

EY ESG Suite

Assessing your companies
sustainability reporting readiness

November 2023

With a whole new set of sustainability reporting standards, in scope companies should act now to be compliant with the upcoming reporting timelines

1 Challenges

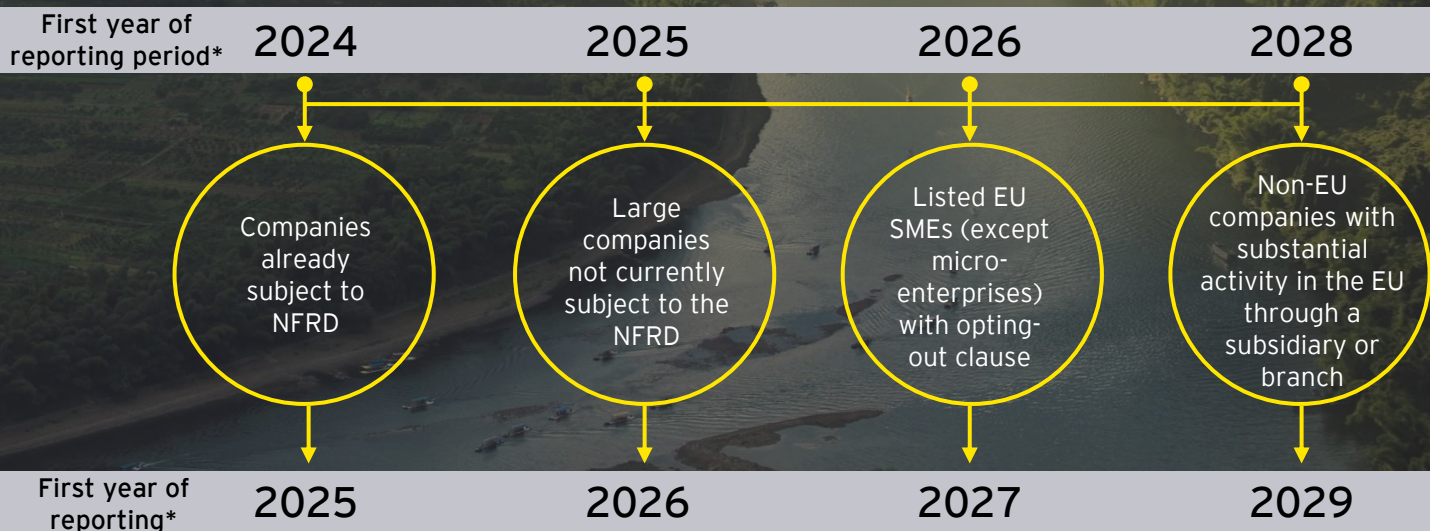
With the introduction of the Corporate Sustainability Reporting Directive (CSRD), approximately 50,000 companies in scope are facing various sustainability reporting requirements.¹

On 10 and 28 November respectively, the European Parliament² and the European Council³ approved the final text of the CSRD that will be officially published by end of the year. The rules will apply to all large companies and all companies listed on regulated markets, listed small and medium-sized enterprises (SMEs), and non-European companies with a subsidiary or branch with net turnover of EUR 40m in the EU and an overall net turnover of EUR 150m in the EU. The application of the CSRD will begin 1 January 2024 for companies already subject to the Non-Financial Reporting Directive (NFRD).

1 CSRD and **12** ESRS
82 disclosure requirements
1,000+ data points

When companies report under the CSRD, they will need to use the European Sustainability Reporting Standards (ESRS) which have been developed by the European Financial Reporting Advisory Group (EFRAG). On 31 July 2023, the European Commission adopted the Delegated Regulation of the first set of ESRS (including two annexes) for use by all companies subject to the CSRD. The European Parliament and Council had two months to scrutinize the ESRS Delegated Regulation which ended on 21 October 2023. As there was no opposition by the EU Institutions, the Delegated Act has been adopted and will be published in the Official Journal of the European Union.

The ESRS consists of 12 standards containing various disclosure requirements and KPIs.⁴ The lack of a standardized method for assessing current 'readiness' in relation to the disclosure requirements and data points under ESRS, as well as the availability of the required quantitative and qualitative data is a challenge for companies in scope. Companies should identify specific sustainability matters to be disclosed and develop an action plan, for example, as a roadmap, so that they are ready to report within the timelines.

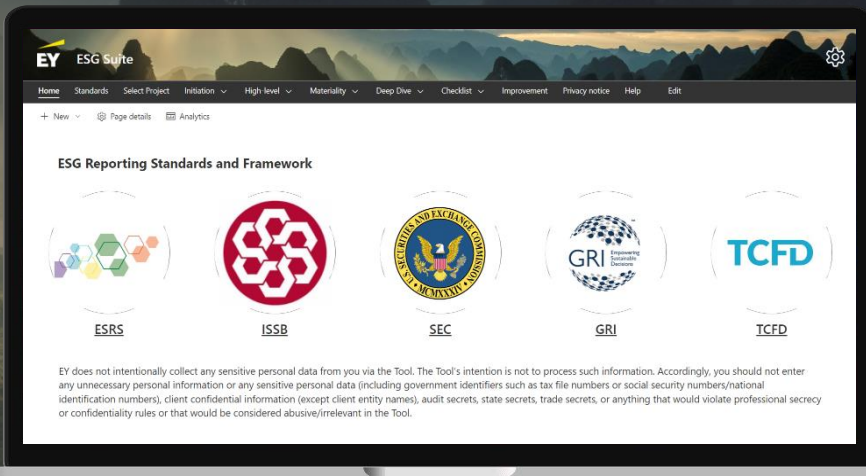


¹If a non-EU company has issued securities at a regulated market in the EU it is in scope of the transparency directive and therefore required to prepare a sustainability report under the CSRD. The reporting periods for EU companies above will apply. Further analysis for this non-EU company is required.

