

Webinar

Seizing the Corporate Sustainability Reporting Directive (CSRD) opportunity



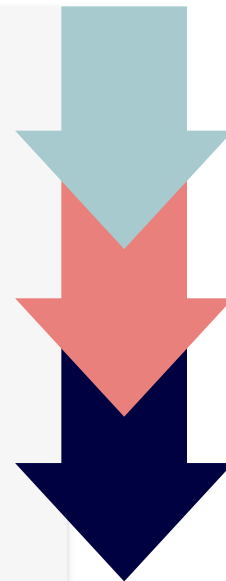
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About the CSRD

The European Union's strategic context

- The EU **Capital Markets Union (CMU)** initiative was launched in 2015 and revised in 2020 in order to step up against still fragmented capital markets.
- The **European Green Deal** is the European sustainable economic growth strategy, presented in 2019 as part of the CMU initiative.
- Within the Green Deal, the European Commission been developing a comprehensive policy agenda on sustainable finance: the **EU Sustainable Finance Action Plan**.



The EU Sustainable Finance Action Plan

A coherent strategy to connect finance with sustainability

Reorienting capital flows towards a more sustainable economy

- Establishing a clear and detailed EU taxonomy, a classification system for sustainable activities
- Creating an EU Green Bond Standard and labels for green financial products
- Fostering investment in sustainable projects
- Incorporating sustainability in financial advice
- Developing sustainability benchmarks

Mainstreaming sustainability into risk management

- Better integrating sustainability in ratings and market research
- Clarifying asset managers' and institutional investors' duties regarding sustainability
- Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies

Fostering transparency and long-termism

- Strengthening sustainability disclosure and accounting rule-making
- Fostering sustainable corporate governance and attenuating short-termism in capital markets

What is the CSRD?

A regulatory directive created to strengthen sustainability disclosure and accounting rulemaking, in order to foster greater transparency and long-termism.

Amends the Non-Financial Reporting Directive that existed already

Needs to be transposed into National laws by mid-2024

Addresses the low quality of corporate sustainability disclosures

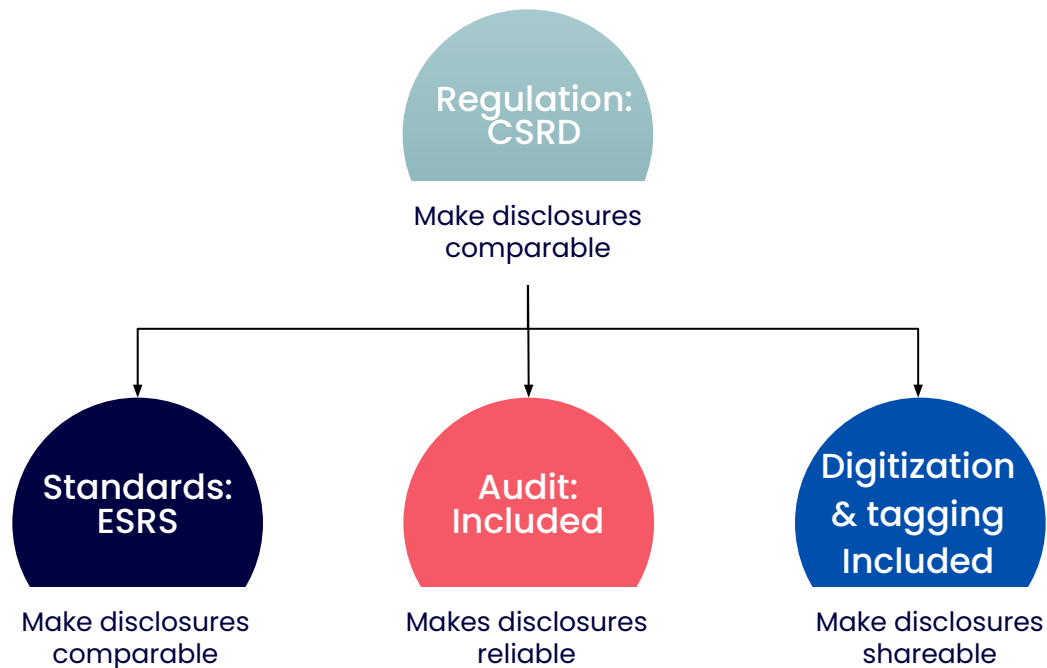
Addresses availability, comparability, and reliability of disclosures

Better meets investors' information needs (and regulatory compliance)

Reduces reporting costs

CSRD epitomizes how corporate sustainability reporting is changing

Regulations are pushing companies to make their disclosures standardized, audited, and digitized and XBRL tagged.



