



Corporate Sustainability Reporting Directive

30th November 2023



KPMG
Sustainable
Futures

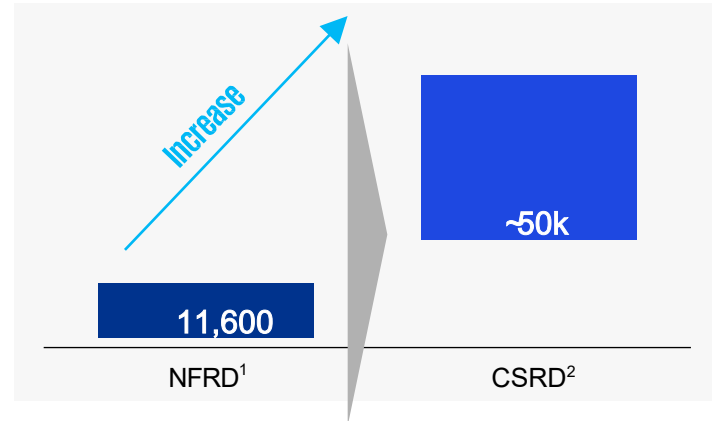


CSRD evolution in reporting

Today



Captured Companies in EU



2024



NFRD¹⁾

Non-Financial Reporting Directive

- **Free choice** of sustainability reporting frameworks, standards (e.g., GRI, SASB), and non-financial KPIs
- Free choice of reporting location (i.e., reporting in management report **OR** as separate report)
- **No assurance requirements**, only requirement is that auditor checks whether non-financial information has been provided (voluntary audit possible)
- **Financial materiality** defines reporting content, no mandatory double materiality assessment

until FY 2023

from FY 2024



Lower scoping bar



Meeting at least **two** of the following:

