

The Corporate Sustainability Reporting Directive (CSRD)

What is the CSRD?



In force from the 5th January 2023



Replaces the Non-Financial Reporting Directive



Circa 50,000 undertakings in scope



Increased disclosure Requirements

To date certain Insurance and Banking undertakings have been subject to the EU's "NFRD" (Non-Financial Reporting Directive) which applied to circa 11,000 EU entities. The Corporate Sustainability Reporting Directive (CSRD) will replace the NFRD and requires entities in scope to include non-financial reporting disclosures across Environmental, Social and Governance topics within their annual management report covering both financial impacts and impacts on people and the environment.

Until now information produced under NFRD has been qualitative, lacked uniformity and has been difficult to assess from a sustainability perspective. Entities could apply a range of reporting frameworks or reference points to their sustainability statements such as the GRI framework (Global Reporting Initiative) or UN SDGs with no mandatory reporting standards in the EU in existence.

FIRMS IN SCOPE

CSRD will apply to circa 50,000 undertakings on a staggered basis for fiscal years beginning on or after 1 January 2024 beginning with those already reporting under NFRD. Other entities meeting the scoping criteria as set out in CSRD will need to report from FY 2025 onwards with insurance captives meeting the criteria from 1 January 2026 for Financial Year 2027.

INCREASED DISCLOSURE REQUIREMENTS

One of the main differences between NFRD and CSRD is that undertakings reporting under CSRD will have to apply the new mandatory European Sustainability Reporting Standards or "ESRSs". The initial set of standards will apply to reporting entities from 2024.

What is the CSRD trying to achieve?

1. THE OBJECTIVE

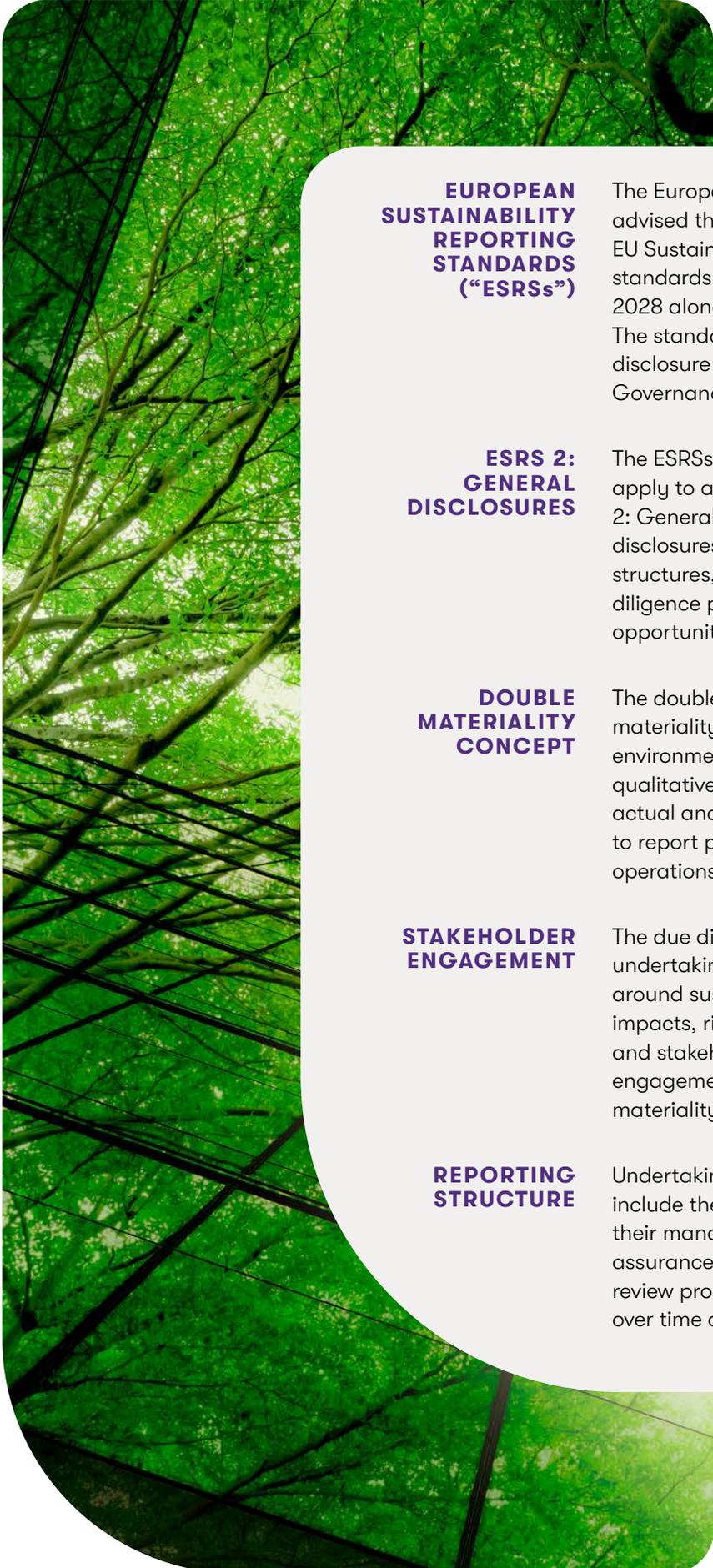
The objective of the CSRD is to enhance the existing requirements of the EU's Non-Financial Reporting Directive (NFRD), to better harness the potential of the European Union in the transition to a fully sustainable and inclusive economic and financial system, in accordance with the European Green Deal and the UN Sustainable Development Goals.

