



The Corporate Sustainability Reporting Directive

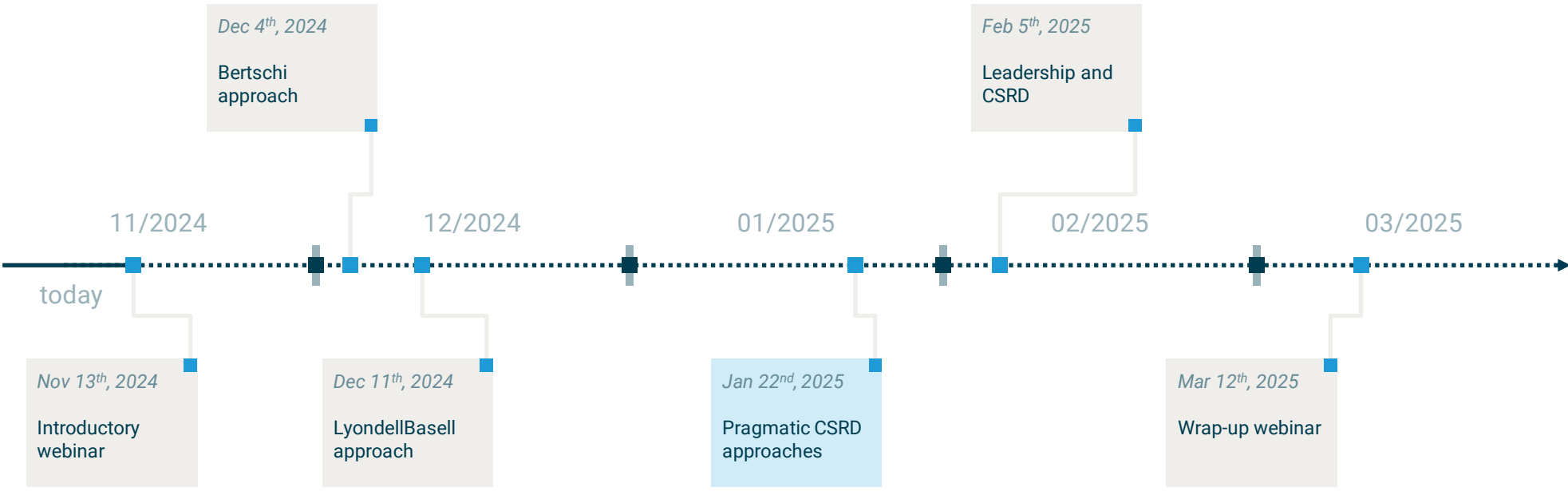
Pragmatic approaches
for mid-sized companies

January 22, 2025

d-fine

analytical. quantitative. tech.

Through a series of webinars, EPCA and d-fine will introduce CSRD, highlight special topics and give practical insights and suggestions



+ Webinar recordings, available to all EPCA members on request

+ Series of accompanying publications

▶ To tailor the webinar series to your needs, your active participation is requested.

