

CSRD and ESG | Director and Board Responsibilities

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IoD Briefing Webinar: ESG legislation and CSRD obligations

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Overview

Jonathan



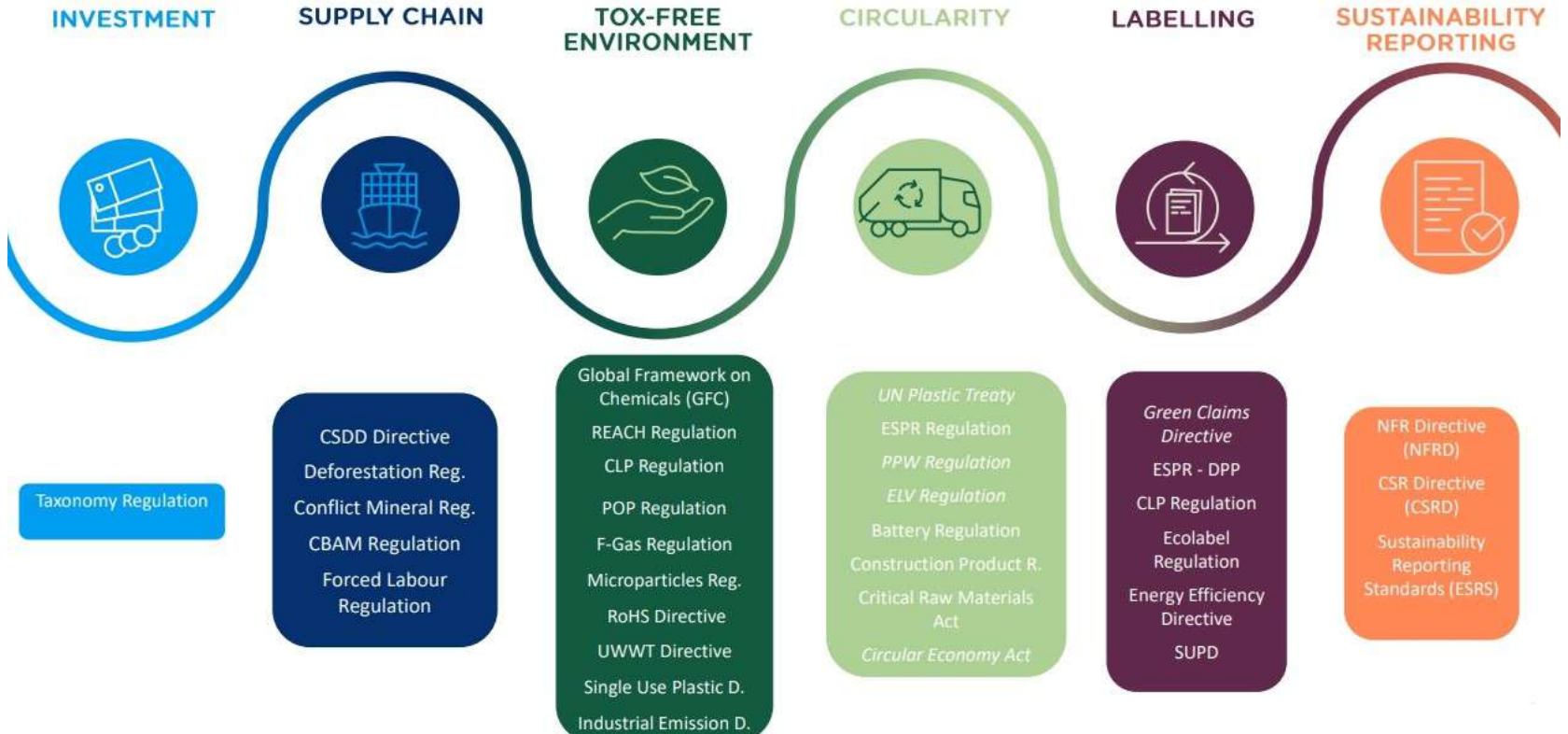
1. ESG landscape
2. Reporting Frameworks
3. CSRD at a glance
4. CSRD Timeline
5. CSRD in Ireland
6. Opportunities
7. Risks

Lars



8. CSRD Scope
9. The sustainability report
10. Double-materiality assessment
11. Stakeholders along the Value Chain
12. Data collection and management
13. Preparing the sustainability report
14. Key takeaways

EU initiatives - Product Safety & Sustainability



Moving from voluntary to mandatory reporting

→ FROM...

