

The Corporate Sustainability Reporting Directive: The Road to Compliance

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Today's speakers



John Buttanshaw

Director, Operational Risk & Environment
john.buttanshaw@traverssmith.com
+44 (0)20 7295 3606



Sarah-Jane Denton

Director, Operational Risk & Environment
sarah-jane.denton@traverssmith.com
+44 (0)20 7295 3764



Alex MacBean

Associate, Operational Risk & Environment
alexandra.macbean@traverssmith.com
+44 (0)20 7295 3727



Simon Witney

Senior Consultant, Financial Services & Markets
simon.witney@traverssmith.com
+44 (0)20 7295 3957

Today's agenda: busting some myths and misconceptions



- What is CSRD?
- Are you in scope and, if so, when?
- What is my value chain?
- What are the ESRSs?
- What is "double materiality"?
- How does this relate to other reporting frameworks?

Housekeeping...

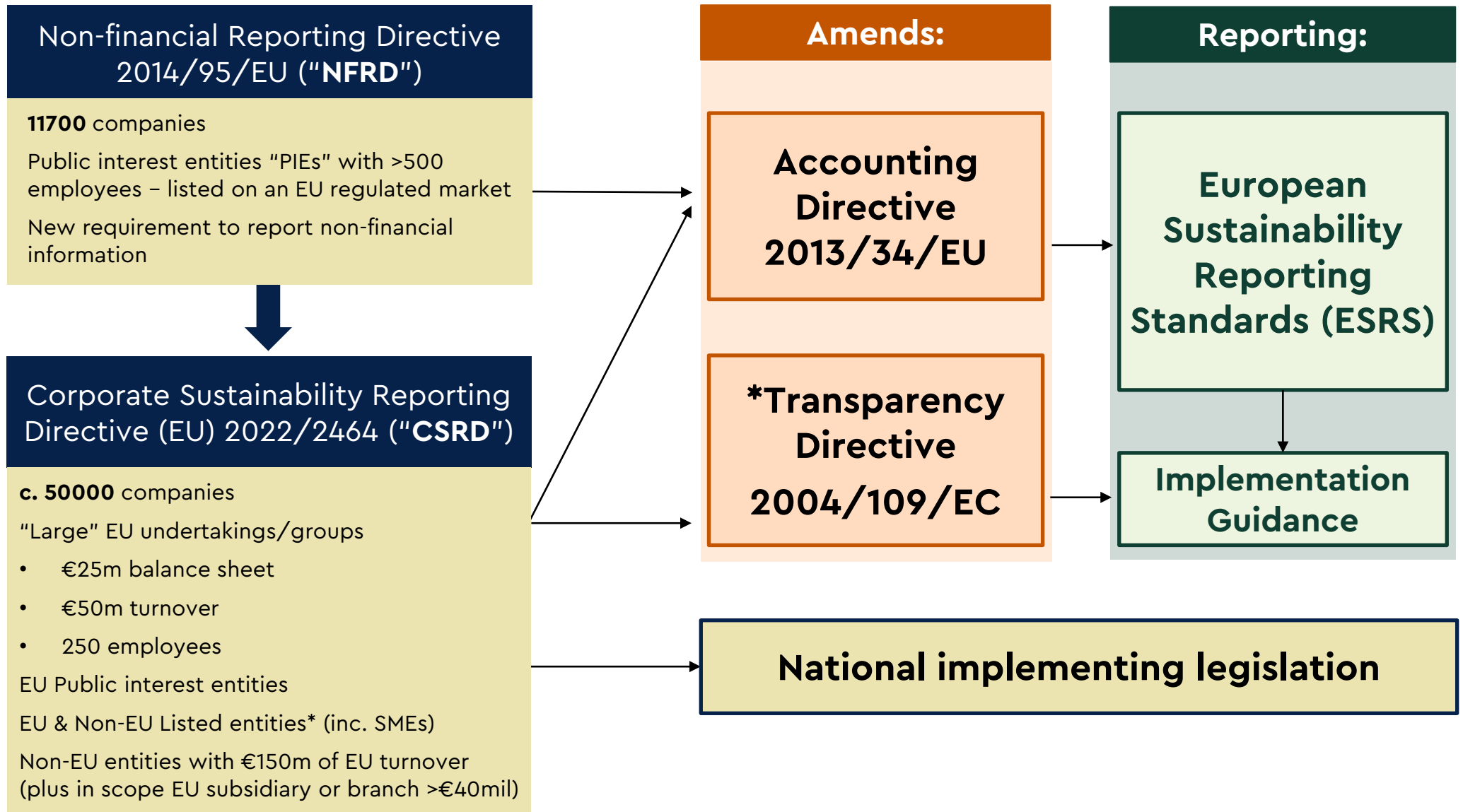
- If you are watching live, please type your question into the Q&A box on the top right-hand side
- This session is recorded. You will receive a link to the recording after the webinar
- We will also be sharing a copy of the slides alongside the recording
- If you are watching on demand, please email your questions to me or any of the speakers. Contact details are on the last slide



