



The Corporate Sustainability Reporting Directive

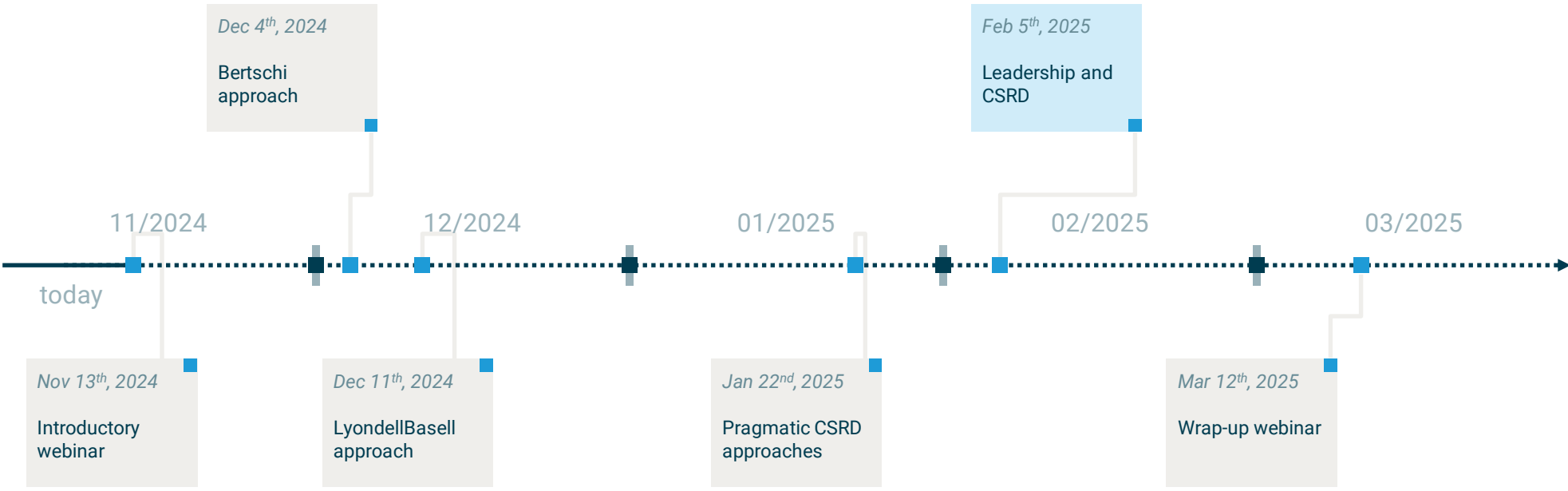
Leadership's Role in
ESG Implementation

February 5, 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.

Agenda

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CSRD & LEADERSHIP

01 CSRD in the context of leadership



Leadership plays an important role in effectively implementing ESG requirements and initiatives

Sustainability management frameworks

- Establishment of a framework for managing sustainability matters
- Introduction of formalised processes to assure effectiveness and consistency
- Shifting CSRD implementation from a compliance exercise to a strategic ESG initiative

Sustainability governance

- Clear organisational structure to enable effective sustainability management
- Adequate skills and seniority within sustainability function
- Incorporation of sustainability indicators into incentive schemes, especially for leadership

Sustainability leadership

Capacity building

- Fostering of individuals' sustainability leadership characteristics
- Offering of trainings and mentorship programs across the organisation
- Empowerment of employees to drive sustainability transformation

Sustainability culture

- Openness for sustainability engagement, innovation and transformation
- Fostering of open communication principles and employee engagement
- Establishment of sustainability advocacy – both internally and externally

▶ At many companies, sustainability management is still evolving. The required CSRD Implementation is thus a strong driver to address sustainability-related leadership matters.

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02 Deep-dives: Major sustainability leadership topics



02.01

SHORT TITLE

Sustainability management framework

Beyond the disclosure requirements, the CSRD is a driver for the implementation of a holistic sustainability management framework

Sustainability management framework

Strategies and policies for dealing with material sustainability aspects (ESRS 2 MDR-P)

... to prevent and mitigate actual and potential impacts, manage risks and pursue opportunities

Tracking the effectiveness of target achievement through KPIs (ESRS 2 MDR-M and MDR-T)

... to monitor the effectiveness of policies and actions



Definition of achievable targets (ESRS 2 MDR-T)

... that are measurable, outcome-orientated and time-bound covering short, medium and long-term horizons

Actions and resources for achieving targets (ESRS 2 MDR-A)

... to prevent and mitigate actual and potential impacts, address risks, pursue opportunities

+ Governance

+ Processes

+ Responsibilities

Material sustainability matters should be reflected in the strategy and managed on a continuous basis. Effective sustainability leadership is required to anchor the sustainability management framework in the company.