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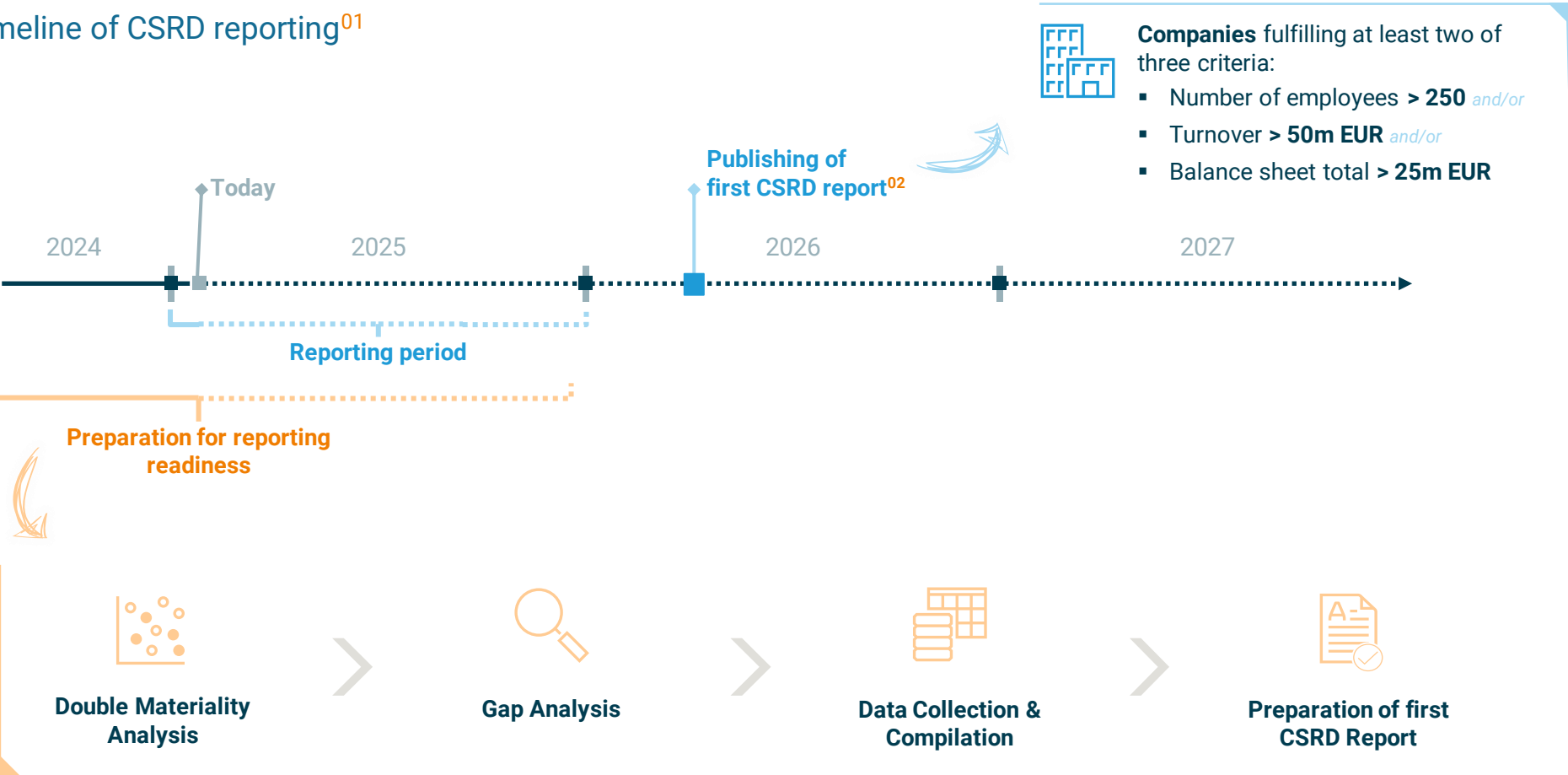
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01 CSRD for mid-sized companies



From FY2025 onwards, many companies will be required to prepare a sustainability report for the first time

Timeline of CSRD reporting⁰¹



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01 - CSRD for mid-sized companies

The EC is working on an alignment of different sustainability regulations through the Omnibus initiative that might lead to simplifications or timeline shifts. Nevertheless, we recommend to start the CSRD journey early.

⁰¹ For companies required to publish the first CSRD report in FY2025. ⁰² Published as part of the annual report

In our experience, mid-sized enterprises with more limited resources should consider several aspects to ensure a successful CSRD implementation

Diligent materiality analysis

- Sound materiality analysis methodology in line with industry best practices, potentially including gap analysis
- Careful execution and documentation of materiality analysis since it determines the overall reporting scope

Pragmatic report compilation

- Focus on most important topics and data points in line with the materiality analysis
- Writing & iteration of first test chapter early on
- Usage of deferral and simplification options where possible

**Success factors
for the CSRD
implementation
at mid-sized
companies**

Management buy-in

- Sponsorship by top management incl. approval of appropriate resources, access to subject matter experts, etc.
- Involvement of top management in key topics, e.g. materiality analysis

Alignment of assumptions

- Agreement of key assumptions and simplifications with top management and auditor at earliest possible time
- Clear documentation – for audit trail as well as basis for next reporting years

Mid-sized companies subject to CSRD also need to *publish an audited sustainability report*. In principle, quality criteria are thus independent of company size.