- > 250 employees
- > €40M in net turnover
- > €20M in total assets

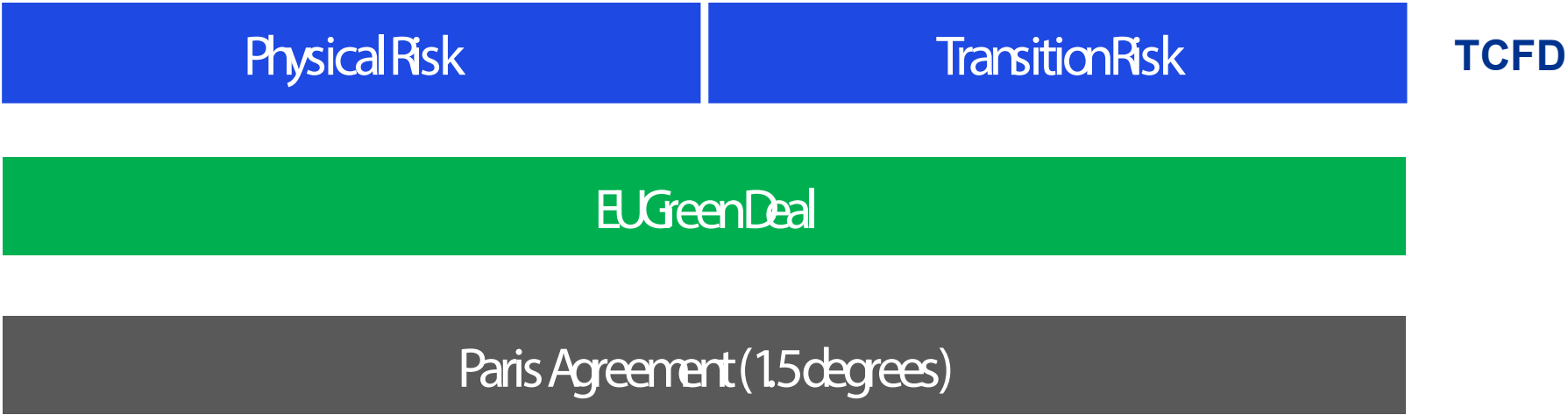
CSRD²⁾

Corporate Sustainability Reporting Directive

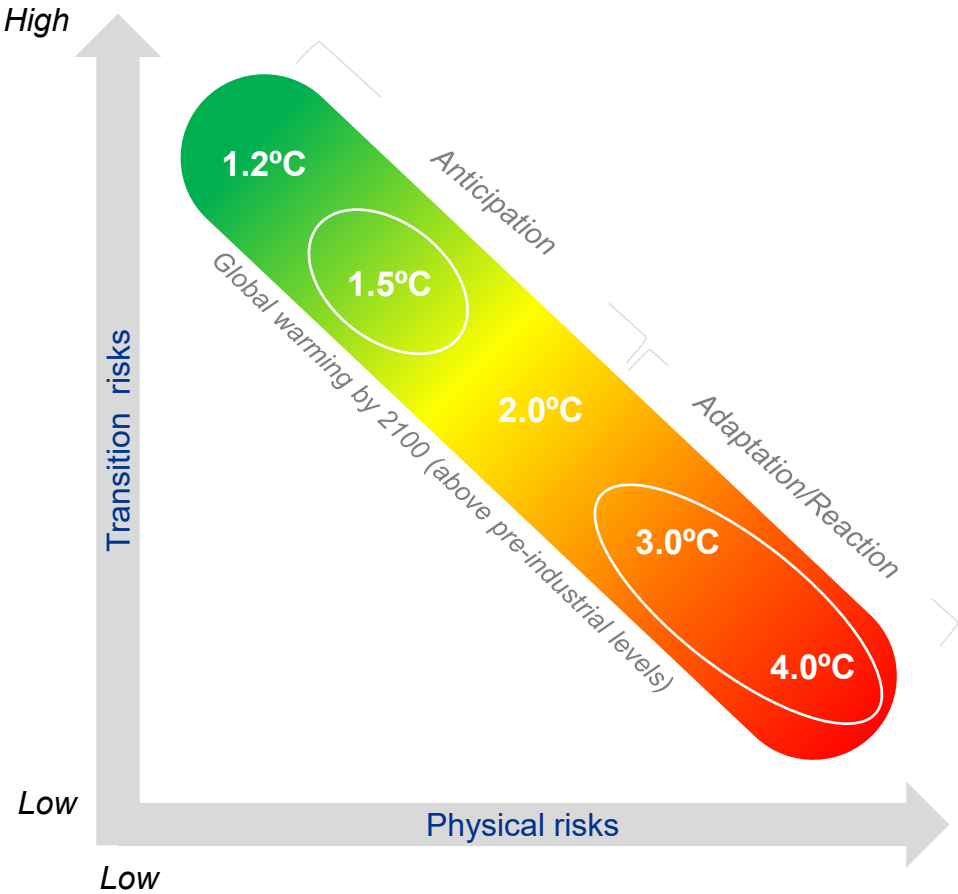
- 12 new binding **European Sustainability Reporting Standards (ESRS)** with up to **120 mandatory non-financial KPIs** and additional qualitative disclosures
- Reporting as **part of the management report**
- **Mandatory limited assurance** required, with intent to mandatory reasonable assurance at a later stage
- **Mandatory double materiality** assessment (financial materiality + impact materiality)