The EY ESG Suite is the path to an Environmental, Social and Governance (ESG) readiness assessment across multiple frameworks

2 Solution - EY ESG Suite

The EY ESG Suite is a solution to seamlessly assess ESG readiness across multiple sustainability frameworks. The EY ESG Suite contains not only the ESRS standards but also additional frameworks (e.g., ISSB, SEC, GRI, or TCFD), which can be used for comparison purposes. Due to the dynamic changes in sustainability reporting frameworks, the EY ESG Suite is continuously updated.



Customized landscape

A fully customized application that facilitates an individual overview to meet your goals and requirements.

Standards

An overview and separate listing of current relevant sustainability standards provided in one place (e.g., ESRS, ISSB, SEC, GRI, TCFD, etc.).

Assessment

An engagement leveraging the EY ESG Suite usually includes a (high-level) readiness, a materiality and a (deep dive) gap assessment.

Action plan and KPIs

A detailed action plan is generated to assist you with your next steps. Your KPIs can be visualized in a dashboard output.

The EY ESG Suite provides a holistic approach with five modules to help get your company aligned with the sustainability strategy and ready for sustainability reporting

3 The EY approach



1 Initiation

The initiation process includes a kick-off workshop, a CSRD (or other standards) onboarding workshop and an assessment of applicable reporting frameworks and entity scoping.

2 Maturity assessment

EY teams carry out desk research using the client data and publicly available documents, allowing them to conduct a high-level maturity assessment. All information is then compiled into a final report, which is discussed in a concluding workshop.

3 Materiality assessment

In this module the sustainability landscape is defined, and a heat map is created. This phase also involves conducting a materiality assessment (double materiality under ESRS) in line with the respective standards and validating the outcomes with internal stakeholders, which is all consolidated into a matrix.

4 Gap assessment

The deep dive gap assessment includes a detailed analysis to determine how ready your organization is to report on the material topics identified in module three. From the findings, detailed recommendations are formulated by topic to address observed gaps which are discussed with key stakeholders when necessary.

5 Improvement

A detailed action plan is developed to address identified gaps, keeping future assurance requirements in mind. For every proposed action, essential criteria such as the owner, impacted business functions, expected timeline and other relevant details are specified. This can be complemented by an implementation workshop and an implementation roadmap.

Your benefits

Modular approach:

A tailor made service offering

All-in-one:

From initiation to improvement

Dashboard outputs:

To track progress and assist in actions

One-pagers:

Summaries of key progress metrics

Based on the outcome of the assessment, EY teams can support you to help establish your action plan for ESG reporting readiness

4 How EY teams can support you?

EY teams support you to help establish your action plan for ESG reporting readiness with the following:

Business model strategy and value chain

Review of strategy and business model to assess adherence with the transition to a sustainable economy aligned with the Paris Climate Agreement. Plan and help implement policies and due diligence process for the value chain.

ESG material topics

EY teams can help identify ESG material topics based on a stakeholder dialogue in accordance with the double materiality concept.

ESG risk management

Perform an ESG risk and opportunities assessment, including risk appetite. Help integrate ESG risks to company's existing risk management process.

Decarbonization

Help to develop a net-zero strategy and carbon-reduction targets by leveraging climate scenario modelling tool. Help establish impact measurement capabilities to quantify carbon footprint, transform supply chain and decarbonize products.

Governance

Help identify roles and responsibilities of the governance bodies with regard to sustainability matters and risk management.

Metrics and targets

Help develop policies, targets action plans and resources for ESG material topics.

Reporting

Help integrate ESG KPIs to a monitoring framework, including design methodology, definitions, data collection processes. Support drafting of the ESG integrated report.

Assurance readiness

Assess assurance readiness of data process flows and internal control activities so that your ESG information is assurance ready.

5 Contacts



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1 "Impact Assessment related to the CSRD", EUR-Lex website, eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2021:150:FIN, prior to the Delegated Act on the threshold, European Commission website, [https://ec.europa.eu/amendmentropa.eu/transparency/documents-register/detail?ref=C\(2023\)7020&lang=en](https://ec.europa.eu/amendmentropa.eu/transparency/documents-register/detail?ref=C(2023)7020&lang=en)

2 "Sustainable economy: Parliament adopts new reporting rules for multinationals", European Parliament website, [europarl.europa.eu/news/press-room/2022/11/28/council-gives-final-green-light-to-corporate-sustainability-reporting-directive](https://www.europarl.europa.eu/news/press-room/2022/11/28/council-gives-final-green-light-to-corporate-sustainability-reporting-directive)

3 "Council gives final green light to corporate sustainability reporting directive", European Council website, <https://www.consilium.europa.eu/en/press/press-releases/2022/11/28/council-gives-final-green-light-to-corporate-sustainability-reporting-directive/>

4 "First Set of draft ESRS", EFRAG website, [efrag.org/lab6](https://www.efrag.org/lab6)



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