Popular voluntary reporting frameworks



→ TOWARDS...

Increased regulatory requirements



TCFD - Task Force on Climate-Related Financial Disclosures



NFRD
CSRD
Taxonomy
SFDR
CS3D



SEC – Securities Exchange Commission



ISSB – International Standards Setting Body (within IFRS)



EU ESG Initiatives – EU Green Deal



□ ! – Talks ongoing to consolidate the Taxonomy Regulation, CSRD, and CS3D into **omnibus** legislation for simplification purposes.



SFDR
Sustainable Finance Disclosure Regulation
2021
Disclose ESG information to help investors to assess sustainability risks

EU TAXONOMY
2020
Criteria defined for environmentally sustainable economic activities

CSRD
Corporate Sustainability Reporting Directive
2023
Disclosure requirement for companies' non-financial information

CSDDD
Corporate Sustainability Due Diligence Directive
2024
Identify, prevent, and mitigate adverse environmental and human rights impacts in their global supply chains

GREEN CLAIMS Directive
2024
Preventing misleading environmental and social responsibility claims

CSRD in Ireland

1. EU (Corporate Sustainability Reporting) Regulations 2024 (S.I. No. 336 of 2024)
2. Amendments to Companies Act 2014, including:
 - Section 1587: Scope – definitions of applicable companies and years compliance required (N.B. does not apply to investment funds, central banks, post office, SCBI, credit unions and friendly societies)
 - Section 1589: The directors of an applicable company shall include in their directors' report:
 - information on the key intangible resources in relation to the applicable company; and
 - an explanation of how the business model of the applicable company fundamentally depends on such resources and how such resources are a source of value creation for the applicable company
 - Section 1590: requirement that report includes a “double-materiality” assessment and other data
3. IAASA regulates sustainability assurance provided to PIEs, and RABs regulate others
4. Sanctions – breaches by an auditor (€100k fine), breaches by a director (€5k fine/6mths in prison)



Opportunities

1

Value

CSRD compliance can add to a company's value



2

Innovation

ESG knowledge can lead to develop new products, services or create new business



3

Efficiency

ESG data collection can demonstrate areas to improve efficiencies



4

Transparency

ESG reporting responds to requests from stakeholders to disclose sustainability information



5

Resilience

Companies that know where they are exposed to climate risk will survive longer

Risks

1

Liability

Lack of CSRD compliance may result in legal challenges or sanctions



2

Reputation

Not reporting on a company's sustainability information can affect trust and public sentiment



3

Greenwashing

Companies cannot leverage sustainability credentials without objective data from a sustainability assessment,