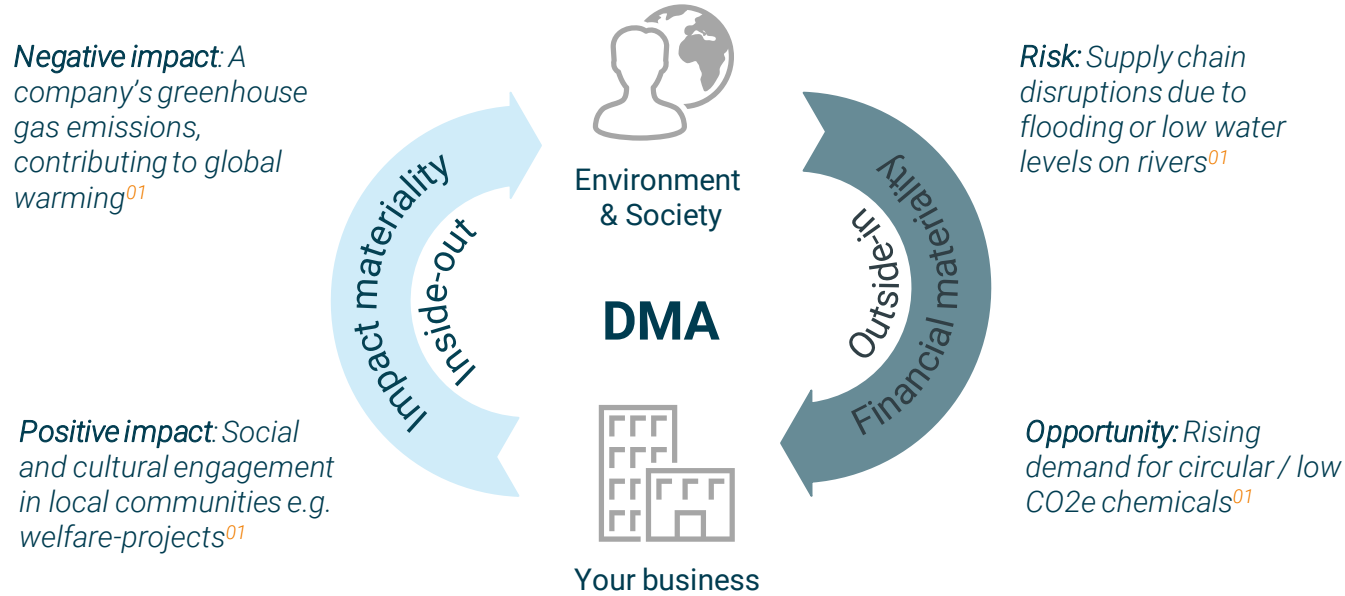
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02 Practical approach for double materiality and gap analyses

The double materiality analysis is the starting point of the CSRD implementation as it determines the scope of the disclosure obligations of the company

Double Materiality Assessment (DMA)

Approach



- 01 Preparation
- 02 IRO⁰² Identification
- 03 IRO Assessment
- 04 Determination of Reporting Scope