Regulatory Landscape

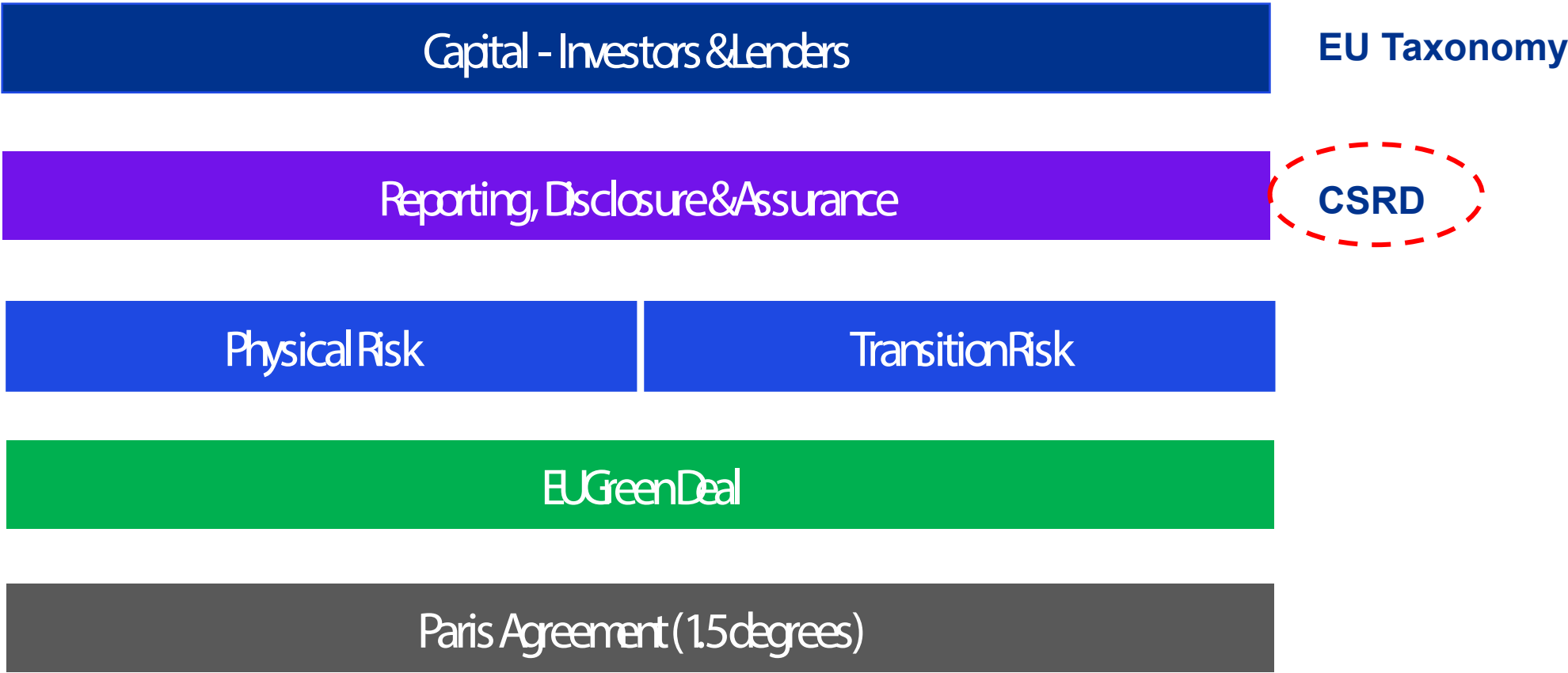


Climate Risk-Physical and Transition





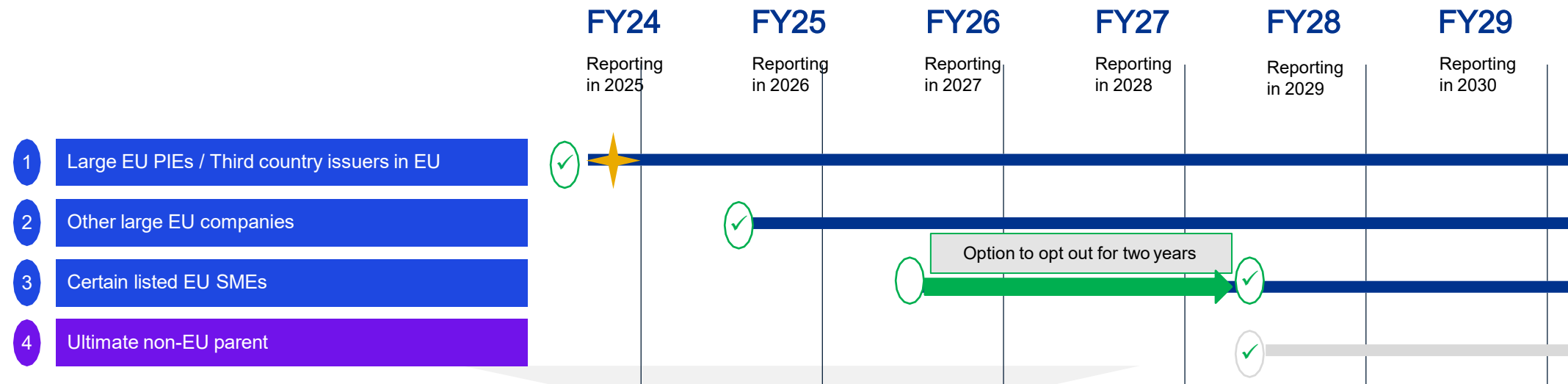
Regulatory Landscape





What is in scope for CSRD?