Using climate change mitigation as an example, key aspects of sustainability leadership can be highlighted

Sustainability management framework

Illustrative Example

Transition plan for climate change mitigation

- Ensuring the compatibility of the business model with the limiting of the global warming to 1.5°C

✓ Long-term vision and guideline for prioritisation

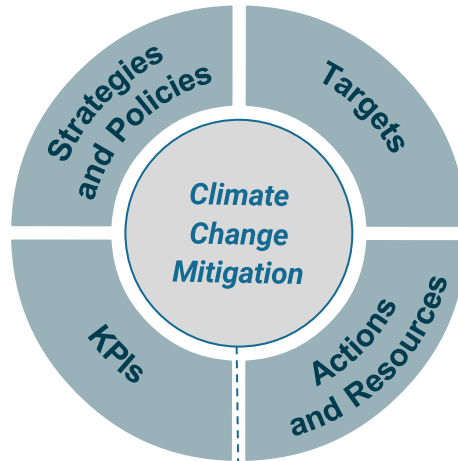
✓ Consideration of extrinsic and intrinsic motivation for transformation

Core KPIs for tracking the progress

- Scope 1, 2 and 3 emissions
- Share of "green" products in the portfolio

✓ Continuous monitoring as basis for improvements

✓ Transparency about achievements



Climate neutrality by 2050

- 30% Scope 1 & 2 reduction by 2030 (base: 2021)
- Net zero Scope 1, 2 and 3 emissions by 2050

✓ Awareness about targets among employees

✓ Linking of targets with incentives

Key actions for achieving climate neutrality

- Switch to renewable sources at all production site
- Gradual restructuring of the product portfolio

✓ Sufficient resource allocation (time & capital)

✓ Staff involvement for effective implementation and further action proposals

Negative Impact Contribution to climate change due to Scope 1 to 3 emissions

Risk Rising prices for emission permits / carbon tax leading to increased cost pressure

Opportunity New markets and rising demand for low-carbon products

▶ Setting the right framework conditions at all levels from strategy development to operational implementation is key for a successful transformation towards sustainability.

02.02

SHORT TITLE

Corporate Sustainability Governance



For an effective sustainability governance, three key aspects should be considered

A Organisation structure


- Setup of and adequate governance structure incl. respective roles and responsibilities and allowing for:
 - Driving of required change, also within business units and subsidiaries
 - Access to required data
 - Assurance of group-wide sustainability management consistency
- Inclusion of board level, incl. board of directors and (where available) supervisory board
- Assurance of adequate staff levels, with gaps being bridged by external resources

B People's profiles

- Inclusion of different sustainability leadership profiles, allowing for a comprehensive topic addressing
- Coverage of several key characteristics and competencies within sustainability organisation
- Assurance of adequate seniority and leverage of senior resources
- Selection of profiles with broad networks within an organization and that can act as sustainability advocates

C Incentive schemes

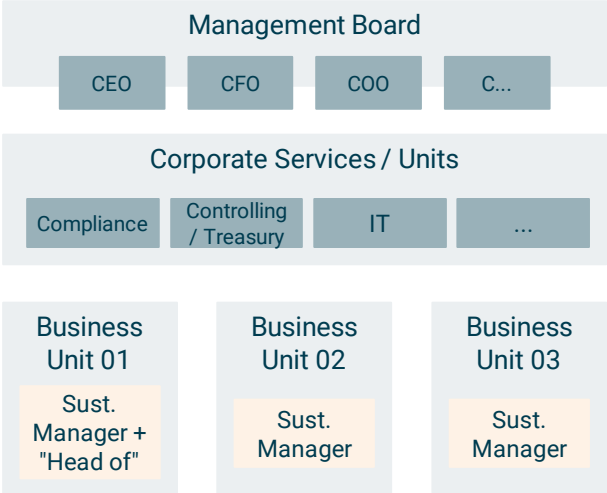
- Anchoring of sustainability metrics in target agreements for management and experts, incl.:
 - Consideration of long-term effects, e.g., through deferred bonuses
 - Representation in both (variable) compensation and promotion schemes
- Incentives to drive positive sustainability change in company's workforce, e.g., through appreciation, exposure or prizes

 In the following, we will put particular emphasis on governance structures and characteristics of sustainability expert and leadership profiles.