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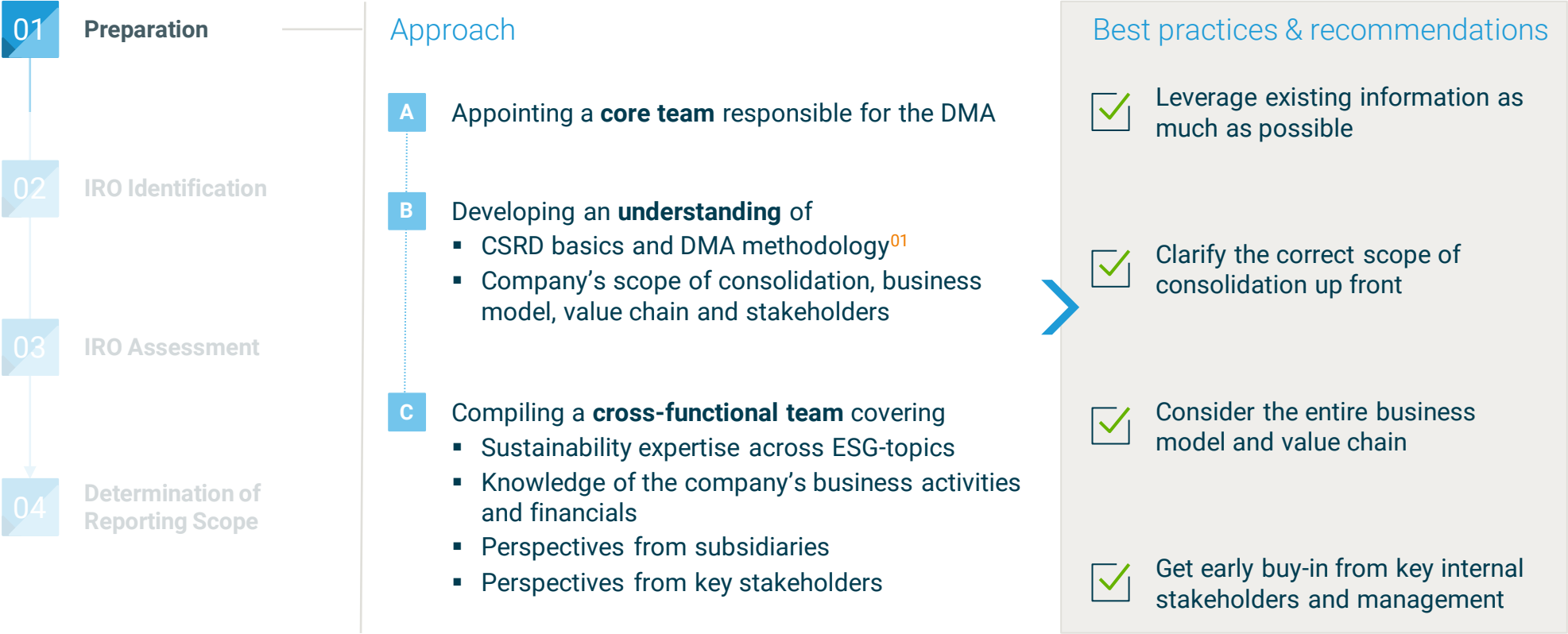
02 - Approach for double materiality and gap analysis

⁰¹ Example ⁰² IRO = Impact, Risk and Opportunity

The double materiality assessment takes a very broad perspective. The entire company, including its upstream and downstream value chain, must be considered.

When conducting the DMA, drawing on both existing information and subject matter experts from the various business units and subsidiaries is recommended

Preparing the double materiality assessment (DMA)