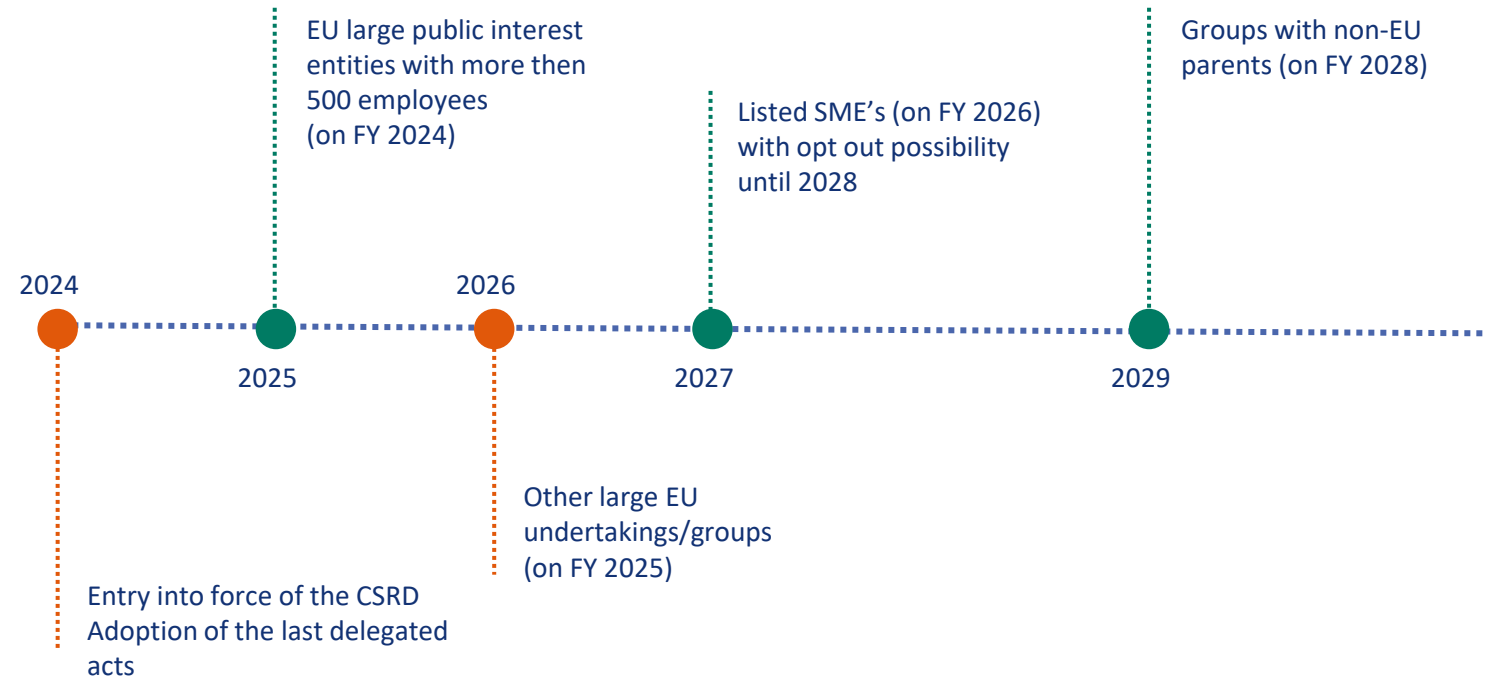


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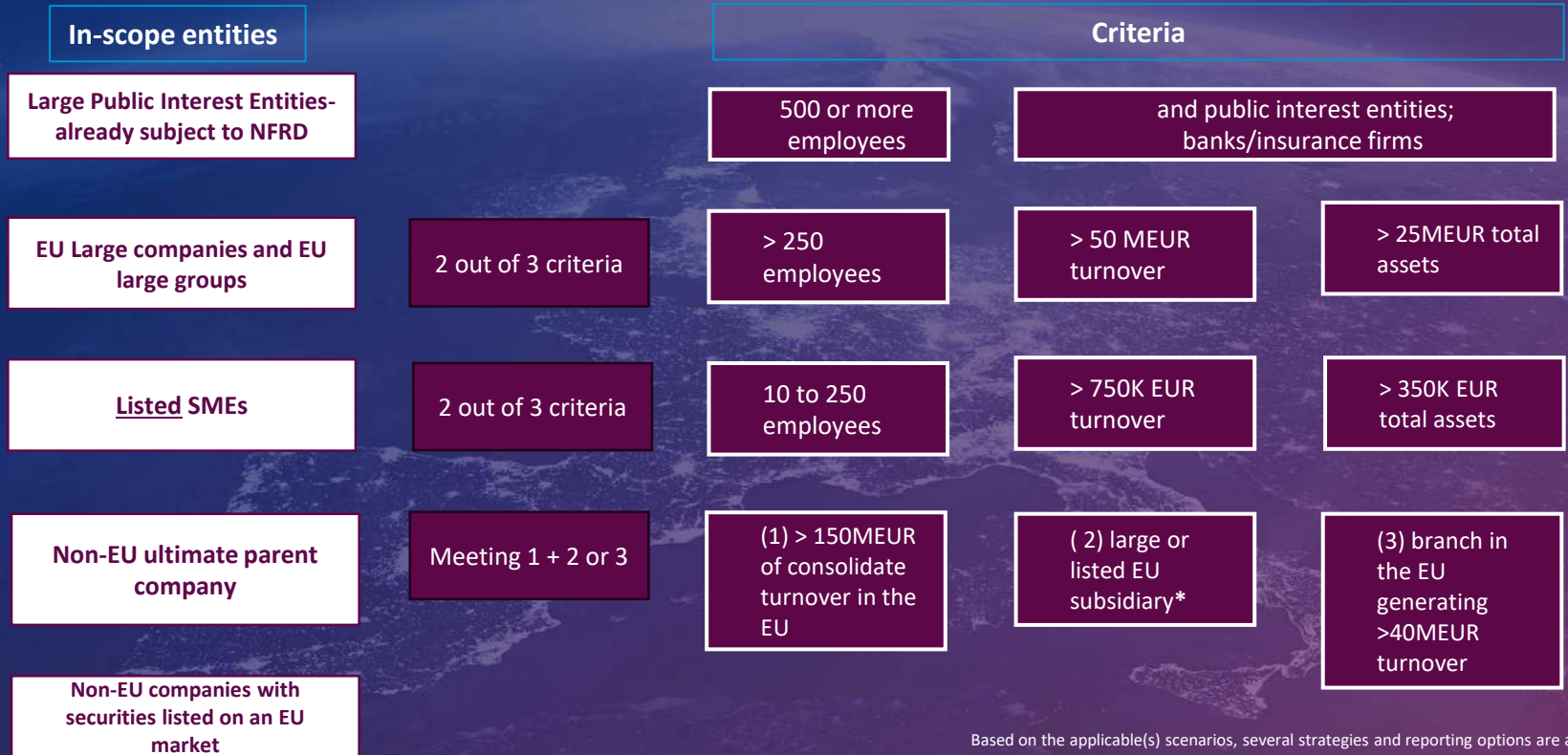
Competition

