



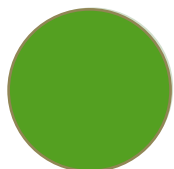
Double materiality - what is it?



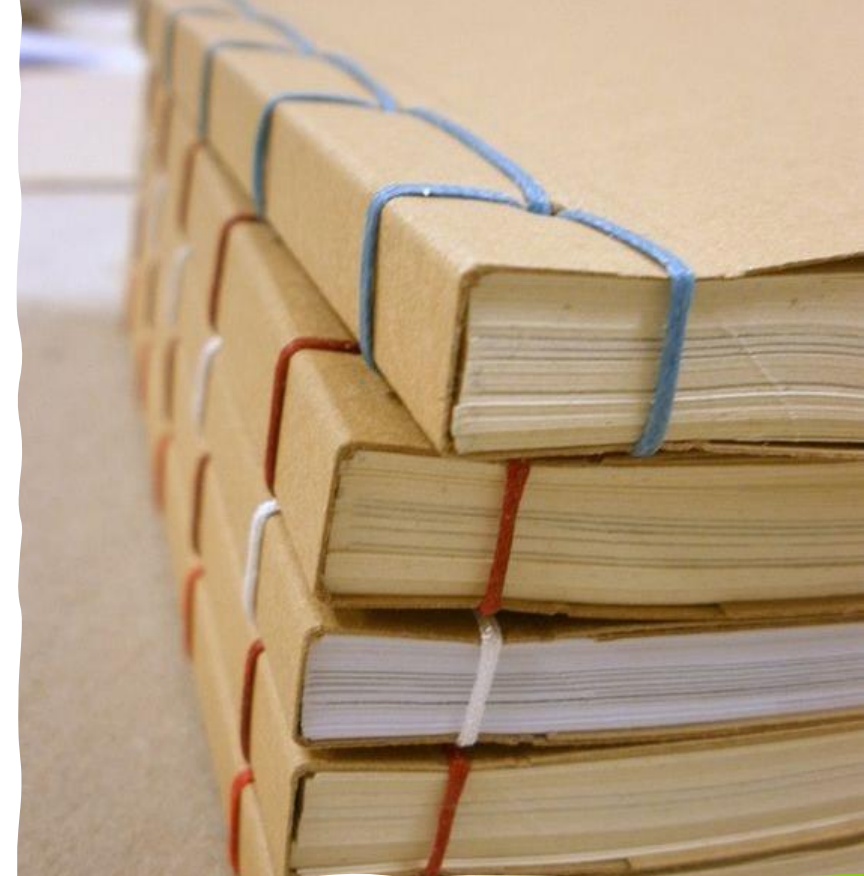
KPIs and metrics



Value chain information



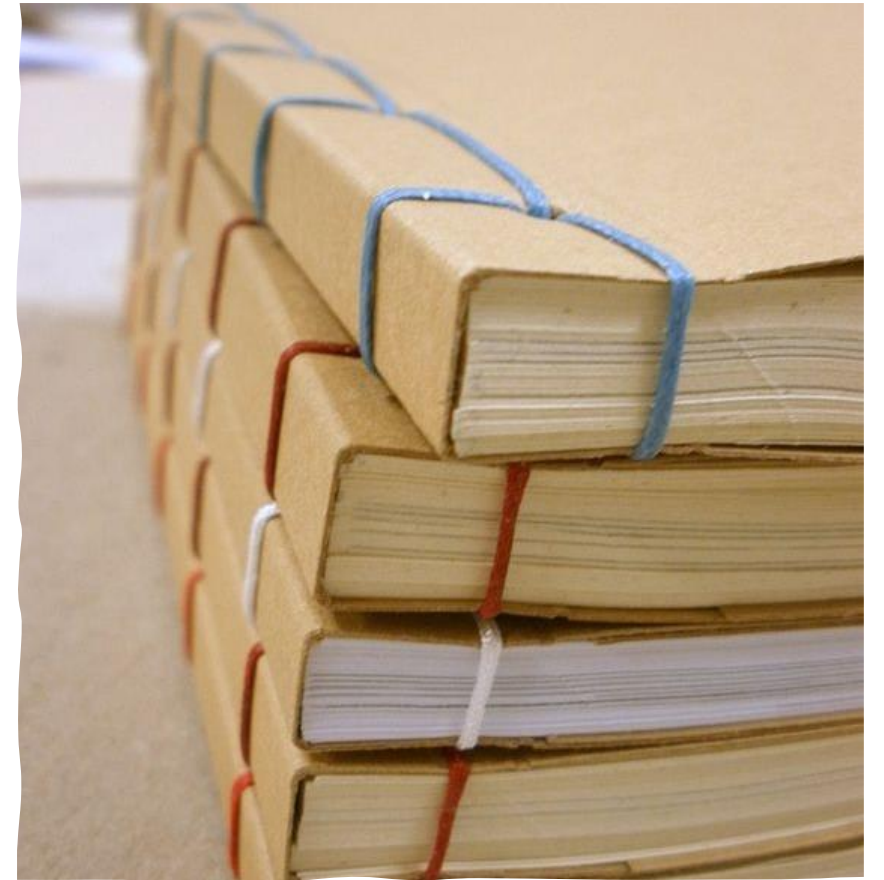
Audit and verification



# Nest steps

## EFRAG/EC

1. Connectivity project
2. Sectoral standards
3. Standards for non-EU companies
4. Ongoing consultations with other standard-setters
5. International Standard on Sustainability Assurance (ISSA) 5000
6. Corporate sustainability due diligence directive (CSDDD)



# How can we get support?

EFRAG guidelines on:

- Materiality assessment
- Value chain
- Taxonomy
- Illustrative examples on connectivity between financial statement and sustainability reports in progress

Guidelines issued by the ISSB and other standard-setters

Published sustainability reports