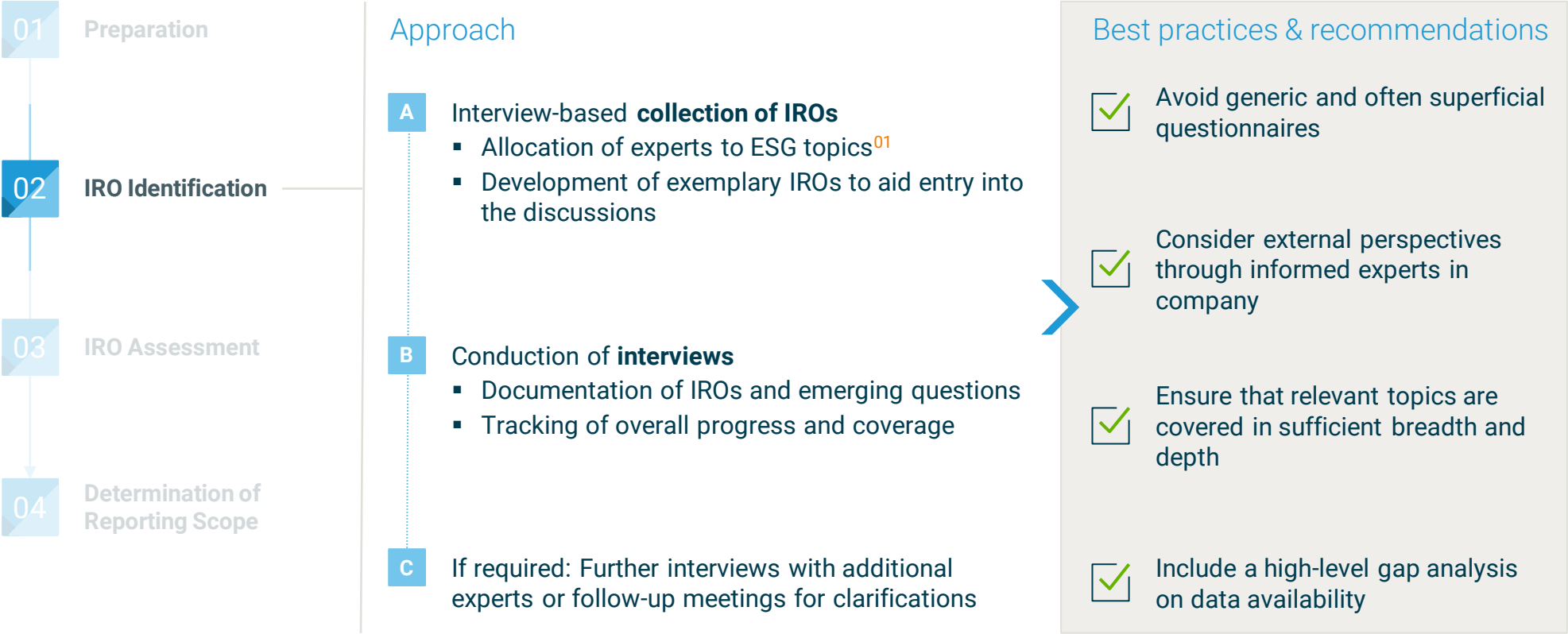


Appointing a core team to carry out the DMA enables efficient coordination and a high level of consistency during the process and the assessment of the identified IROs.

⁰¹ In particular ESRS 1 chapter 3 and EFRAG Implementation Guidance 1

An interview-based approach can be used to effectively identify relevant IROs in the company

Identifying company-specific impacts, risks and opportunities (IROs)



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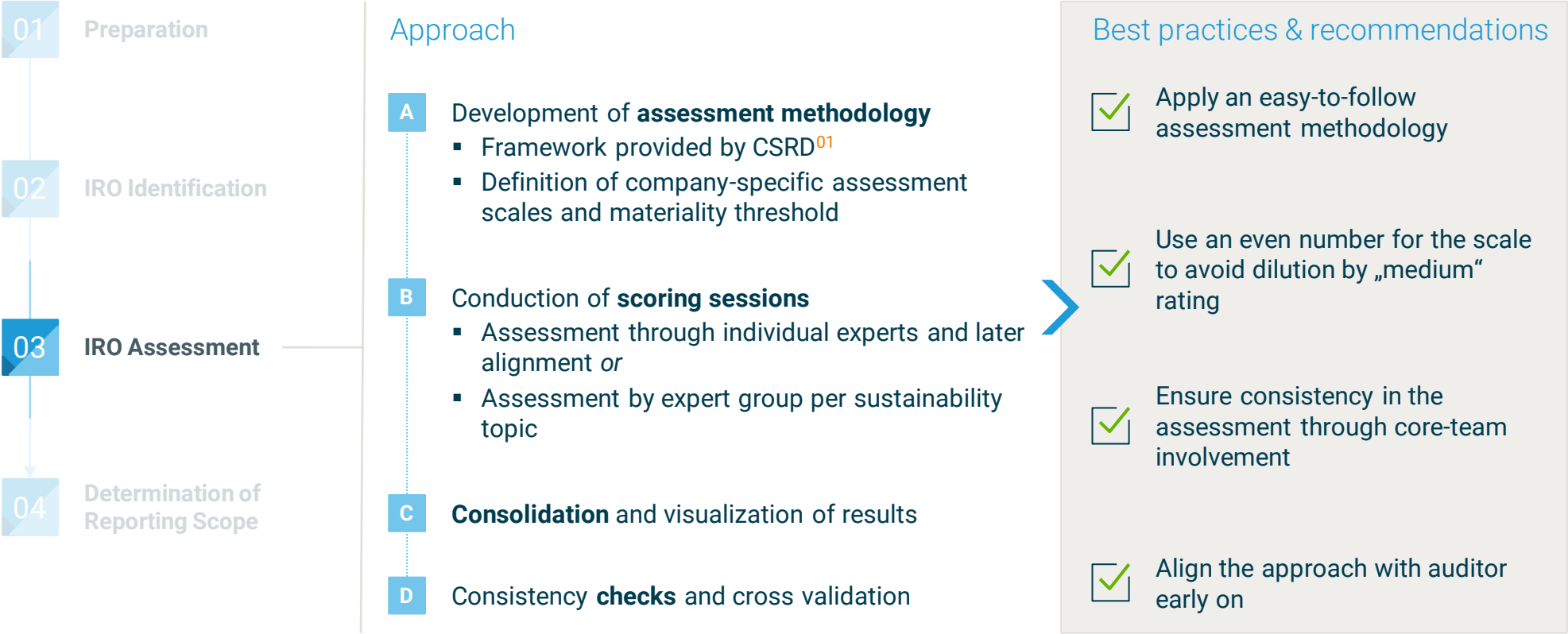
02 - Approach for double materiality and gap analysis

