The Corporate Sustainability Reporting Directive

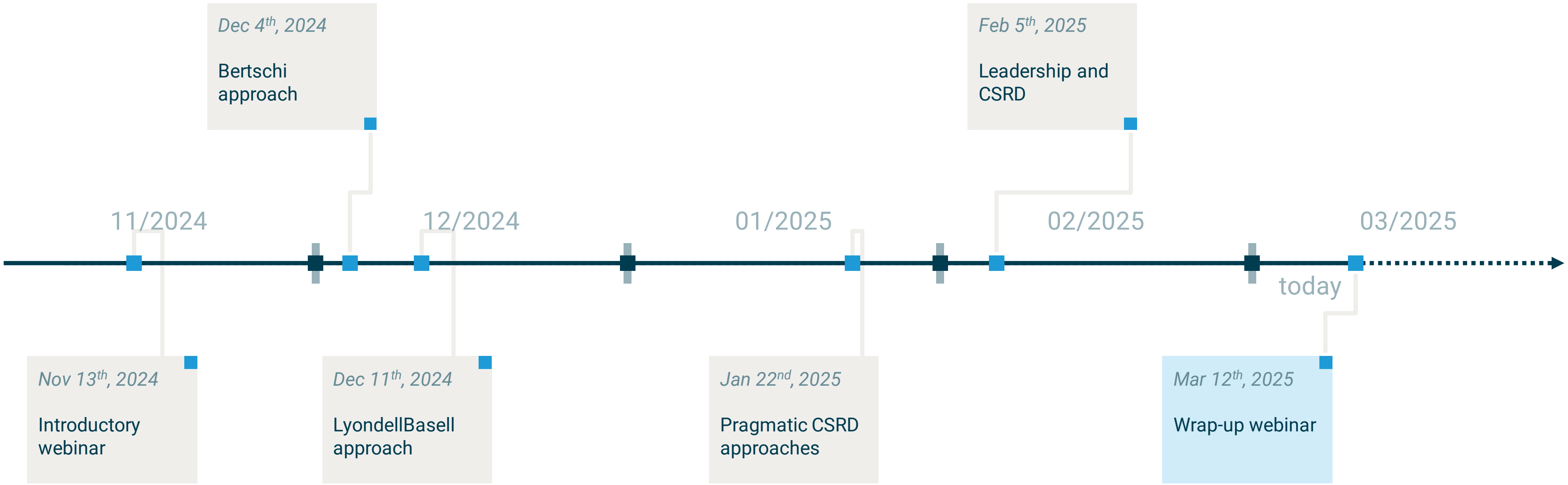
Omnibus implications, practical insights and best practices

March 12, 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

CSRD WRAP-UP WEBINAR

01 CSRD basics and proposed / expected changes by Omnibus I

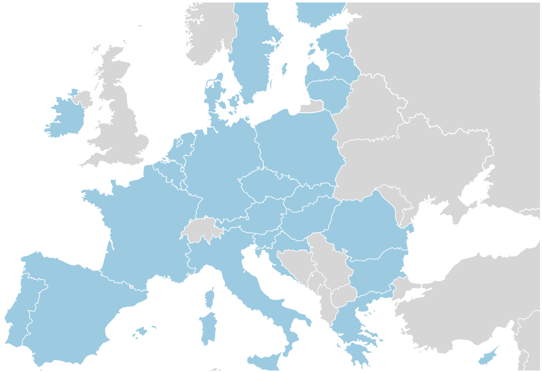
In a nutshell: CSRD imposes comprehensive sustainability reporting requirements for companies

Before Omnibus

Corporate Sustainability Reporting Directive (CSRD) imposes reporting requirements

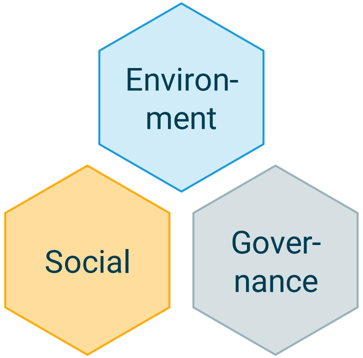
01 50,000+ companies in Europe will need a sustainability report

- First report for **fiscal years 2024 (wave 1), 2025 (wave 2), 2026 (wave 3)**, depending on company size, industry, capital market orientation and others
- Requirement for **inclusion of (non-)EU subsidiaries and –** in some constellations – **non-EU parents**



02 Sustainability report covers broad range of topics

- Coverage of **environmental, social and governance** topics
- **Qualitative and quantitative** disclosure requirements
- Overall **80+ disclosures** / 1.000+ data points with exact disclosure scope determined by double materiality assessment