Lack of / poor sustainability report gives competitors an advantage in the market

CSRD – Timeline



CSRD - Scope



Based on the applicable(s) scenarios, several strategies and reporting options are available

CSRD ESRS reporting



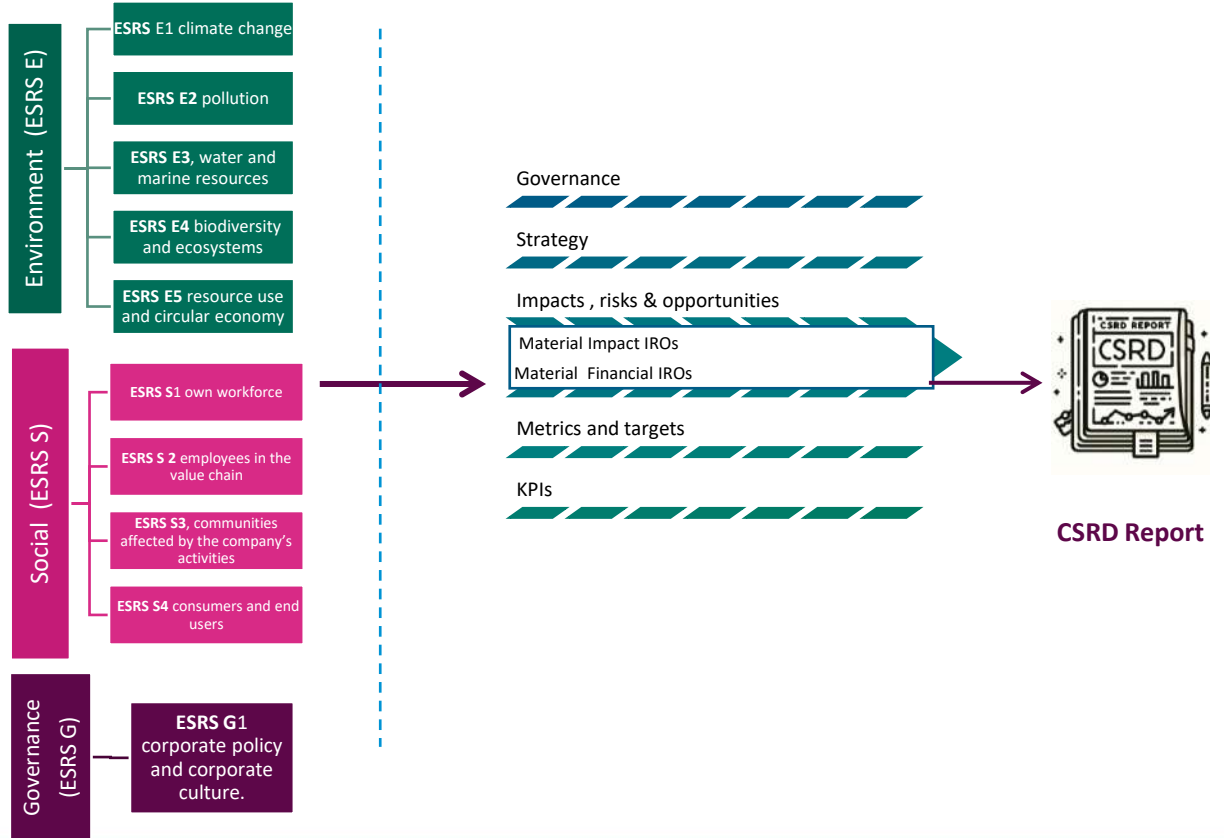
CSRD in-scope company

(Double) material Impacts



Reporting of BOTH the financial impacts on the company and the impacts generated by company