▶ A balance between the range of sustainability topics to be covered and a company's activities, while at the same time ensuring sufficient depth of detail regarding company's specifics, is crucial for an effective IRO collection.

⁰¹ ESRS 2 AR16 provides a list of sustainability matters to be included in the DMA

The materiality assessment of the individual IROs follows a methodological framework set by the CSRD

Assessing the materiality of all identified IROs



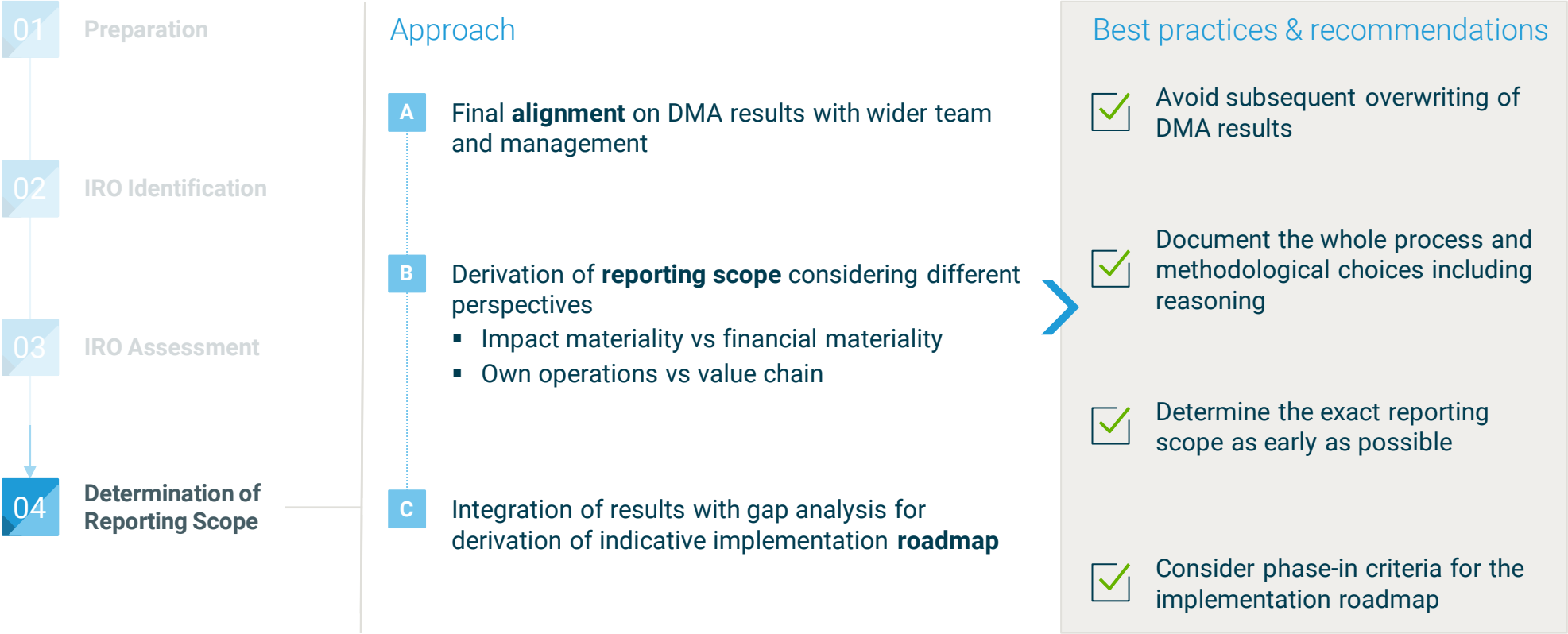
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02 - Approach for double materiality and gap analysis

The exact implementation of the assessment is at the company's discretion. A methodically sound, consistent and well-documented approach as well as early alignment with the auditor is key.

