



Navigating Sustainability Reporting

BCG x CDP webinar

SEP 19, 2023

Your speakers today



Tim Mohin
Partner & Director, BCG
Pittsburgh

Former Chief Executive of the Global Reporting Initiative (GRI)

Evolving ESG disclosure landscape



Guilherme Cassaro
Senior Corporate & Policy Officer, CDP
Berlin

How CDP disclosure is adapting to the changes



Jannik Leiendecker
Partner & Associate Director, BCG
Munich

Co-Leader for BCG's Center for Climate and Sustainability Policy & Regulation Center

How companies are managing these changes

ESG is changing: Materiality Explained

Single Materiality: Financial Impact



Primary Audience: Investors
Report Format: Audited **Financial Statements**

Double Materiality: Financial & Environmental/Social Impact



Primary Audience: NGOs, Employees, Consumers
Report Format: **Sustainability Reports**

New Regulations Require Business Transformation

Voluntary
Sustainability
Reports

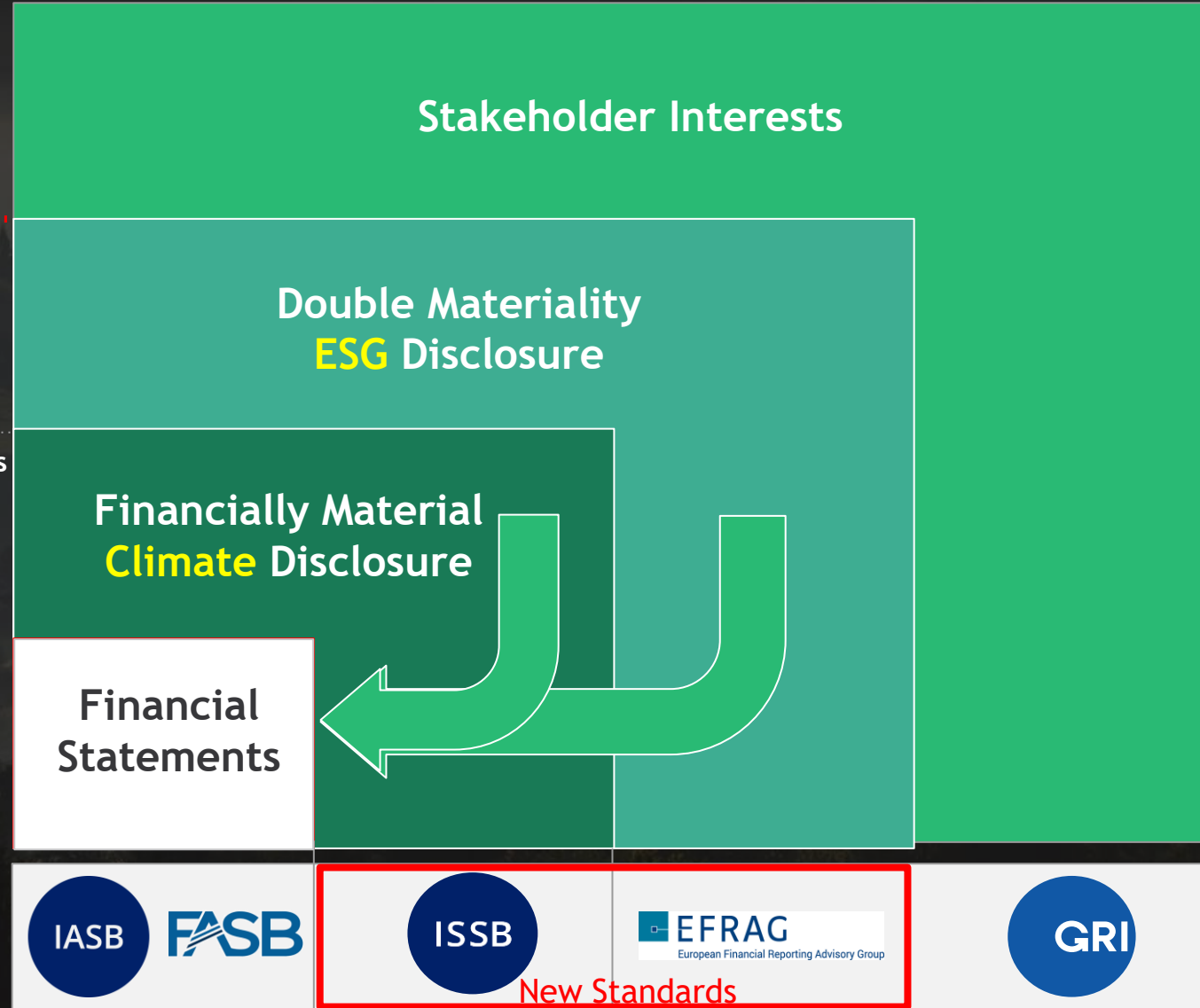
Corp. Sustainability
Reporting Directive