03 Sustainability report is audited and published

- **Inclusion** of sustainability report in consolidated **annual report**

- Requirement for **disclosure**
- Necessity of **audit**

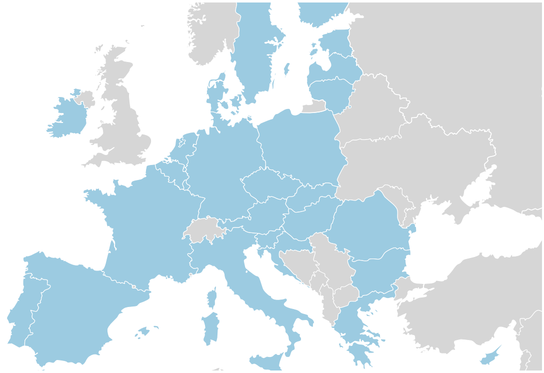
In a nutshell: Omnibus proposes a range of changes to CSRD reporting obligations

Proposed changes

Corporate Sustainability Reporting Directive (CSRD) imposes reporting requirements

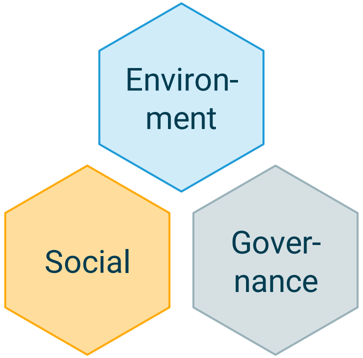
01 <10,000 companies in Europe will need a sustainability report

- First report for **fiscal years 2024 (wave 1)**, **2027 (wave 2), 2028 (wave 3)**, depending on company size, industry, capital market orientation and others
- Requirement for **inclusion of (non-)EU subsidiaries and** ... some constellations – ... **EU parents**



02 Sustainability report covers broad range of topics

- Coverage of **environmental, social and governance** top...
- **Qualitative and** ...**itative** disclosure requirements
- **Simplification** and **unification** of reporting requirements with effort reduction target of **25%**
- **Details** as of now **unclear**



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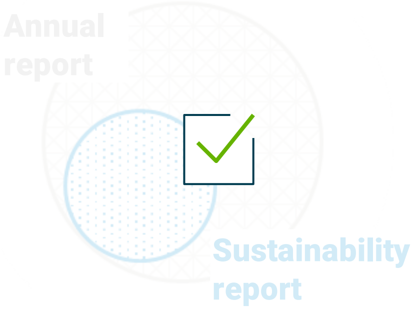

- Requirement for **disclosure**
- Necessity of **audit**
- **Streamlining of auditing** requirements

In particular, the Omnibus I package (02/2025) concerns a wide range of simplifications related to corporate sustainability reporting

Postponement[01]

Two year postponement of reporting for:

- Wave 2 companies (currently first reporting obligation for FY 25) → FY 27
- Wave 3 companies (currently first reporting obligation for FY 26) → FY 28

Scope reduction

- Limiting of reporting obligation to companies with more than 1,000 employees
- No changes to other criteria for reporting obligation (PIE[02], revenues, balance sheet sum, …)

Revision of ESRS

- Future overhaul of ESRS standards to significantly reduce reporting data points
- Details so-far unclear, to be clarified at the latest six months after entry into force
- Preservation of double-materiality assessment

Sector-specific ESRS

- No adoption of sector-specific disclosure standards

Trickle-down effect

- Establishment of a maximum standard / „value chain cap“ for all data requests by supply chain partners
- Likely minimum benchmark: VSME

Auditing requirements

- No more requirement for future reasonable assurance
- Limited assurance to remain sufficient indefinitely

Linking to EU Taxonomy

For companies with <450 Mio EUR turnover possibility to…

- Not report according to EU Taxonomy
- Demonstration of (partial) EU Taxonomy alignment progress to ease capital access

Taxonomy simplification

- Financial materiality threshold for EU Taxonomy reporting (e.g. >10% KPI)
- Further simplifications related to DNSH, KPIs, etc.
- Probable future revision of technical screening criteria

While the endorsement of the postponement is highly likely and can be expected within a few months, a prolonged political decision process may be expected for all other topics.