For the operational sustainability responsibility, three basic setups are conceivable

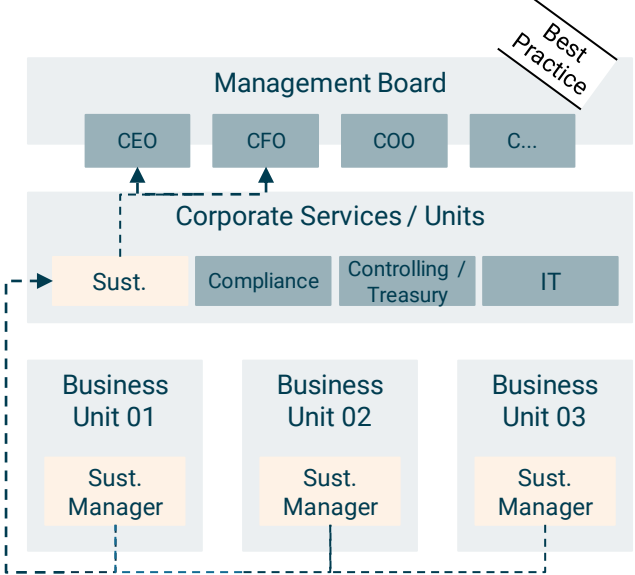


01 Decentralized operational responsibility for sustainability



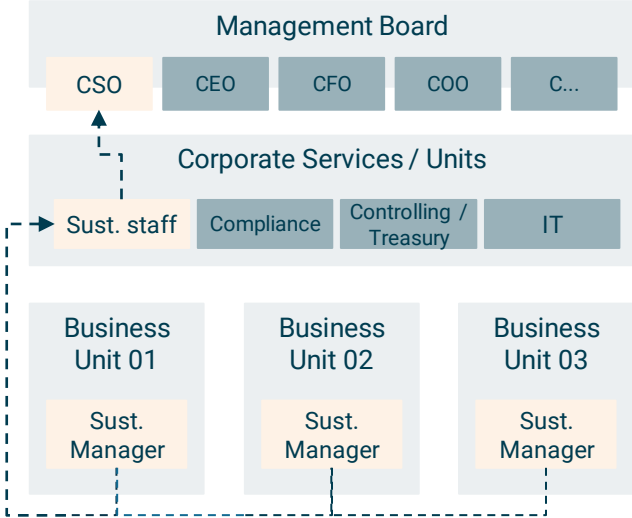
- + High degree of customization of steering measures to the individual BU requirements
- Significant challenges in the coordination of activities and measures between BUs
- Potentially shaping of operational sustainability management by interests of the BU of the Head of Sustainability

02 Operational responsibility in central function + BUs



- + Coordination of overarching sustainability activities / initiatives via a central function
- + Consideration of BU specifics by dedicated sust. managers in the respective BUs
- Depending on the proximity of the central function to the Management Board, potential challenges in enforcing central sustainability requirements vis-à-vis BUs

03 Anchoring sustainability responsibility at C-level



- + Clear commitment, especially externally, by anchoring the topic of sustainability through a dedicated Management Board position
- + Coordination of overarching sustainability activities via a central office and simultaneous consideration of BU specifics
- High costs of a separate Management Board position

CSRD & Leadership

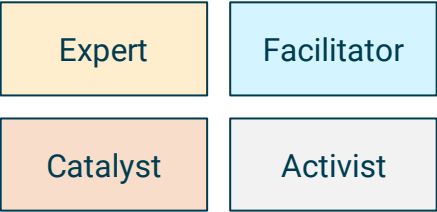
02 - Deep-dives: Major sustainability leadership topics

02.02 - Corporate Sustainability Governance

Sustainability leadership and staff should combine different facets in order to ensure an effective sustainability organisation⁰¹

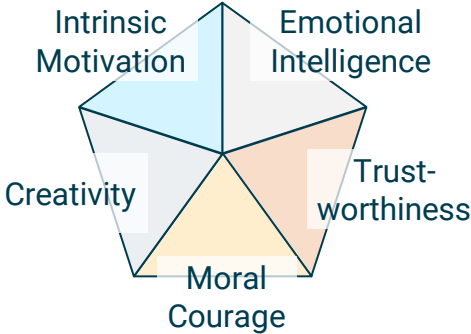


Archetypes



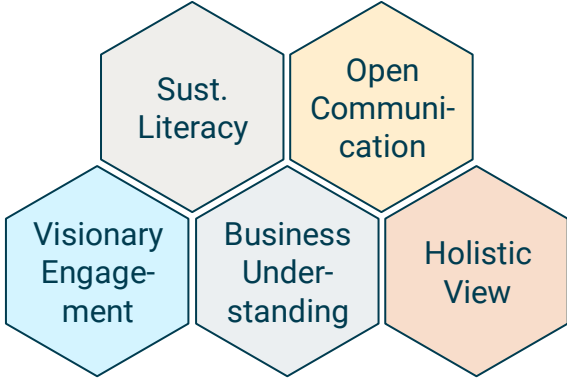
- Highly diverse motivation, focus and skills of different archetypes, e.g.:
 - Technical & interpersonal
 - Specialist & strategic
 - Task-driven & vision-driven
- Typically, representation of all four archetypes in high-performing sustainability teams