CSRD & scope

NFRD

Non-Financial Reporting Directive

- Large, listed companies, banks and insurance companies with more than 500 employees

~ 11,500 companies

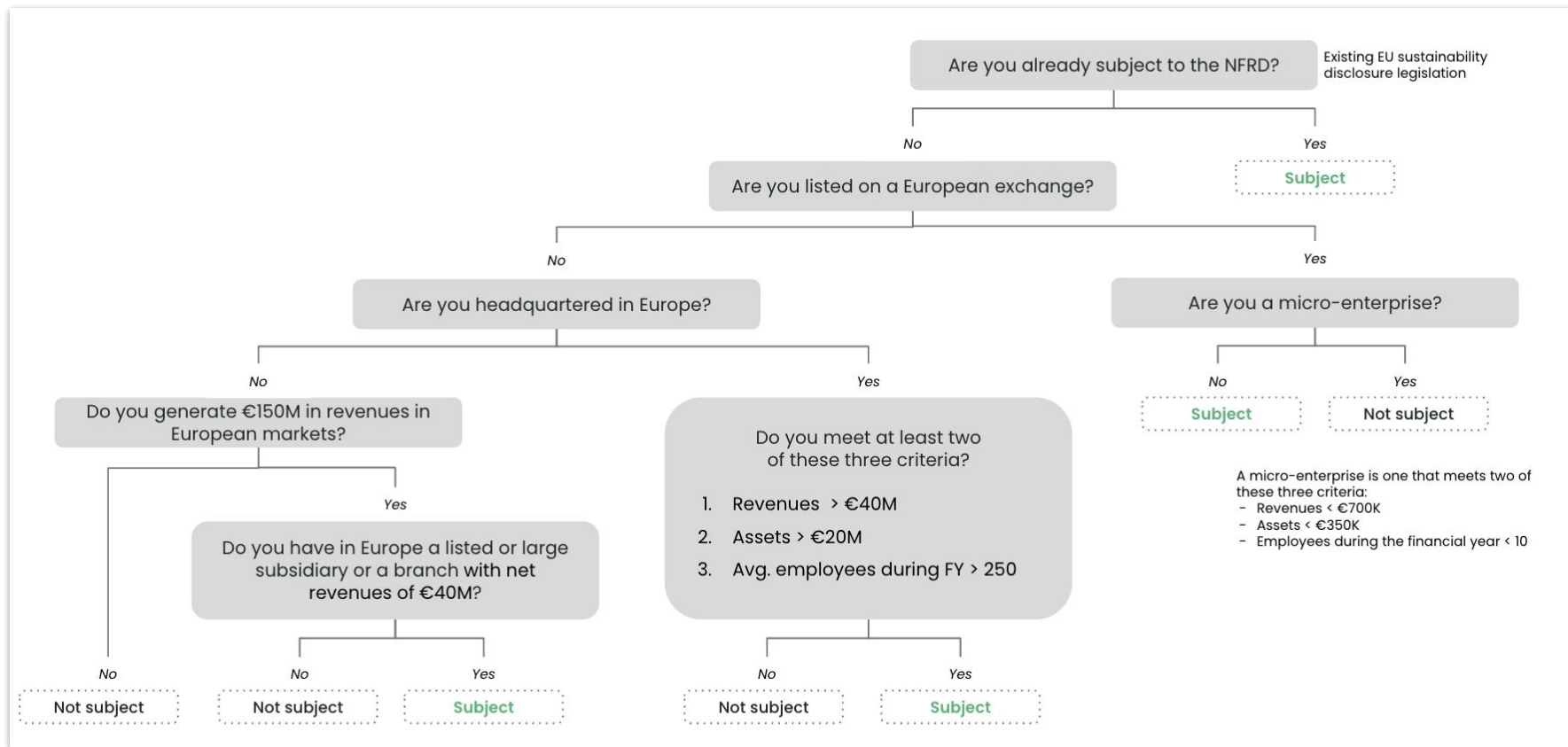
CSRD

Corporate Sustainability Reporting Directive

- All companies listed on an EU exchange
- Private companies headquartered in Europe meeting two of the three criteria:
 - Revenues > €40M
 - Assets > €20M
 - Avg. employees in the FY > 250
- Non-European companies with revenues > €150M in European markets, with either a subsidiary (listed or large) or branch (with net revenues > €40M) in Europe
- Small and non-complex credit institutions and captive insurance undertakings

~ 50,000 companies

Are you subject to the CSRD?