01 Included in separate proposal COM(2025) 80 that only covers the postponement and will likely pass an accelerated legislation procedure 02 Public Interest Entity

Depending on the CSRD progress and reporting wave, different reactions to the Omnibus package may be feasible

Wave 1 companies with reporting obligation for FY 2024[01]	Companies potentially no longer within reporting scope[01]	Wave 2/3 companies with original reporting obligation for FY 2025 / 2026 that… *…have not yet started or took only minor steps*	*…already made significant progress*	*…(almost) finished their CSRD journey*
▪ Continue reporting according to CSRD standards unless rollback to NFRD rules desired, feasible and more cost-effective ▪ Consider automation of steering-relevant KPIs and data management ▪ Maintain flexibility for future ESRS & Taxonomy adaptations	▪ Consider stopping current CSRD activities, due consideration of risk w.r.t. changes to Omnibus proposal ▪ Diligently document all assumptions, methods, contact persons, etc. ▪ Focus on VSME standard, steering-relevant KPIs and sustainability management structures	▪ Consider conduction of double materiality assessment to identify material impacts, risks and opportunities ▪ Focus implementation effort on sustainability management structures, ESG data management, VSME data set and KPIs relevant for steering	▪ Continue driving ESG management frameworks, data management, steering-relevant KPIs and VSME disclosures ▪ Find reasonable break-points for current work packages beyond the above scope ▪ Diligently document all assumptions, methods, contact persons, etc.	▪ Consider continuation of reporting processes "as is" only if report is considered useful ▪ Consider automation of data management, steering-relevant KPIs and VSME data set ▪ Maintain flexibility for future ESRS & Taxonomy adaptations

\+ Consider potential ESG-related disclosure requirements beyond CSRD/Taxonomy, e.g. for refinancing purposes, other (regulatory) requirements, etc.

The preferred course of action should be determined on a case-by-case basis considering the above guidelines. Additionally, companies should consider the potential for significant changes to the current proposal.

01 Options under assumption that national implementation of CSRD is still pending

02 Lessons learnt & best practices

The implementation of sustainability initiatives and regulatory requirements such as the CSRD is challenging

CSRD implementation

- Early preparation reduces last-minute compliance risks
- Cross-functional collaboration (sustainability, business, finance, legal) is essential
- CSRD reporting requires significant data – adequate process and systems are essential

Governance and leadership

- Successful ESG integration needs clear roles, responsibilities and resources
- Transparency in decision-making builds internal and external stakeholder trust
- Lack of ESG expertise and interdisciplinary teams can hinder effective implementation of sustainability initiatives

Lessons learnt & best practices

Strategic drivers

- Aligned with the corporate strategy, ESG initiatives can create real business value for companies
- ESG performance is becoming increasingly important, e.g. for contracts and refinancing
- Results of the DMA[01] provide valuable input to the strategy development

ESG data and tools

- Efficient data collection is required to collect the often widely dispersed data
- Reliable sustainability KPIs provide added value beyond compliance
- Software tools can increase efficiency and reliability but need to be tailored to the company's needs

Taking into account lessons learnt from your peers and industry best practices can support overcoming these challenges.

01 Double materiality assessment

For the successful implementation of ESG initiatives, strategic drivers beyond compliance should be considered

Business value through ESG

- Self-contained ESG initiatives not closely aligned with the business
- Often lack of (short-term) tangible financial and operational benefits
- Resistance from stakeholders who perceive ESG efforts as cost drivers rather than value creators

✓ Align sustainability strategy with corporate strategy and business model

✓ Integrate ESG objectives into corporate KPIs and decision-making frameworks

✓ Adopt a forward-looking perspective by leveraging predictive analytics and scenarios

ESG performance ratings

- ESG ratings as increasingly important factor for customer relationships and refinancing
- Broad range of different sustainability rating schemes, e.g. Ecovadis, CDP & from major agencies like MSCI, ISS
- High efforts for ratings due to partly deviating and non-transparent requirements

✓ Focus on most relevant ratings for the company's key stakeholders

✓ Compare ESG performance with peer group to prioritise improvement efforts

✓ Streamline and align preparation of ratings with other sustainability reporting efforts as much as possible

Double materiality assessment

- DMA perceived as tedious compliance exercise
- Sustainability transformation seen as important but often slowed down by short-term business goals
- Often narrow focus on "hot topics" such as climate change only

✓ Leverage DMA as structured approach for identifying risks in the short-, mid- and long-term horizon

✓ Use scenario analyses to better understand (financial) impacts on the business

✓ Balance the breadth and depth of analysed sustainability matters

By integrating sustainability into the corporate strategy, the added value of ESG initiatives can be maximised. Methods such as the DMA can be used to identify the most relevant ESG areas following a structured approach.