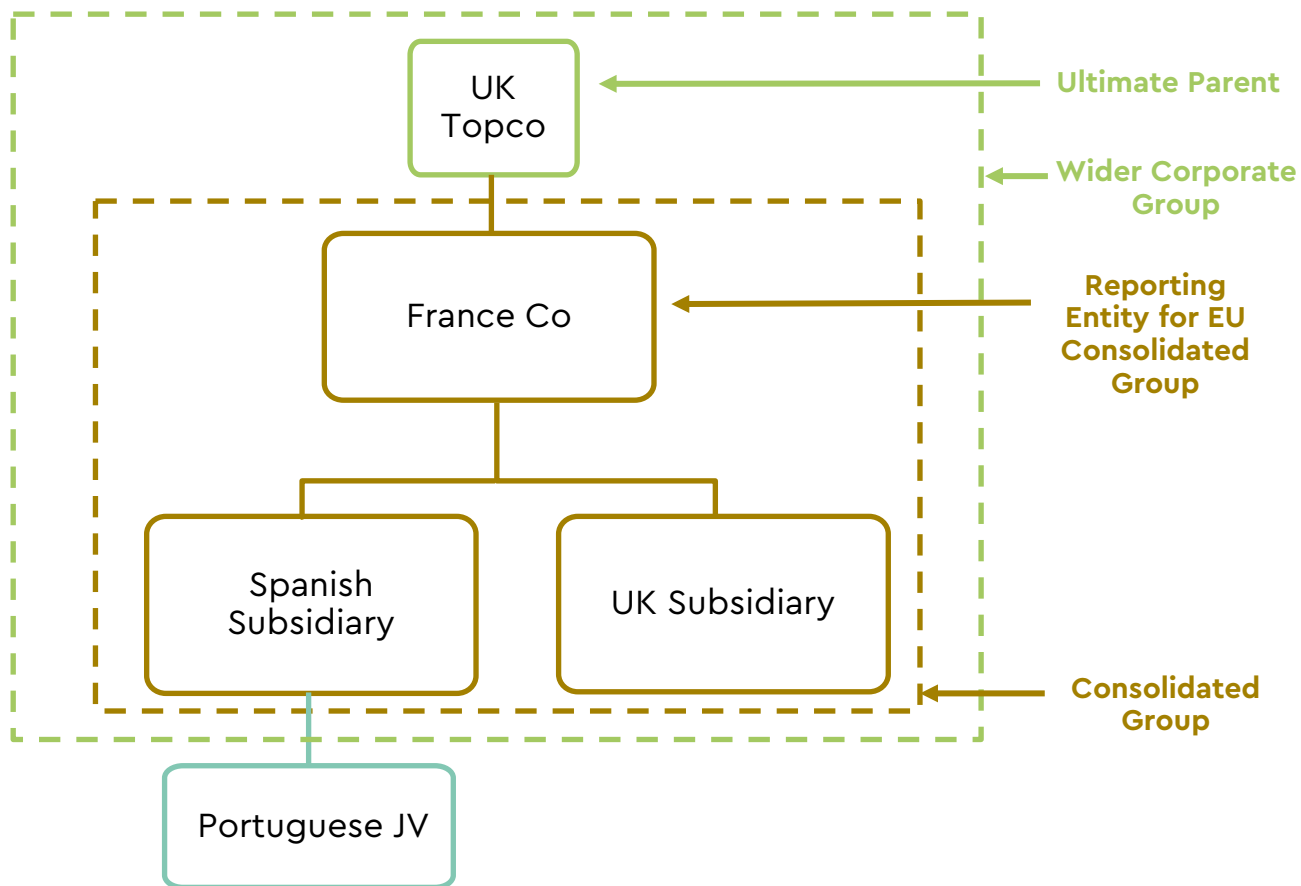
CSRD – a reminder of scope and timing

1

Background to CSRD



Assessing scope



Analysis

- UK Topco has €150m net turnover from the EU **and** an in-scope EU sub/ branch
- France Co parent of a "large" group
- Spain Sub "large" individually
- UK Sub within consolidated reporting group