The scope reporting entities over the years



Accounting Directive



Transparency Directive

- FY 2024:** EU PIE with > 500 employees and > €40M in net turnover or > €20M in total assets. Third country issuers in EU regulated market.
- FY 2025:** EU entities meeting at least two of the following: > 250 employees, > €40M in net turnover, > €20M in total assets, referred to as **“general scoping requirements”**
- FY 2026-2028:** Certain listed EU SMEs (option to opt out until FY29, effective date of FY28) and small and non-complex credit institutions and captive insurers. Meeting at least two of the following: > 10 employees, > €700,000 net turnover, > €350,000 in total assets
- FY 2028:** Non-EU parent companies with €150m in EU for last 2 consecutive years and 1 sub. meeting general requirements or 1 branch (in general, a physical presence) that generated net turnover greater than €40M in the preceding year



How ready are Irish Corporates?



Only 4%

obtain any external assurance over their sustainability-related indicators



54%

of companies did not report targets set on any material topics



54%

either did not publish any sustainability-related information within the annual report or reported this information in a separate sustainability report

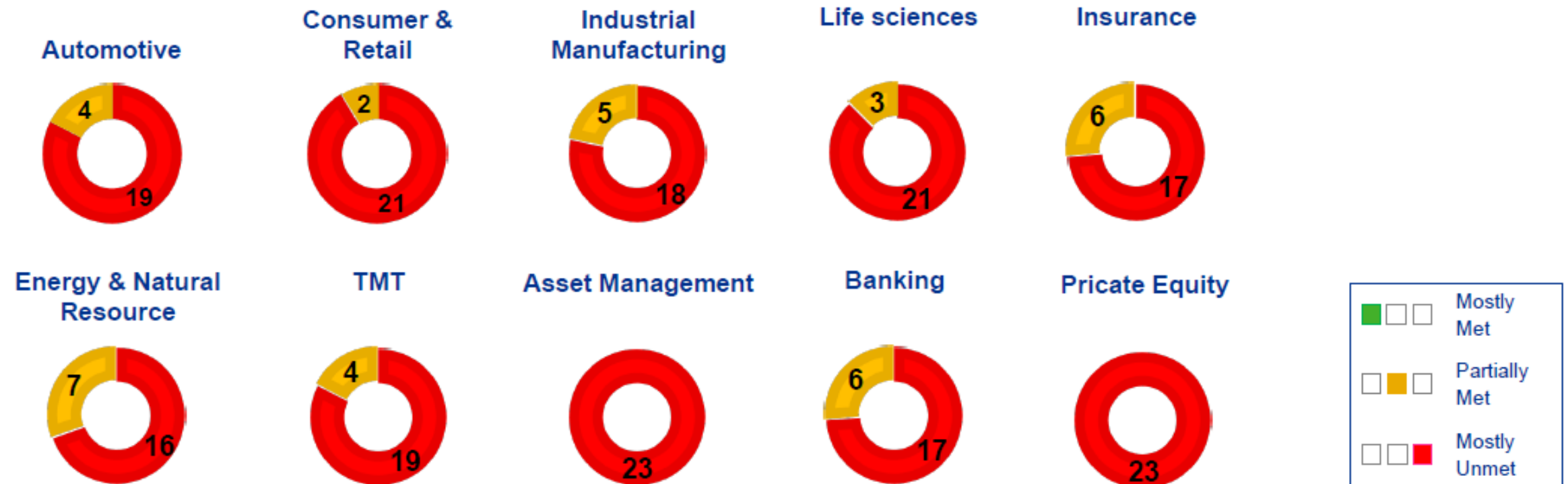


50%

of companies do not clearly describe the role of the board and management in relation to sustainability



How ready are EU Sectors?