CSRD & external assurance

Mandatory

- Mandatory limited assurance by a statutory auditor
- Includes external assurance providers other than traditional auditors

Extensive

- Reporting in compliance with the reporting standards
- Process to identify the information reported pursuant to the standards
- Digital tagging of sustainability reporting
- Compliance with reporting requirements under Article 8 of the Taxonomy Regulation

Progressive

- Planned step up to reasonable assurance over time (2028 and beyond)

CSRD & digitization and tagging

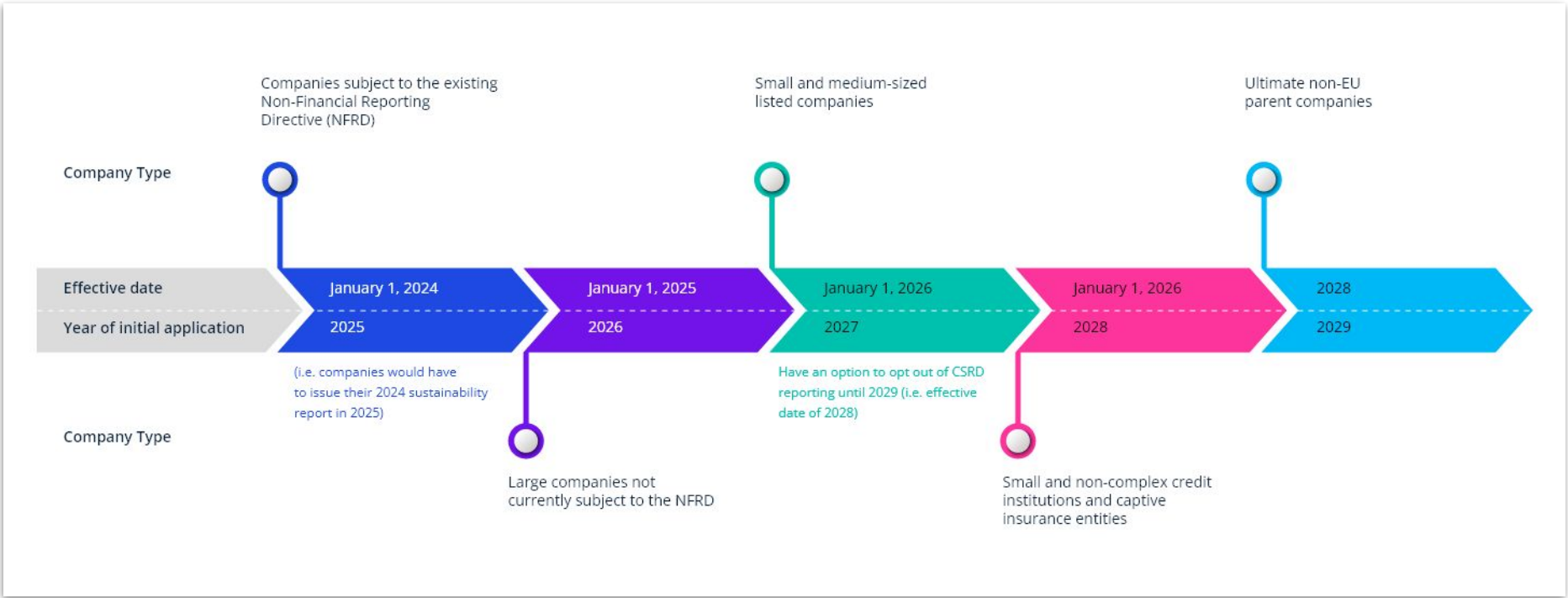
Digital report

- Financial & sustainability reports that are readable by both humans and machines in XHTML format in accordance with European Single Electronic Format (ESEF) regulation
- Non-listed companies are exempted from ESEF regulation

XBRL tagged data

- Tagged information in reports using a specific digital taxonomy
- XBRL taxonomy for the European Sustainability Reporting Standards underway

Timeline for CSRD adoption



About the ESRS

CSRD & European Sustainability Reporting Standards

The ESRS delegated act was adopted on 31 July 2023.