2. THE RULES

The new rules will ensure that investors and other stakeholders have access to the information they need to assess risks arising from climate change and other sustainability issues. They will also create a culture of transparency about the impact of companies on people and the environment.

3. THE REPORTING

Reporting costs will be reduced for companies over the medium to long term by harmonising the information to be provided. This is to be achieved by considering the EU Taxonomy Regulation, the Sustainable Finance Disclosure Regulation (SFDR) as well as existing international frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).



EUROPEAN SUSTAINABILITY REPORTING STANDARDS (“ESRSs”)

The European Financial Advisory Group (EFRAG) have advised the EU Commission on the content of the new EU Sustainability Reporting Standards or “ESRSs”. These standards will come into force on a staggered basis up to 2028 alongside implementation requirements of CSRD. The standards include both cross cutting and topical disclosure requirements across Environmental, Social and Governance topics.

ESRS 2: GENERAL DISCLOSURES

The ESRSs include two cross cutting standards which apply to all undertakings in scope one of which is ESRS 2: General Disclosures. This is mandatory and includes disclosures around an undertakings governance structures, strategy and business model and due diligence process to identify material impacts risks and opportunities with respect to sustainability matters.

DOUBLE MATERIALITY CONCEPT

The double materiality concept considers both financial materiality and also impacts on people and the environment. The ESRSs include both quantitative and qualitative disclosures on positive and negative impacts, actual and potential impacts and requires undertakings to report progress against targets set for both its own operations and its value chain.

STAKEHOLDER ENGAGEMENT

The due diligence process as set out in CSRD requires undertakings to engage with affected stakeholders around sustainability matters to understand their impacts, risks, and opportunities from an organisational and stakeholder perspective. This stakeholder engagement process is a core principle in the double materiality assessment process.

REPORTING STRUCTURE

Undertakings reporting under CSRD and the ESRSs must include these disclosures within a separate section of their management report. This will be subject to limited assurance initially and be included as part of the audit review process. This will move to reasonable assurance over time as reporting develops.

How will CSRD impact Chief Financial Officers and Chief Risk Officers?

Chief Risk Officer (CRO)

RISK MANAGEMENT FRAMEWORK

Undertakings may already be performing a risk assessment and incorporating climate and other sustainability risks within their risk management framework. This will need to be reviewed and extended to incorporate other risks identified as part of the double materiality assessment for disclosures to be made under CSRD and ESRs.

INTERNAL STRUCTURES

CSRD requires sustainability to be embedded within the governance, strategy and business models of an undertaking. This also includes outlining the role of administrative and management bodies and the risk and internal control systems with respect to sustainability. Risk structures and governance will need to be adapted to align to these requirements.

DATA & DISCLOSURES

New reporting processes including sourcing of data will need to be developed and implemented to meet the requirements of CSRD and reporting requirements under ESRs. This will require a stock take and internal review of existing reporting processes and data availability for risk reporting requirements to determine any gaps in order to comply.