Climate Disclosure Regs



New
Mandatory
Sustainability
Reporting
Regulations



Required in Financial
Reports for >100K
Companies in
Next 5 years

Climate Disclosure
based on TCFD



Carbon Accounting
Based on GHG
Protocol



FINANCIAL MATERIALITY

DOUBLE MATERIALITY

An Ocean Apart: CSRD vs SEC



Jozef Síkela. EU Minister for Industry and Trade

“The new rules *will make more businesses accountable for their impact on society* and will guide them towards an economy that benefits people and the environment.”

“Investors increasingly want to understand what they own or might buy. Investors are looking for *consistent, comparable, and decision-useful disclosures* so they can put their money in companies that fit their need.”



Gary Gensler. Chairperson, U.S. Securities and Exchange Commission

EU Sustainability Reporting Standards

Cross Cutting	Environmental	Social	Governance
ESRS 1 General Requirements	ESRS E1 Climate Change	ESRS S1 Own Workforce	ESRS G1 Business Conduct
ESRS 2 General Disclosures	ESRS E2 Pollution	ESRS S2 Workers in the Value Chain	
	ESRS E3 Water & Marine Resources	ESRS S3 Affected Communities	
	ESRS E4 Biodiversity & Ecosystems	ESRS S4 Customers and Users	
	ESRS E5 Resource Use & Circular Economy		