A solid ESG data basis is key for the successful implementation of both regulatory requirements and strategic sustainability initiatives

Data availability and quality

- Measuring of ESG KPIs solely for regulatory compliance
- High efforts and error-prone data collection due to often manual, Excel-based processes
- Often collection of outdated and inconsistent ESG data due to elaborate processes

- Develop and track KPIs that allow to steer the company and support decision-making
- Integrate ESG data collection into existing business systems
- Streamline most relevant data collection processes

Data management & governance

- Difficulty in benchmarking ESG performance due lack of consistent overview of all relevant data
- Fragmented ESG data and responsibilities across different departments
- Lack of consisted data formats across different data sources

- Adopt a centralized ESG data management platform and consolidate sustainability data
- Establish clear data governance and data owners
- Develop an ESG data model for the standardized structuring of information

Systems and automation

- Fragmented system landscape with stand-alone solutions across subsidiaries and business units
- Lack of clear understanding of key effort drivers and bottlenecks hamper automation initiatives
- Rapidly evolving tool landscape with many new providers for ESG solutions

- Derive key automation requirements and use cases across ESG initiatives
- Integrate ESG tools with corporate IT where sensible considering e.g. update frequency and data volume
- Adopt a structured software selection process for new ESG tools, e.g. for CSRD reporting

Companies should identify key ESG indicators pertinent to their business. Establishing an associated management is essential to efficiently collect reliable ESG data.

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03 Wrap-up

The Omnibus I package creates uncertainty and affects the implementation of sustainability initiatives for many companies

CSRD implementation (!)

- ✓ Assess potential consequences of Omnibus and explore course of actions
- ✓ If in doubt, focus on no-regret topics, such as sustainability management structures first

Governance and leadership

- ✓ Integrate sustainability responsibility in the business organisation
- ✓ Foster ESG knowledge transfer as well as open and transparent communication

Lessons learnt & best practices

Strategic drivers

- ✓ Consider drivers beyond regulatory compliance
- ✓ Leverage exercises such as the DMA[01] as input for strategic decision-making

ESG data and tools (!)

- ✓ Focus on steering-relevant ESG KPIs first
- ✓ Establish a reliable ESG data management as enabler for all sustainability initiatives

Irrespective of regulatory uncertainties, e.g. due to the Omnibus I package, the sustainable transformation should be driven forward while prioritising strategically important sustainability matters.

(!) *Directly affected by Omnibus I proposal*

01 DMA = Double Materiality Analysis

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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

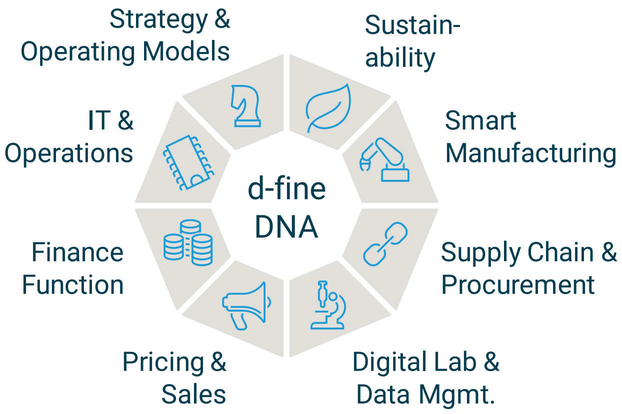
- Banking & Capital Markets
- Insurance & Asset Management
- Energy & Industrials
- Healthcare
- Consumer & Services
- Technology
- Public Sector

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

Hidden Champion
Data & Analytics

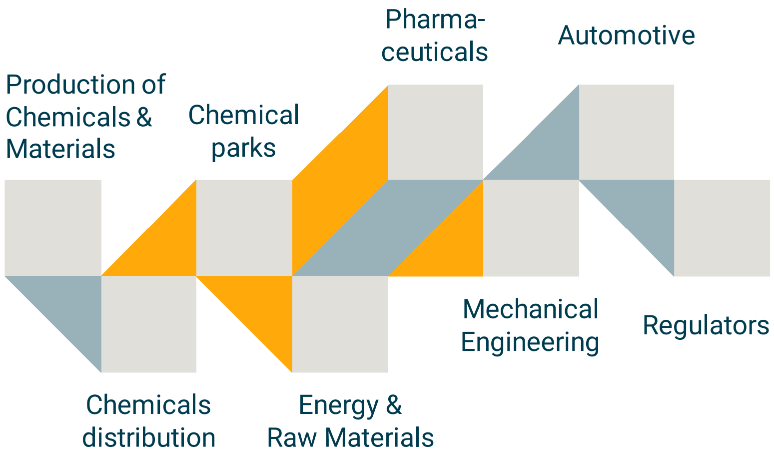
For the chemical industry, we offer a broad range of services covering digitalisation and sustainability

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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