Anything outside the consolidation boundary could still be part of the reporting entity's value chain - relevant for reporting

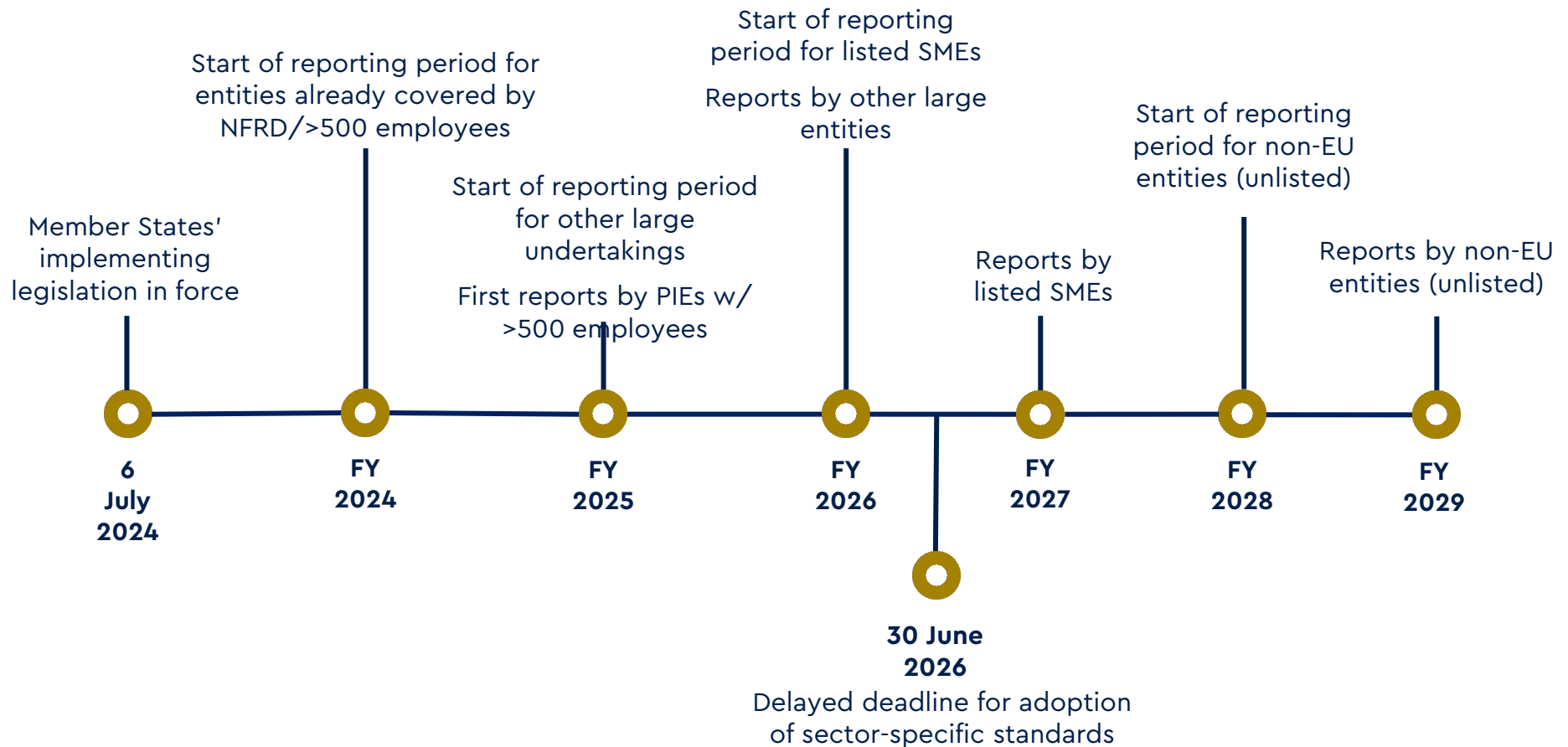
MYTH 1

We've run the exercise and we're not in scope, so we don't need to think about CSRD

NO

- Corporate grouping
- Business relationships
- Lighter reporting burden
- No data quality obligations
- Other reporting obligations
- Can you say no?