Sector Specific Standards Coming Later

CDP's Overlaps with ESRS & IFRS S2

A High-Level Overview

Guilherme Cassaro
Senior Corporate Manager
CDP Europe

A High Level Overview

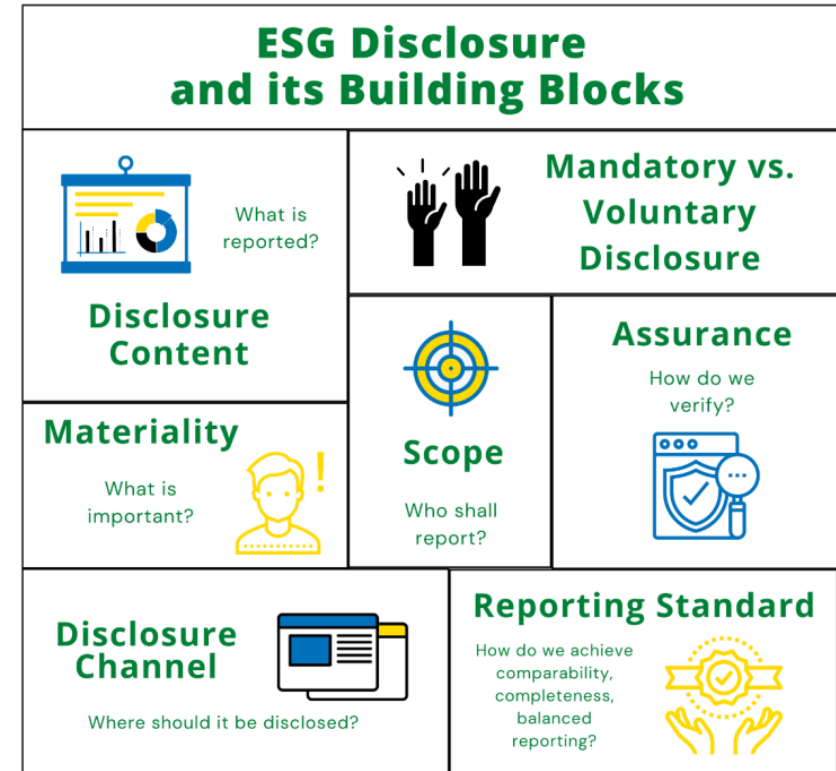


- ▼ CDP is aligned with TCFD recommendations since 2018.
- ▼ CDP is set to fully integrate IFRS S2 from 2024.
- ▼ Standard-setters are currently working on Interoperability.

ESRS Reporting Structure	Governance	Strategy (SBM)	Impact & Risk and Opportunity Management (IRO)	Metrics & Targets
IFRS S2 (Ex-TCFD)	Governance	Strategy	Risk Management	Metrics & Targets