Chief Financial Officer (CFO)

INTEGRATED REPORTING FUNCTION

Assigning ownership for sustainability reporting is key for an undertaking in order to ensure they are ready to comply. Sustainability reporting will sit within the finance function or work across finance, sustainability and other areas. New reporting processes will need to be built to integrate sustainability reporting into the overall management reporting process including ESEF and new iXBRL requirements that will be part of reporting submissions going forward.

CONSOLIDATED REPORTING

If your undertaking is already subject to consolidated financial reporting requirements under insurance / banking supervision or other requirements, consolidation of sustainability statements may also be required and considered during the undertaking's scoping exercise. Like consolidated financial reporting, there are some efficiencies to pursuing consolidated sustainability reporting such as reduced work over multiple group entities. Understanding the consolidation requirements as well as how to capture value chain inclusions will require analysis and planning ahead of time.

AUDITING

The disclosures are subject to external validation, initially limited but progressing to reasonable assurance over time. This will add to the time and cost burden for undertakings and require working closely with external auditors through this process. The Board will also need to be experienced and understand their new oversight requirements with respect to the detail of sustainability reporting under CSRD and the new ESRs. Timing and preparation are key to avoid delays impacting other regulatory reporting that is contingent upon this new sustainability reporting deliverable.

How we can help?

CSRD & ESRs Reporting Readiness

TRANSITIONING TO ESRs

Entities already reporting sustainability information may have to transition to ESRs if they are in scope for CSRD.

We can assist with

- **Stock Take** and as is review of reporting across existing frameworks
- **Gap Analysis** on disclosures and data to existing disclosures (for example SFDR, EU Taxonomy, GRI, SASB and other frameworks)
- **Double Materiality** assessment to meet CSRD requirements and identify additional disclosures under ESRs
- **Governance & Roadmap:** Advise on changes required to governance and reporting structures and roadmap for CSRD implementation

NEW REPORTING ENTITIES

Entities reporting sustainability information for the first time may need to start from the beginning if they are in scope for CSRD.

We can assist with:

- **Strategy:** Support development and shaping of sustainability strategy and structures required to deliver this strategy and meet future reporting requirements
- **Process Development:** Establishment of sustainability reporting process within undertakings (finance function / other) helping to define roles and responsibilities and resourcing needs
- **Double Materiality** assessments to identify material sustainability matters for reporting and disclosures
- **Governance & Roadmap:** Advise on governance structures and roadmap for CSRD implementation

Our wider sustainability offering:



Key Management Contacts



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Amanda leads Grant Thornton Ireland's Sustainability business, ensuring our clients gain the maximum value from our professionals experienced in sustainability and related services. At a Global level she has spearheaded Grant Thornton's approach to sustainability, authoring a Global Audit on member services, and is a founding member of Grant Thornton's sustainability steering committee, influencing the network's strategic direction.



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Catherine holds a Ph.D. in geology, a science integral to the understanding of climate change and the associated physical risks. She worked in the energy sector for 14 years prior to her move to professional services, applying her industry knowledge to support financial services clients to meet supervisory and wider stakeholder sustainability expectations. Her experience includes sustainability strategy development, risk and materiality assessment, regulatory reporting and disclosures across both the financial and the corporate sectors.



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Orla Carolan is a sustainability and financial reporting SME with extensive experience in regulatory reporting and accounting roles in financial services. Orla is an SME in CSRD and ESRs and has worked with the European Financial Reporting Advisory Group (EFRAG) as a secondee within the central secretariat since June 2022. Orla is experienced in CSRD implementation including double materiality assessments, disclosure compliance and readiness.



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Anne Marie is an experienced Regulatory and Risk leader with over twenty years' experience with a background in financial reporting. She has supported clients addressing their sustainability regulatory and risk obligations for firms across different financial services sectors, including the banking and asset management sectors.



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Laura Kelly is a chartered accountant with extensive experience in banking and project management including transformation and change, customer solutions, and sustainability reporting. Laura is involved in both training and delivery of projects around CSRD implementation, double materiality, and disclosures and has recently completed a secondment with EFRAG working on the development of sector-specific standards.



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