CSRD timeline



MYTH 2

We're not in scope until 2029 – we don't need to worry about CSRD yet

NO

- Who else in your group is in scope?
- Data requests from within or outside the group
- Time-consuming
- Capacity crunch

MYTH 3

**CSRD has recently
been delayed**

NO

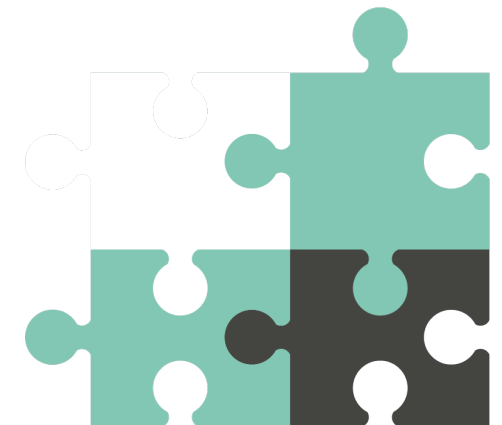
- Delay to sector-specific standards
- Entity-specific disclosures
- Note complex phase-ins

Practicalities of reporting

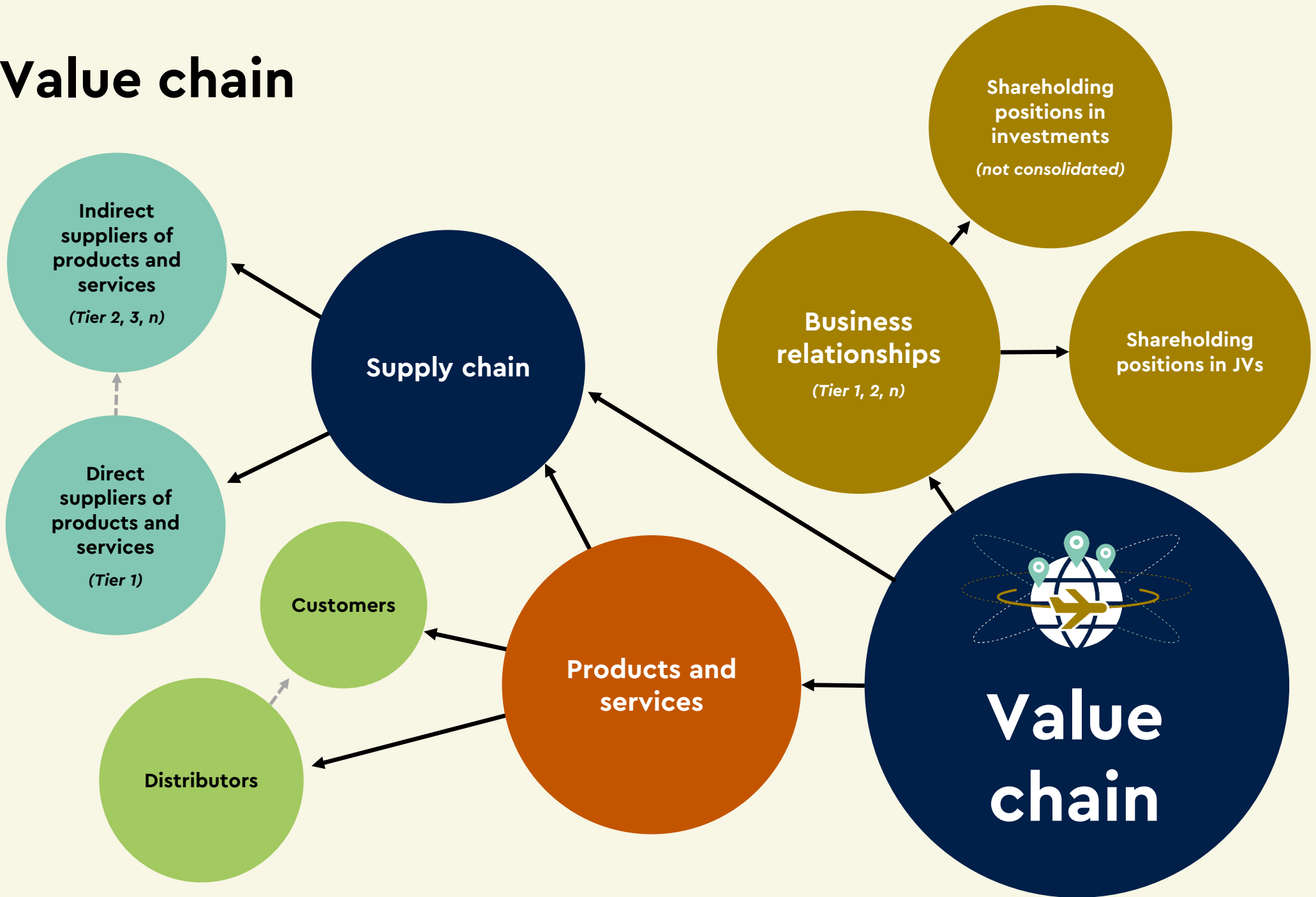
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Reporting – templates and key principles