CDP Climate Questionnaire Modules	Governance (C1)	Business Strategy (C3)	Risks & Opportunities (C2) & Targets (C4)	Targets (C4) & Emissions Data (C6)

A Building Block Approach

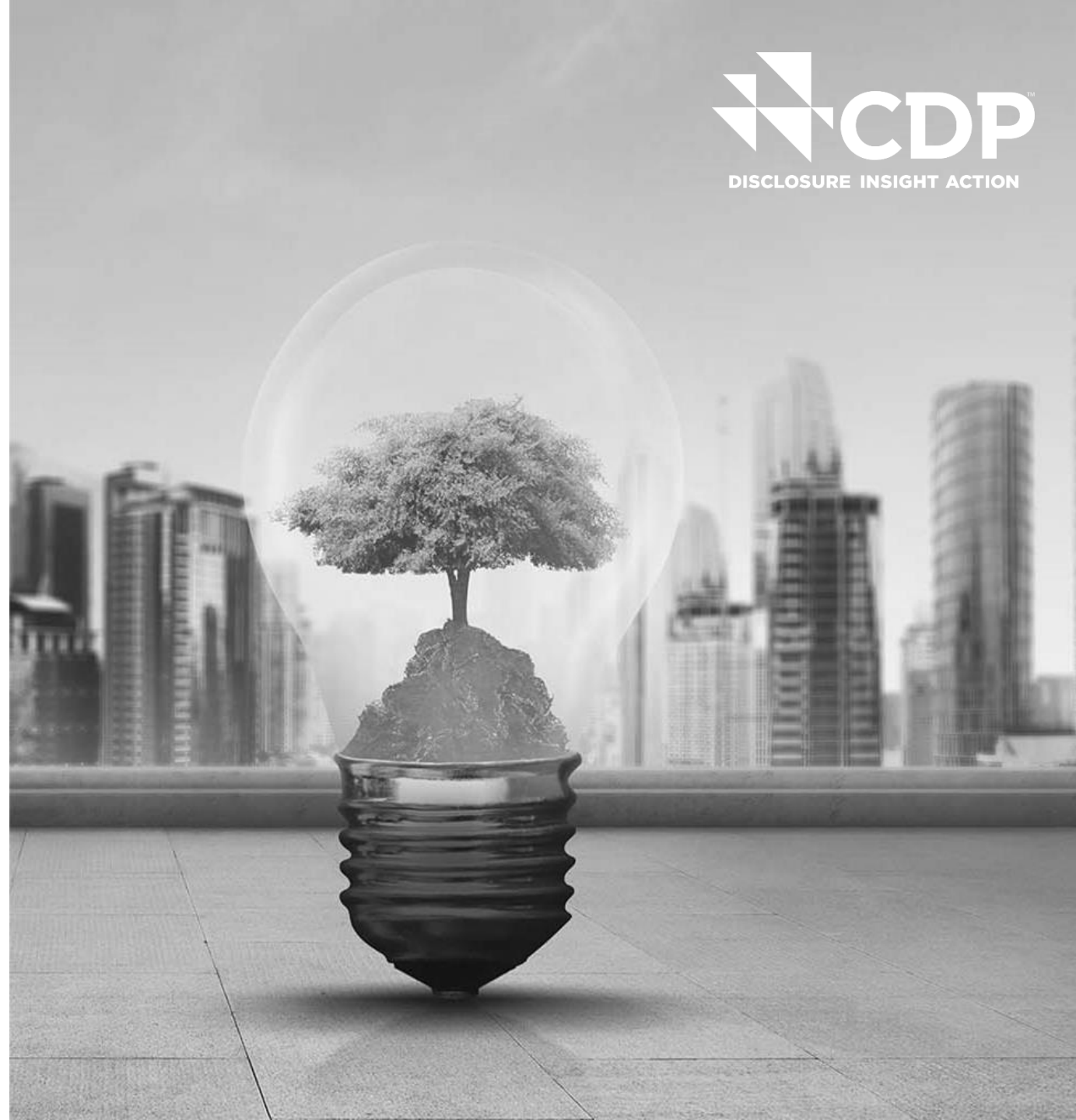
- ▼ CDP’s vision for a comprehensive and integrated approach to **environmental disclosure is informed by the “building block” approach**:
 - ▼ A **global baseline** founded on existing frameworks and standards which can be further built upon by jurisdictional requirements.
 - ▼ Aimed at a wider range of stakeholders or those incorporating different materiality concepts.
- ▼ All companies must ensure they are pairing disclosure on climate-related financial risk with disclosure on all environmental impacts.