The results of the double materiality assessment should be aligned in particular with the management

Finalizing the DMA and determining corresponding reporting topics



Based on the DMA results and the gap analysis, a roadmap can be derived. This allows for a targeted implementation of the reporting requirements.

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03 Recommendations for CSRD implementation



After completing the double materiality analysis and identifying gaps, we recommend a hands-on approach involving the compilation of test chapters

Typical goals for first reporting year

- ❗ Create publishable report by early 2026
- ❗ Receive leadership and auditor approval
- ❗ Gain experience and set up processes for next reporting years
- ❗ Set up report automation where reasonable or required



Write test chapters

- ✅ Start with topic that's already (partly) established, typically e.g. E1 or S1
- ✅ Gather 2024 data for required test chapter disclosures
 - Include both qualitative and quantitative data
 - Potentially accept limited data gaps if unavoidable
- ✅ Develop and document methodology incl. pre-processing for data point capturing
- ✅ Thus, limit effort to update to 2025 figures later on

Establish organization structure

- ✅ Anchor sustainability reporting governance within organisation
- ✅ Assure long-term staffing with adequate resources

Address automation needs

- ✅ Select software for particularly tedious, time-consuming tasks
- ✅ Assure report tagging according to XBRL requirements⁰¹

Approve assumptions & simplifications

- ✅ Onboard auditor early on to sign off key assumptions
- ✅ Run key decisions by top management

By writing CSRD test chapters, practical experience is gained, and problems in data collection are recognised at an early stage. Thus, a sound basis for the first report prepared in early 2026 is created.

⁰¹ Detailed requirement still in discussion. Earliest application from fiscal year 2026.

Especially in the first reporting years, some considerations may simplify the CSRD implementation

01 Leverage existing reports and processes

- Often requirement of similar sustainability data e.g. for:
 - Supply chain due diligence acts (CSDDD⁰¹, local legislation like LkSG⁰²)
 - Pollutant Release and Transfer Register (PRTR)
 - Carbon accounting on product and company level
 - EcoVadis rating
- Sometimes established processes for gathering business unit / subsidiary data, e.g. for financial consolidation

02 Use phase-in / deferral criteria

- Possibility to defer some disclosure, e.g.⁰³:
- For companies with <750 employees by one year: S1, scope 3 emissions
 - For companies with <750 employees by two years: E4, S2, S3, S4
 - For all companies in first year: Complete or partial omission of details on own workforce in ESRS S1-7, 8, 11-15
 - For all companies in the first year and for all E-standards: Omission of anticipated financial effects from related risks and opportunities; only reporting of qualitative data in first three years

03 Consider simplifications where possible

- Apply cost-benefit evaluations to reduce complexity, e.g.
- Acceptance of disclosure of absence of policies, actions and targets for material sustainability matters
 - Utilisation of assumptions / estimates, especially in cases with disproportionate effort for data point capture
 - Assessment of the materiality of information conveyed by a KPI belonging to a material sustainability matter according to ESRS 1 par. 31 / 34
 - Careful consideration of inclusion of voluntary data points

+ Watch out for first CSRD reports in early 2025

+ Network & engage with your peers

⁰¹ CSDDD = Corporate Sustainability Due Diligence Directive ⁰² LkSG = Lieferkettensorgfaltspflichtengesetz; i.e. German supply chain due diligence act ⁰³ For details cf. ESRS 1 appendix C

In addition to a structured approach, interdisciplinary cooperation is a key success factor for complying with all reporting requirements.

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04 Wrap-up



For smaller companies, we recommend a pragmatic approach – that nevertheless assures a sound, publishable report

Diligent materiality analysis

- Sound materiality analysis methodology in line with industry standards, potentially including gap analysis
 - Careful execution and documentation of materiality analysis, including the overall reporting approach
- ✓ Start now if you haven't already
 - ✓ Invest effort for a thorough DMA⁰¹ execution and challenging

Pragmatic report compilation

- Focus on most important topics and data
 - Writing & iteration of first test chapter early on
 - Usage of deferral and simplification options
- ✓ Approach report by test chapters
 - ✓ Simplify and postpone when feasible