Characteristics



- Five key personal qualities⁰¹ that change and develop slowly over time
- Required characteristics also dependent on context, e.g., industry, specific company, geography, ...

Competence



- Five individual skills and attitudes⁰¹ that can be actively developed over time
- Additionally, highly relevant from d-fine's experience: Strong network within organisation

⁰¹ For details, cf. study "Individual Sustainability Leadership" by EPCA and Antwerp Management School, 2020

The above categories are not comprehensive. In any case, a balanced mix of archetypes, characteristics and competences is an important success factor for sustainability management.

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03 Wrap-up



The transformation towards sustainability and accompanying regulations such as the CSRD pose major challenges for companies

Sustainability management frameworks

- ✓ Leverage CSRD requirements to establish a value-adding sustainability management
- ✓ Set the right framework conditions at all levels from strategy to operation

Sustainability governance

- ✓ Integrate sustainability responsibility in the business organisation
- ✓ Assemble mixture of different profiles and establish incentive schemes



Capacity building

- ✓ Offer trainings & workshops on specific sustainability topics
- ✓ Set up mentorship programs and networking opportunities to foster knowledge transfer

Sustainability culture

- ✓ Foster an open and transparent communication about efforts and progress
- ✓ Involve employees and encourage their input and ideas

An effective sustainability leadership anchored in the company's organisation is a key success factor for the implementation of ESG initiatives and regulatory requirements.

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04 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



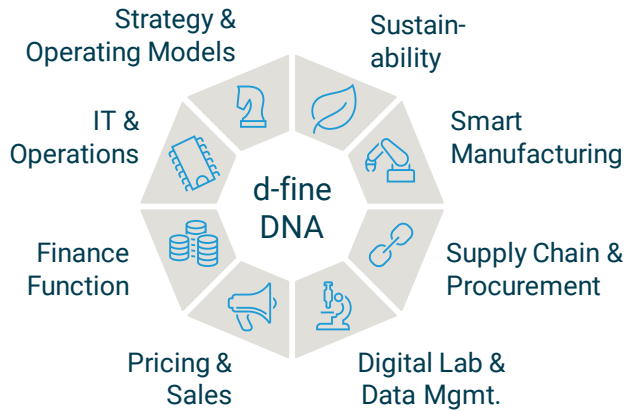
▶ Together with our clients, we drive strategies, develop business designs and implement tailored IT solutions. A collaborative and trustworthy relationship is important to us.

CSRD & Leadership

04 - Defining d-fine

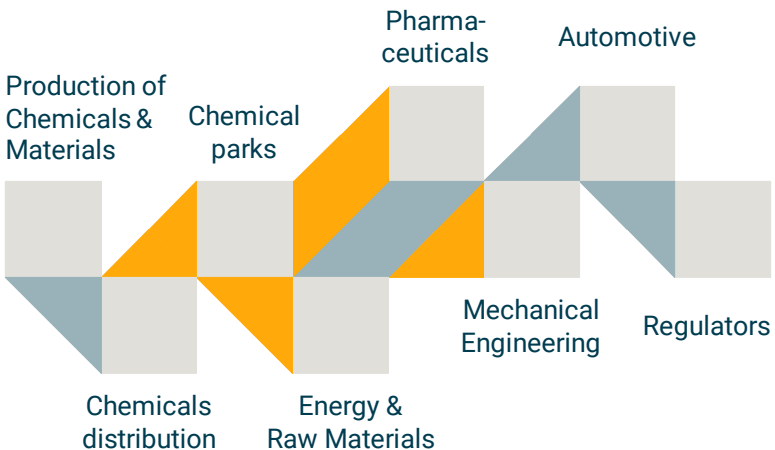
For the chemical industry, we offer a broad range of services covering digitalisation and sustainability

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

Clients in Chemical Industry & Beyond



250k
Delivered person days

1.000+
Projects

50+
Clients

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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