Source: IPSF, 2021

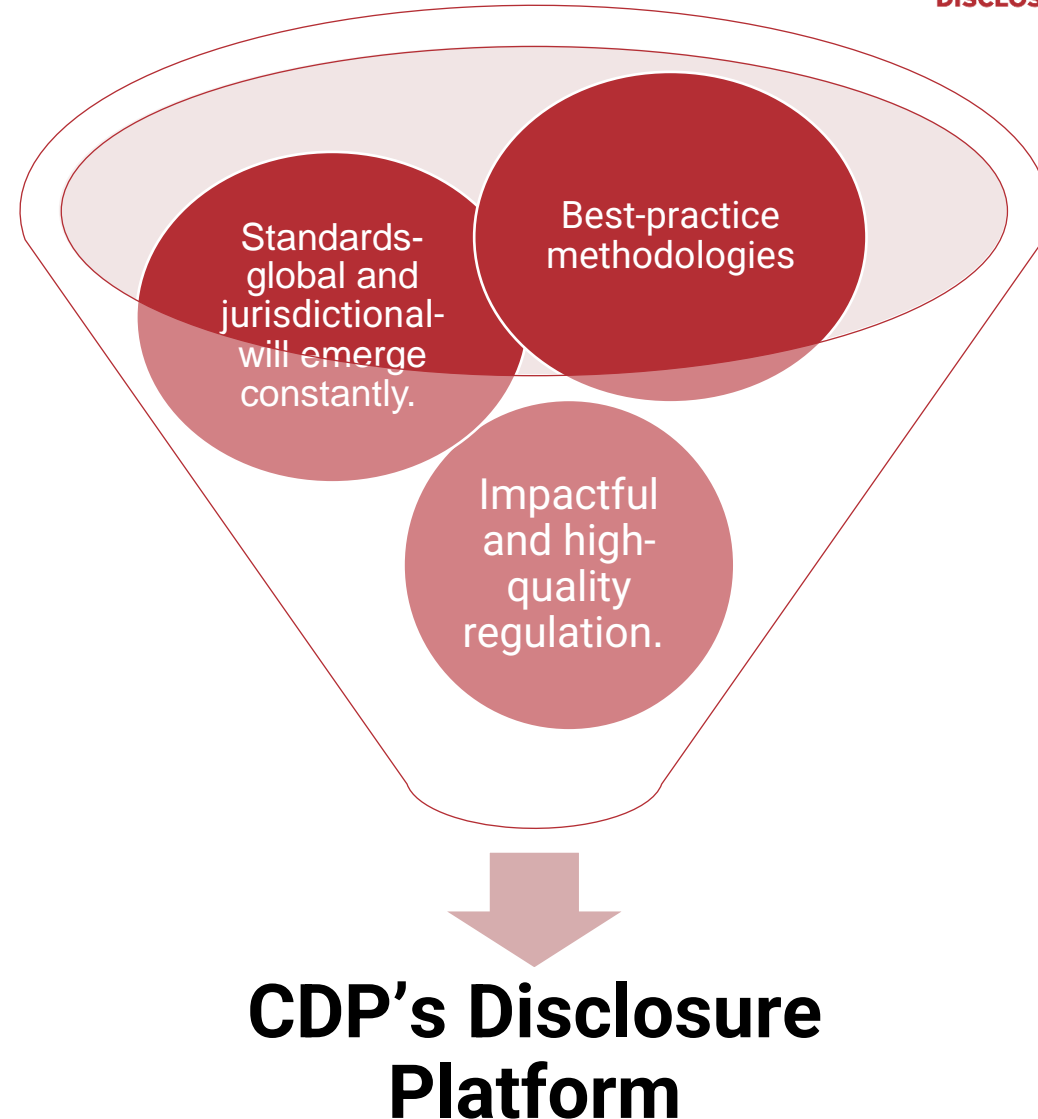
CDP's role in implementing environmental disclosure

- ▼ **CDP is the pioneer of environmental disclosure**, having played a foundational role in developing, mainstreaming and standardizing ESG disclosure, driving environmental action. As a result, **environmental reporting is now a business norm** and increasingly mandated in many major economies.
- ▼ CDP has always been supportive of the development of high-quality disclosure standards and frameworks to provide **clarity, drive compliance and support companies in their reporting needs**, in line with our mission to drive transparency and action to tackle the environmental crisis.



Best-practice

- ▼ CDP will continue to **develop our disclosure platform according to best-practice disclosure standards and methodologies**, integrating impactful and high-quality regulation and standards where they exist.
- ▼ CDP will continue to go beyond the foundations required by policy and drive the market towards the most ambitious and robust environmental disclosure.



ESRS E1 Climate & CDP



ESRS Standard	ESRS E1 Climate Related Disclosure Requirement	Relevant 2023 CDP questions (TCFD aligned questions in green)
ESRS E1 - Climate change	1 – Transition plan for climate change mitigation	C1.1b, C2.2, C2.3a, C3.1, C3.2a, C3.2b, C3.5a, C3.5b, C4.1a, C4.1b, C4.3, C4.3a, C4.3b, C4.5a, C-FS4.5a
	2 – Policies related to climate change mitigation and adaptation	C2.2
	3 – Actions and resources in relation to climate change policies	C3.5a, C3.5b, C4.1a, C4.1b, C4.2a, C4.2b, C4.3, C4.3a, C4.3b
	4 – Targets related to climate change mitigation and adaptation	C4.1a, C4.1b, C4.2a, C4.2b, C4.2c
	5 – Energy consumption and mix	C6.10, C8.1, C8.2, C8.2a, C8.2c, C8.2d, C-EU8.2d
	6 – Gross Scopes 1, 2, 3 and Total GHG emissions	C5.1a, C5.1b, C5.1c, C6.1, C6.3, C6.5, C6.10, C11.1b
	7 – GHG removals and GHG mitigation projects financed through carbon credits	C4.2c, C-FS4.5a, C-AC6.8a/C-FB6.8a/C-PF6.8a, C11.2a
	8 – Internal carbon pricing	C11.1b, C11.3, C11.3a
	9 – Potential financial effects from material physical and transition risks and potential climate-related opportunities	C2.3a, C2.4a