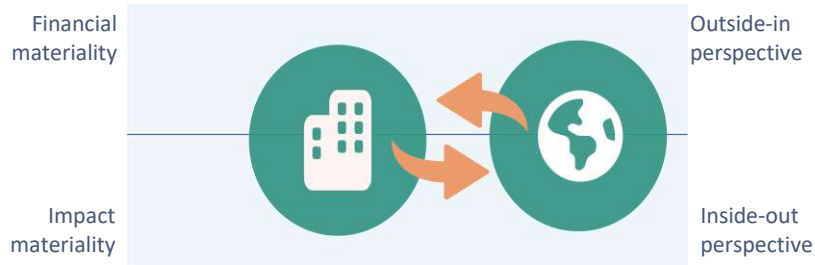
Significant effects and risks



CSRD – Double Materiality Assessment

Double materiality Concept

- All sustainability topics must undergo a 'Double Materiality Assessment' determining which components of the CSRD a company must include in their reporting.
- The topic will be considered "material" if it satisfies either or both below:
 - Impact materiality: the company's operations, including its upstream and downstream value chain, affect society or the environment
 - Financial materiality: sustainability topics affect the company's financial health



Third Party Assurance

- Requirement that the statutory auditor expresses an opinion on the sustainability reporting, mainly to “help ensure the connectivity between, and consistency of, financial and sustainability information”.



CSRD – Double Materiality Assessment process



Context analysis

Status quo
Context of the company



IRO's along the Value chain

Identify long list of
IRO's
Drafting Value chain(s)
Mapping stakeholder
and IRO's on value
chain



Stakeholder engagement

Assessing and selecting
stakeholders
Stakeholder
engagement strategy
Stakeholder
engagement



Double Materiality analysis

Assess Impacts
Assess Risk and
Opportunities
Validation, thresholds,
ranking
Board approval
Reporting



CSRD – Stakeholders along the Value Chain

ESRS Definition **Value Chain**: “The full range of activities, resources and relationships related to the undertaking’s business model and the external environment in which it operates.”

ESRS Definition **Stakeholders**: “..are those who can affect or be affected or could be affected by the undertaking and users of sustainability statements. E.g., investors, lenders, business partners, trade unions, social partners, non-governmental organizations, governments”



CSRD – Data Collection & Management



CSRD – Data Collection & Management (cont.)



Scope & Gap Analysis

- Screen & justify selection of datapoints
- Identify gaps
- Prioritize data collection



Acquisition Strategy

- Identify data sources
- Adopt trusted data standards
- Formalize data exchange (delivery agreements)



Data Governance

- Define ownership
- Formalize process, controls & methodologies
- Create common definitions (data dictionaries)
- Specify intended use & disclosure



Report Preparation

- Document assumptions made in filling gaps or estimations
- Early-stage auditor involvement



CSRD – Preparing the sustainability report

1 Non-financial information to include in the companies' management report

Requirement to report according to mandatory EU sustainability standards to:

- 2
- a) make sustainability information more comparable and auditable
 - b) compel companies to disclose all relevant information

3 Companies must tag sustainability information using a "*digital taxonomy*" to simplify automated processing and enhance comparability.

4 "European Single Electronic Format" (XHTML format) to be rendered available in the future in a "European Single Access Point"

5 Audit of reported information (limited assurance evolving to a reasonable assurance)



CSRD Readiness



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Links to further reading

- [Ireland's approaching transposition of the Corporate Sustainability Reporting Directive](#)
- [Ireland transposes the Corporate Sustainability Reporting Directive by 6 July 2024](#)
- [The EU's Corporate Sustainability Reporting Directive \(CSRD\): What you need to know](#)
- [Belgium's Green Awakening: Brussels Court Sets Precedent in Climate Litigation](#)
- [CSDDD: challenges and opportunities for business partners of in-scope companies](#)
- [Delay in application of the EU Deforestation Regulation \(EUDR\) confirmed](#)



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(% of FY24 integrated office billings)



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ESG Fundamentals for Directors

IoD ESG Programme | 12 hours CPD

11th March - 28th April 2025

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