Widely applicable

- Publicly listed and private companies
- Multinationals and small and medium enterprises (SMEs)
- Companies domiciled or doing business in the EU

Comprehensive

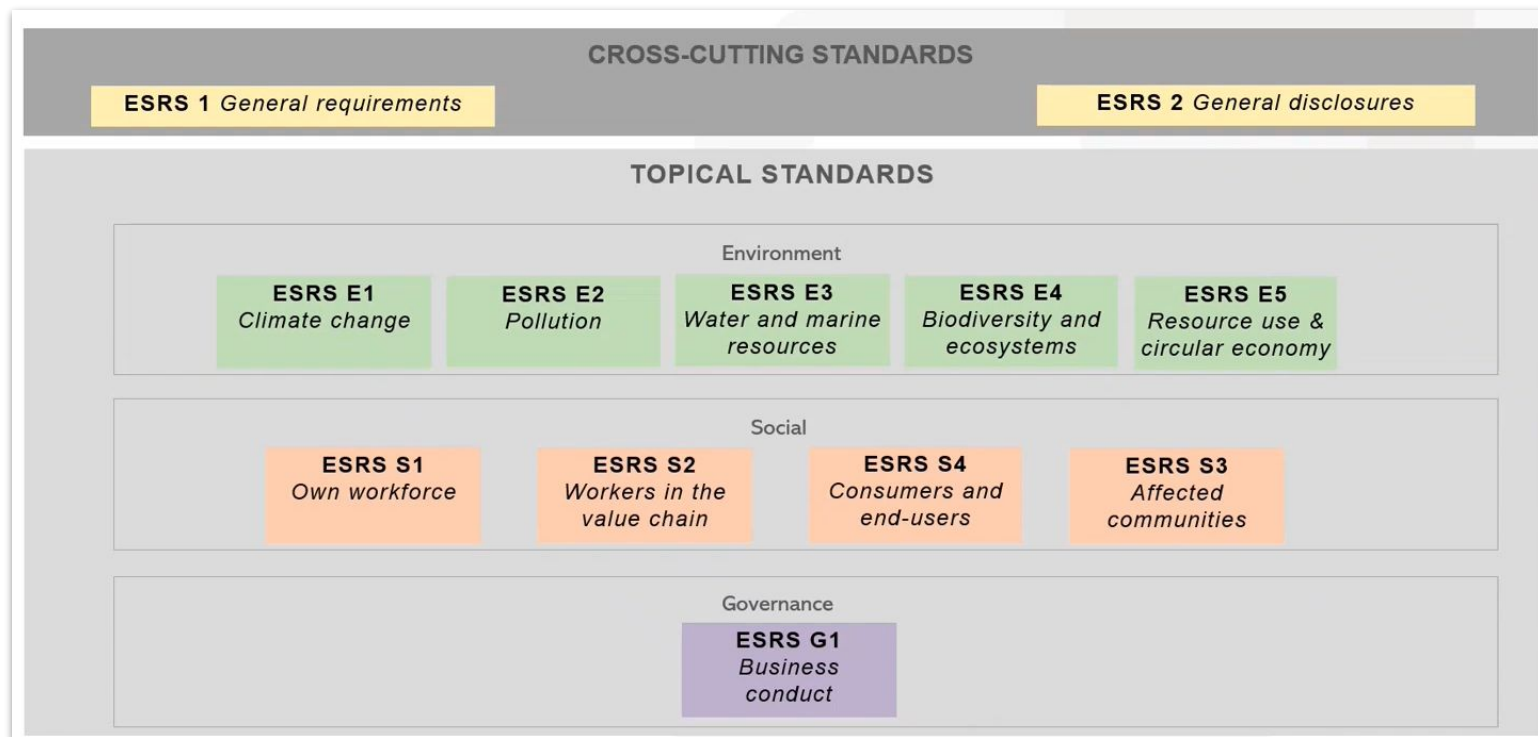
- 12 standards in initial batch
- 10 specific topics
- 82 disclosure requirements*
- 1,144 data points*
- Sector-specific standards to be developed
- Lighter standards for publicly listed SMEs and voluntary standards for private SMEs underway

Converging

- Sustainability disclosures to be published at the same time, for the same reporting period, and in the same annual management report as financial disclosures
- Fully embraces the double materiality concept