ESRS 2 – General & CDP



Draft ESRS Standard	ESRS 2 General Disclosure Requirements	Relevant 2023 CDP questions (TCFD aligned questions in green)
ESRS 2 - General, strategy, governance and materiality assessment disclosure requirements	1 – Basis for preparation	C0.5
	2 – Governance	C1.1a, C1.1b, C1.1d, C1.2, C1.3a, C2.2, C2.3a
	3 – Strategy	C2.2, C2.3a, C2.4a, C3.3, C3.4
	4 – Impact, risk and opportunity management	C2.2, C2.2g, C2.4a
	5 – Metrics and targets	C4.1a, C4.1b, C4.1c, C4.2, C4.2a, C4.2b, C4.2c, C10.1, C10.1a, C10.1b, C10.1c, C10.2a

▼ Further high-level mappings of CDP Framework to ESRS E2-5 to be released in November 2023.

FEEDBACK



Useful Resources

CDP Resources

- ▼ [CDP FinACTION project webpage](#)
- ▼ [CDP's integration of the EU disclosure regime: Insight Note](#)
- ▼ [CDP Policy Explainer on CSRD and ESRS](#)
- ▼ [CDP Policy Explainer on SFDR](#)
- ▼ [CDP Policy Brief and Principles on High Quality Mandatory Disclosure](#)
- ▼ **Upcoming:** [CDP Policy Explainer on EU Taxonomy](#)

European Commission Resources:

- ▼ [EU Taxonomy Navigator](#)

Thank you!

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More information about how CDP can help you prepare for upcoming mandatory disclosures [here](#).



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6 key challenges that clients needs to manage

- 1 Assessment of gaps against regulatory requirements, covering not just data elements but also governance and management systems
- 2 ESG disclosures will be required to be issued in the same timeframe as financial reports, accelerating the previous schedule considerably.
- 3 All new regulations require some form of third-party assurance for ESG disclosures, standards and process for which are still being developed
- 4 New requirements will require companies to look for datapoints not already captured, while ensuring data integrand quality
- 5 ESG reporting requires data from all business units, regions and the value chain, making automation and system integration essential
- 6 Given the evolving nature of ESG disclosure landscape and regional differences, companies must anticipate change and plan accordingly

Adoption of BCG's "Smart Compliance" approach to enhance current and determine future internal capabilities

Detailed understanding of regulatory requirements...

Voluntary to Mandatory

- Evaluate current status to transition from current voluntary reporting to the mandatory reporting requirements
- Develop an optimized target reporting landscape should synergize both current and future requirements.

Materiality Assessment

- Materiality assessment is key to evaluating the scope of reporting in the most effective way
- When combined with a gap analysis, it allows companies to optimize for the scope of topics to report on

Global Reporting Requirements

- While climate-related reporting requirements vary in depth, CSRD/ESRS has gone beyond climate to incorporate other ESG factors
- Companies should take balanced approach to account for global requirements while still addressing local nuances

...coupled with assessment of institutional capabilities

Governance

- Assignment of oversight and roles to define and deliver on global minimum standard for ESG Reporting, at the same time focusing on business value creation

Business Process Excellence

- Need to integrate ESG Reporting with the existing financial reporting process and make the KPIs traceable and verifiable across the organization

Data Quality & Controls

- Enhancement of existing data architecture to allow for systematic capturing of various data points across different systems and activities

Information Systems

- Enrichment of current IT technology (e.g. via introduction of centralized ESG reporting tool solutions) in order to support data capturing and reporting processes

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