- Sustainability reporting using templates provided:
 - **ESRS – sector agnostic disclosure standards**
 - disclosures should cover material impacts, risks and opportunities ("**IROs**") of the undertaking (including in its own operations and in its **value chain**)
 - All disclosures are subject to a "**materiality assessment**"
 - **EU Taxonomy, Delegated Disclosures Act**
 - Disclosures re how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable
 - Substantially contribute to an environmental objective, do not significantly harm any other environmental objective and meet minimum social safeguards



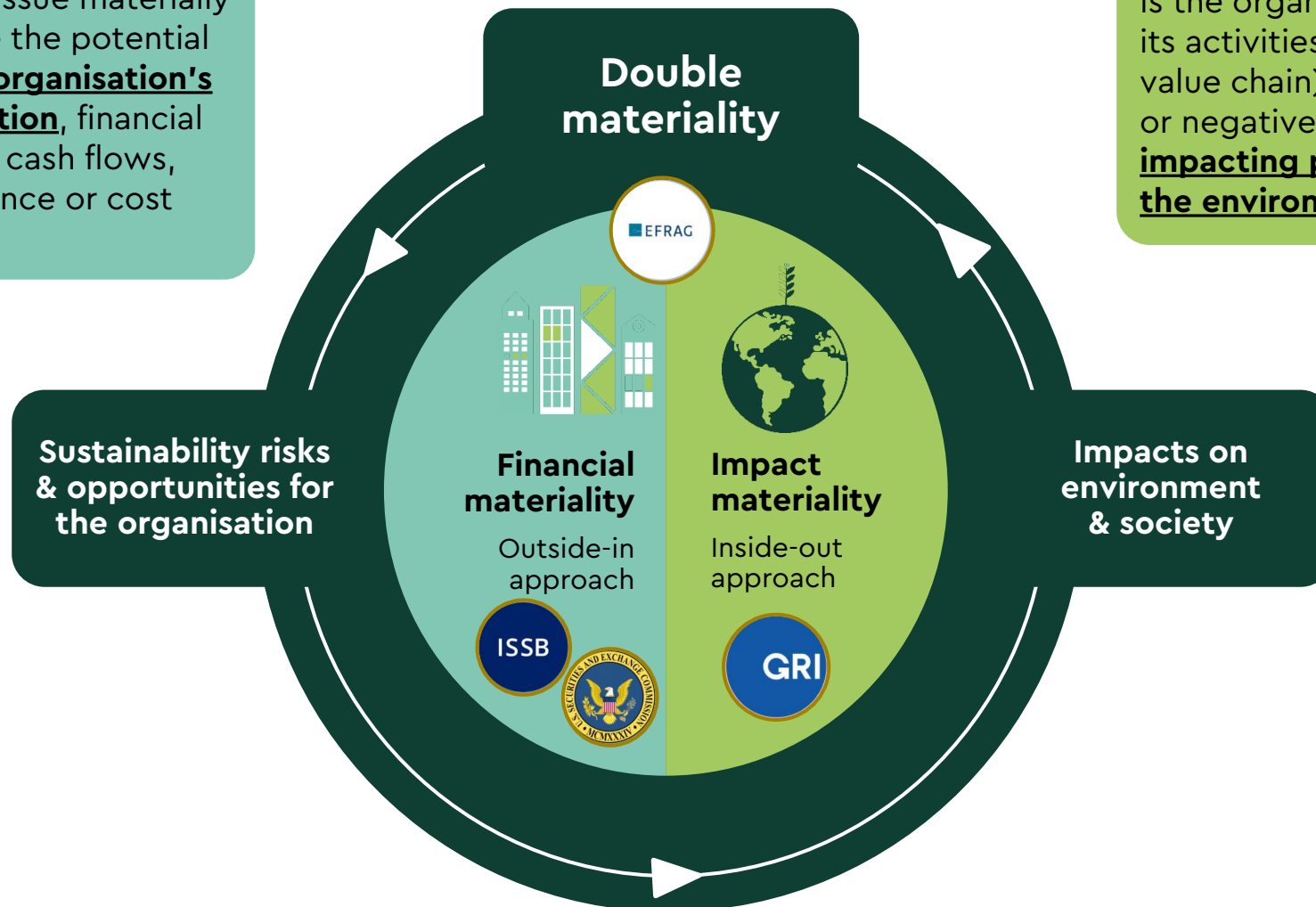
Value chain



Double materiality

Does an ESG issue materially affect or have the potential to affect **the organisation's financial position**, financial performance, cash flows, access to finance or cost of capital?

Is the organisation and its activities (across the value chain) positively or negatively **impacting people and the environment?**



European Sustainability Reporting Standards - ESRS

ESRS 1 and 2 General Requirements and Disclosures

ESRS 1 General requirements	Context for the topical standards
ESRS 2 General disclosures (11)	Strategy and business planning Materiality assessment, policies, methodologies

ESRS S1 to S4 Social

S1 Own workforce (17)	Own workers, workers in the value chain and affected communities; detailed disclosures covering human rights impacts, labour practices, diversity etc. References international regimes – OECD Guidelines for MNE and UN Global Compact. Will interact closely with CS3D.
S2 Workers in the value chain (5)	
S3 Affected communities (5)	
S4 Consumers and end users (5)	

ESRS E1 to E5 Environment

E1 Climate change (9)	Not fully aligned with TCFD. Implements requirement in CSRD for disclosure of any transition plan the business has. E2 to E5 may be less relevant for non-industrial/ manufacturing businesses
E2 Pollution (6)	
E3 Water and marine resources (5)	
E4 Biodiversity and ecosystems (6)	
E5 Resource use and circular economy (6)	

ESRS G1 Governance

G1 Business conduct (6)	Covers several aspects of business conduct. Will require disclosure of whether the business has policies on matters such as anti-bribery and corruption, whistleblowing, animal welfare and late payments.
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Number in brackets indicates the number of disclosure requirements in each standard (total = 81)

MYTH 4

ESRS are a reporting template

NO

- No reporting template – all reports will look different
- What's material will be different for all but being an outlier is likely to draw auditor attention
- Variables/discretionary elements in approach to reporting