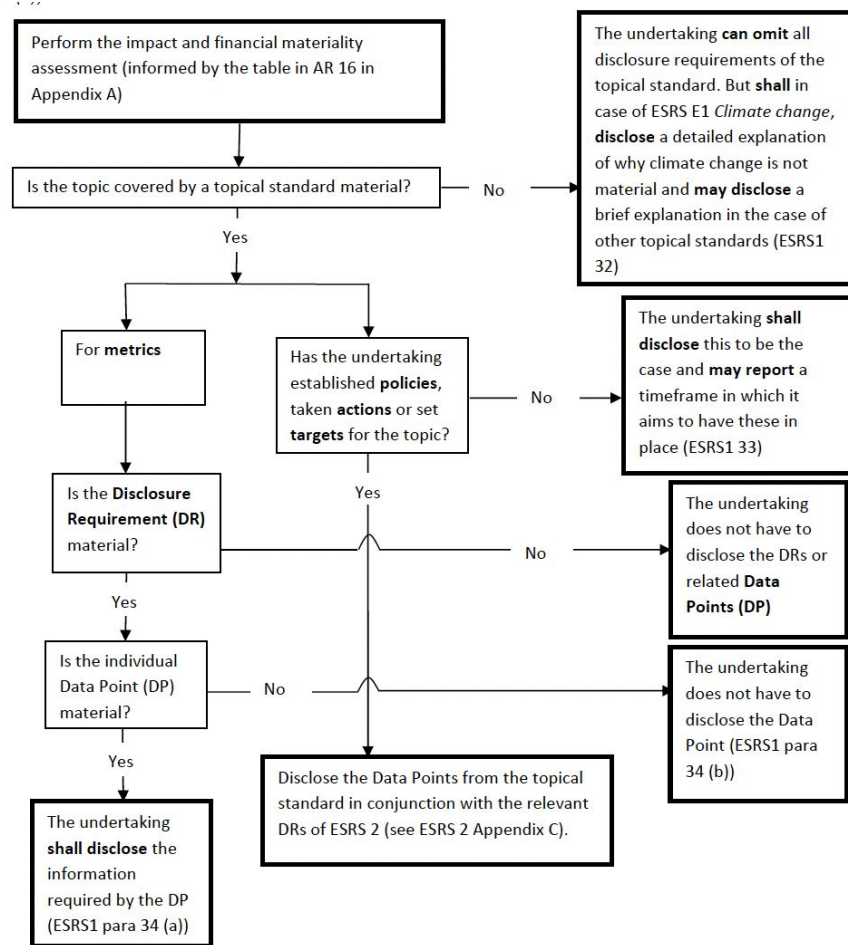
* These numbers were for the draft standards; final numbers may not have changed, however some disclosure requirements and data points have been made optional.

Overview of the current ESRS



Sustainability information in scope

- * What determines the topics to disclose is **materiality**
- * For climate change and SFDR PAI, if not material need to disclose why
- * Need to disclose why you don't have policies and actions and targets on your material topics
- * Need to address **double materiality**
 - Identify impacts, then material matters
 - Identify risks and opportunities stemming from dependencies, then material risks and opportunities
- * Scope of materiality is greatly expanded to the upstream and downstream **value chain**



Presentation required

- * The ESRS 1-General requirements show how disclosures are to be presented (chapter 8)
 - Distinct section of the management report
 - Four parts: general, environmental, social, governance*
 - Then by topic: cross-cutting, sector-specific, entity-specific
- * A suggested reporting structure is provided in appendix F

Management report

Analysis of the development and performance of the undertaking's business and its position

The undertaking's likely future developments

Description of the principal risks and uncertainties

Corporate governance statement

Sustainability statement

1. General information

ESRS 2 General Disclosures

- Specific topical DR from topical ESRS
- Additional DR from sector specific ESRS
- List of Disclosure Requirements complied with
- Table of all the datapoints deriving from other EU legislation

2. Environmental information

Disclosures pursuant to Article 8 of Regulation 2020/852 (Taxonomy Regulation)

ESRS E1 Climate change

- Impact, risk and opportunity management and Metrics and targets DR from ESRS E1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

ESRS E5 Resource Use and Circular Economy

- Impact, risk and opportunity management and Metrics and targets DR from ESRS E5
- Additional DR from sector specific ESRS
- Potential additional entity specific information

3. Social information

ESRS S1 Own workforce

- Impact, risk and opportunity management and Metrics and targets DR from ESRS S1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

ESRS S2 Workers in the value chain

- Impact, risk and opportunity management and Metrics and targets DR from ESRS S2
- Additional DR from sector specific ESRS
- Potential additional entity specific information

ESRS S4 Consumers and end-users

- Impact, risk and opportunity management and Metrics and targets DR from ESRS S4
- Additional DR from sector specific ESRS
- Potential additional entity specific information

4. Governance information

ESRS G1 Business conduct

- Impact, risk and opportunity management and Metrics and targets DR from ESRS G1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

(*) Governance information related to specific topics, not corporate governance which is covered in the general information part



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