Success factors for the CSRD implementation at mid-sized companies

Management buy-in

- Sponsorship by top management incl. approval of key assumptions by subject matter experts etc.
 - Involvement of top management in key topics, e.g. materiality analysis
- ✓ Assemble core team and get management backing
 - ✓ Get external help if required – but do not completely outsource the reporting

Alignment of assumptions

- Agreement of key assumptions and alignment with top management and auditor at earliest possible time
 - Clear documentation – for audit trail as well as for future years
- ✓ Contract your auditor early on
 - ✓ Have critical results and assumptions approved

 The CSRD is complex and its implementation challenging. Not all requirements have to be fully implemented in the first few years – but it is still worth doing things properly from the beginning.

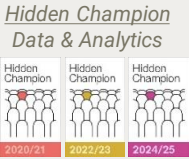
⁰¹ DMA = Double Materiality Analysis

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05 Defining d-fine



d-fine is a European consultancy focusing on analytical, quantitative and technological endeavours



Our DNA



analytical. We address your challenges in a structured manner and investigate key drivers using our extensive domain expertise.

quantitative. We leverage methods from Mathematics, Physics and Data Science to solve complex issues.

tech. We apply new and established technologies to support your business processes and ensure a dynamic and sustainable implementation into your IT ecosystem.

Our Team



- 50% Physics
- 35% Mathematics
- 15% Other STEM subjects & Business
- 50% PhD / doctorate

10+ Office locations 30+ Nationalities 100% climate neutral

Our industry expertise



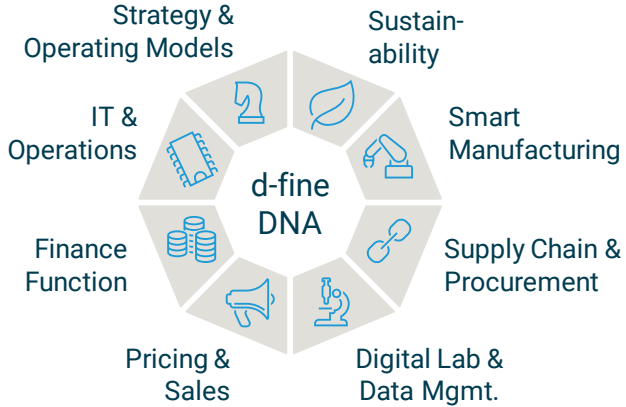
▶ Together with our clients, we drive strategies, develop business designs and implement tailored IT solutions. A collaborative and trustworthy relationship is important to us.

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05 - Defining d-fine

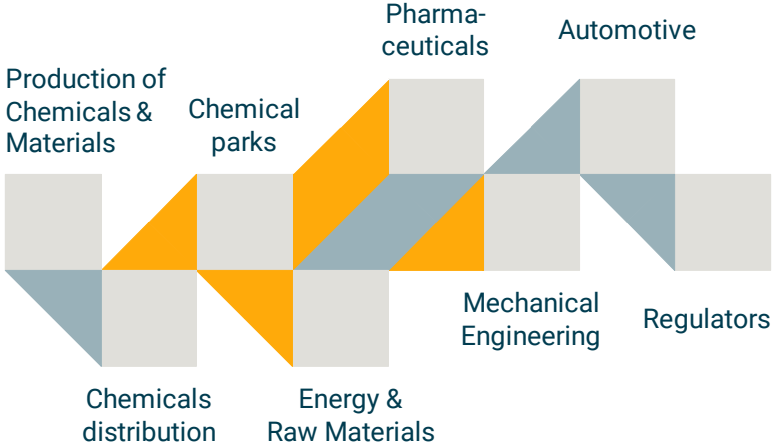
For the chemical industry, we offer a broad range of services covering digitalisation and sustainability

Our Services



- **Generation of client value** with analytically skilled consulting teams having in-depth technological know how and STEM training
- In-depth knowledge of **industry-specific processes**, e.g. covering supply chains, production, accounting and controlling
- **Modern technology and IT systems** – e.g. including IoT sensor technology, customising of SAP systems and engineering of custom software solutions
- **Highest quality standards** under consideration of applicable regulation and market standards

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d-fine’s service offerings are always tailored to the concrete client requirements. In our consulting approach, we combine domain-specific expertise with in-depth technological know-how.

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