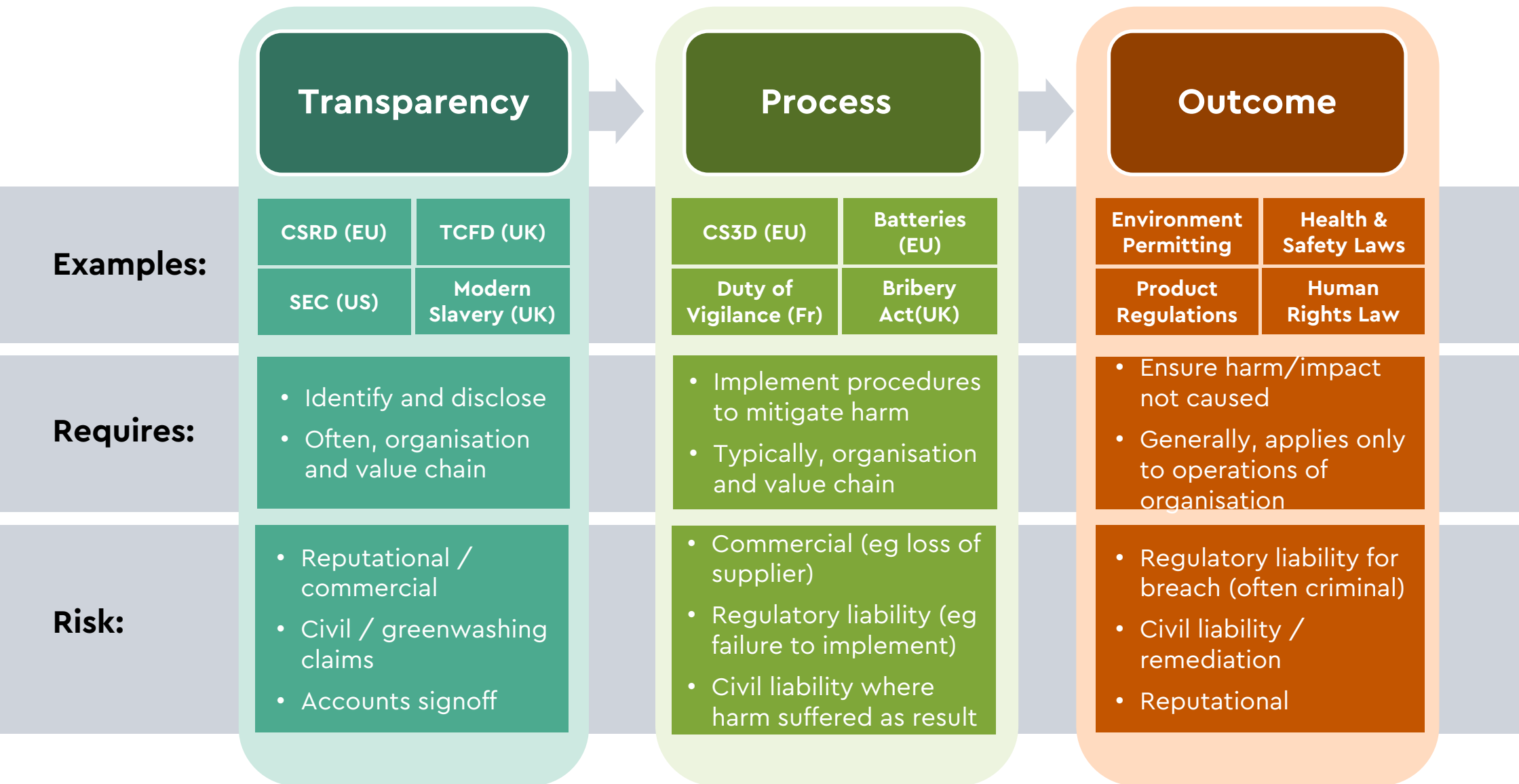
MYTH 5

If I'm in scope I've got to start introducing policies and targets in areas I've never needed to think about

NO (but...)

- Disclosure regime only
- Consider broader risk and stakeholder expectation
- Due diligence to identify material IROs
- Don't view CSRD in isolation

The broader sustainability context



MYTH 6

It's one of many in an unhelpful patchwork of sustainability reporting requirements

NO (but partly yes)

- Designed for a degree of interoperability

Reporting overlaps

ESRS

E, S and G. Double materiality

Specific disclosures, and other matters relevant to the discloser

IFRS S1

Sustainability broadly (no specifics):
disclose what's material
Financial materiality only

TNFD

Nature-related
financial disclosures

IFRS S3?

Biodiversity

IFRS S4?

Human
Rights

IFRS S2

Climate disclosures

TCFD

Climate-related
financial disclosures

SEC

Material climate-
related financial
disclosures

MYTH 6

It's one of many in an unhelpful patchwork of sustainability reporting requirements

NO (but partly yes)

- Designed for a degree of interoperability
- ESRS are high watermark
- Gap analysis is a critical tool
- Horizon scanning

Please let us know if you have any questions

Get in touch



John Buttanshaw

Director, Operational Risk & Environment
john.buttanshaw@traverssmith.com
+44 (0)20 7295 3606



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