Roadmap to SOX compliance steps for alignment

1. Double Materiality Assessment

- Identifying **material** and therefore reportable **Sub-Sub topics**

2. Gap-Analysis

- Assessment of current **degree of fulfillment** of reportable **Sub-Sub topics**

4. Governance Structures

- Need to decide on **appropriate governance structure internally** for how ESG information will be measured, managed and reported

5. Don't operate in silos

- Understand which parts of the business will need to be involved in formulating **policies, targets, action plans and resources**

6. Data Collection of Reportable KPIs

- Preparing for disclosure of quantitative **performance-driven KPIs as well as qualitative alignment**

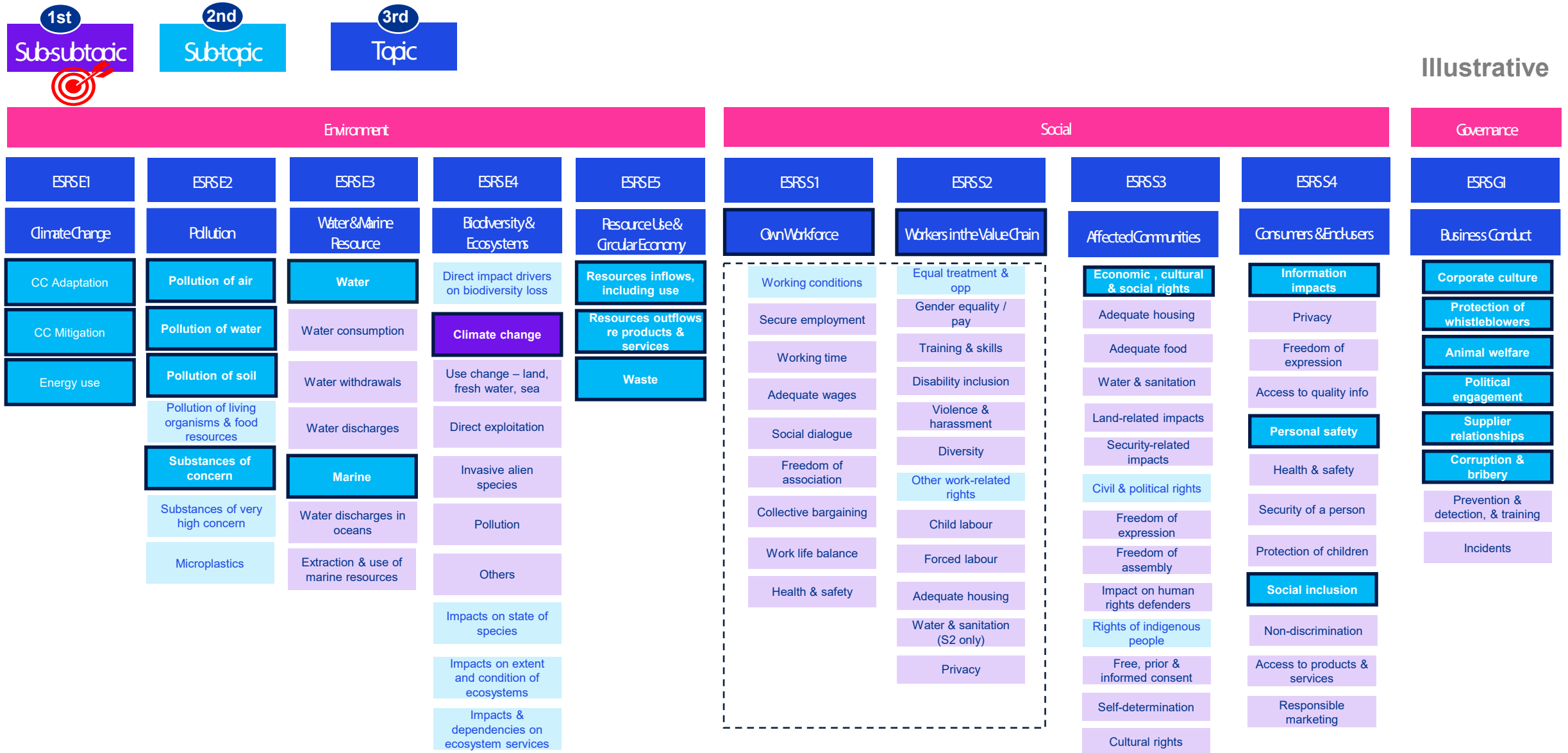
3. Remediating gaps

- Taking steps to **close reporting gaps**

7. Reporting-Readiness

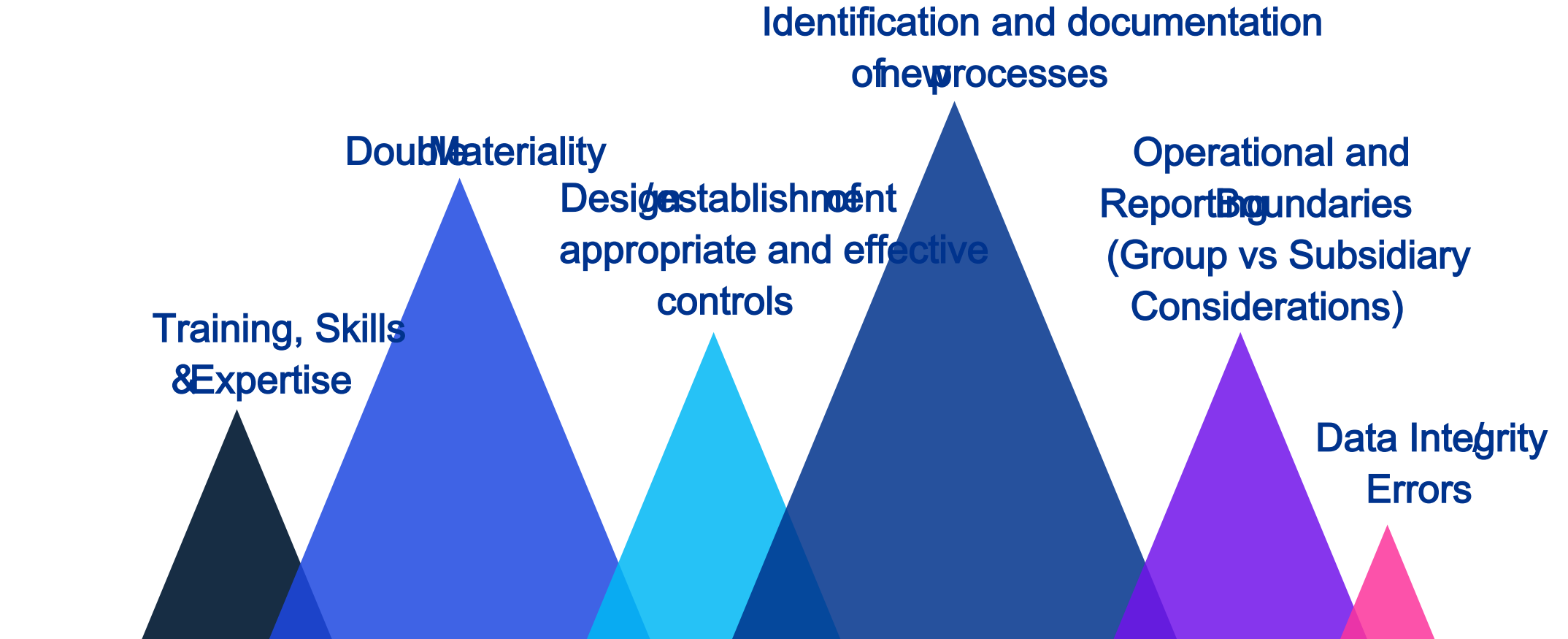
- Dry run of **reporting** and undertaking **assurance readiness**

A wave of topics and sub-topics





What challenges have faced entities



*Challenges are not in order of difficulty



Take Aways

- **Don't underestimate the challenge of reporting under CSRD**
- **Prepare early – don't wait until disclose is mandatory**
- **Use it as an opportunity to reduce risk and identify opportunity, and to engage with your stakeholders**
- **Establish clear, appropriate ownership of CSRD within the organisation**



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