

Assurance on Sustainability information: requirements and how to get ready

Speakers



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1. When does your company need to apply CSRD?

- A. FY24
- B. FY25
- C. FY26
- D. I don't know
- E. Not applicable



2. For those who need to report in FY24, how ready are you?

- A. Not sure if we will be able to comply
- B. On track, but not yet ready
- C. Ready
- D. Ready and even prevalidated the DM with our auditor and/or performed an assurance readiness (on selected KPI's)
- E. I don't know
- F. Not applicable



3. What are the main struggles in preparing for CSRD reporting?

Table of content

- NFRD
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NFRD - 2017 till 2023

Non-Financial Reporting Directive – 2014/95/EU – Became mandatory in Belgium as from 2017

Replaced by the Corporate Sustainability Reporting Directive - 2022/2464 (entered into force in January 2023)

Wet betreffende de bekendmaking van niet-financiële informatie en informatie inzake diversiteit door bepaalde grote vennootschappen en groepen
Loi relative à la publication d'informations non financières et d'informations relatives à la diversité par certaines grandes société et certains groupes

Scope

- ✓ Public interest companies AND
- ✓ > 500 employees
- ✓ Exceeds one of below criteria:
 - Turnover > 34 Mio EUR
 - Total assets > 17 Mio EUR

Topics

- Diversity
- Environmental, Social & Employee matters
- Respect for human rights
- Anti-corruption and bribery

Aspects

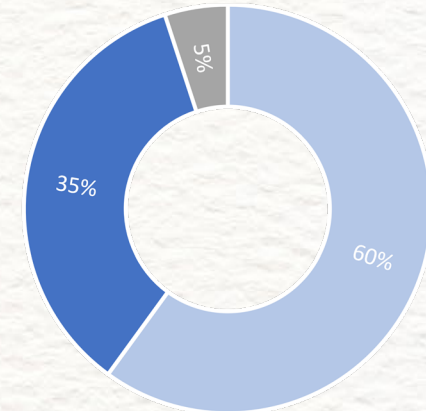
- Policy
- Results
- Risks
- KPI's

- **Flexible** choice in use of reporting framework or standards
- **No assurance** obligation

EU Taxonomy – Additional requirement!

- **As of FY22:** disclosure of taxonomy alignment (% of green turnover, capex and opex)

Assurance Bel 20



■ Limited assurance ■ Reasonable assurance ■ No assurance

Source: BEL 20 companies sustainability reports 2022

No assurance requirement under NFRD, however compliance check is required – see next slide

| | |
|---|------------------|
| Company | Company X |
| Key Observations | |
| Company X has an integrated report, in which the non-financial information is disclosed in the sustainability statements of the report. | |
| Company X discloses the materiality matrix developed by means of stakeholder engagement, internal desk research and discussions. | |
| The report has been prepared in reference to GRI and also refers to the UN Sustainable Development Goals | |

| Key Recommendations |
|---|
| Company X could improve by disclosing their internal workflow or controls for gathering and analysing non-financial information |
| Company X could improve by disclosing more KPI's that measure the company's performance related to human rights and anti-corruption |
| Company X should include employees as a separate stakeholder in their stakeholder engagement process. They should also disclose the frequency of the stakeholder engagements. |

| Gap Analysis NFR Directive (2014/95/EU) | | | | |
|---|----------|---------|-------------------------|--|
| Information to be disclosed | Policies | Results | Risks & Risk Management | Non-financial performance indicators (KPI) |
| Environmental matters | ● | ● | ● | ● |
| Social matters | ● | ● | ● | ● |
| Employee matters | ● | ● | ● | ● |
| Respect for human rights | ● | ● | ● | ● |
| Anti-corruption and bribery matters | ● | ● | ● | ● |
| Diversity policies related to bodies | ● | ● | n/a | ● |

● Covered ● Some gaps ● Serious gaps

| GRI Gap Analysis (GRI 2021) | |
|-----------------------------|---|
| GRI Key concepts | |
| Impacts | ● |
| Material Topics | ● |
| Due Diligence | ● |
| Stakeholders | ● |
| GRI Reporting Principles | |
| Accuracy | ● |
| Completeness | ● |
| Balance | ● |
| Sustainability context | ● |
| Clarity | ● |
| Timeliness | ● |
| Comparability | ● |
| Verifiability | ● |

Paragraph included in the audit report on the financial statements

L'information non financière requise par l'article 3:6, § 4 du Code des sociétés et des associations est reprise dans un rapport distinct du rapport de gestion. Ce rapport sur les informations non financières contient les informations requises par l'article 3:6, § 4 du Code des sociétés et des associations et concorde avec les comptes annuels pour le même exercice. Pour l'établissement de cette information non financière, la société s'est basée sur GRI Standards. Conformément à l'article 3:75, § 1, 6° du Code des sociétés et des associations nous ne nous prononçons pas sur la question de savoir si cette information non financière est établie conformément aux principes des GRI Standards – Core option mentionné dans le rapport de gestion.

De niet-financiële informatie zoals vereist op grond van artikel 3:6, § 4 van het Wetboek van vennootschappen en verenigingen, werd opgenomen in een afzonderlijk verslag gevoegd bij het jaarverslag. Dit verslag van niet-financiële informatie bevat de door artikel 3:6, § 4 van het Wetboek van vennootschappen en verenigingen vereiste inlichtingen en is in overeenstemming met de jaarrekening voor hetzelfde boekjaar. De vennootschap heeft zich bij het opstellen van deze niet-financiële informatie gebaseerd op de GRI standaarden rapporteringsprincipes. Overeenkomstig artikel 3:75, § 1, 6° van het Wetboek van vennootschappen en verenigingen spreken wij ons niet uit over de vraag of deze niet-financiële informatie is opgesteld in overeenstemming met de in het jaarverslag vermelde GRI standaarden – Core option.

CSRD - As from 2024

Corporate **S**ustainability **R**eporting **D**irective – proposed by the EC in April 2021 and applicable as from 2024 (*still to be transposed into member state legislation*)

FOR WHICH COMPANIES?



As from 2024: companies in scope of the NFRD

As from 2025: all large companies, exceeding 2 of the criteria

- Turnover > 50 Mio EUR
- Total assets > 25 Mio EUR
- >250 employees.

As from 2026: all quoted SMEs

Exemption possibility for subsidiaries when ESG information is reported at consolidated level (not for listed subsidiaries!)

As from 2028:

- for non-EU groups that realize > 150 Mio EUR in the EU during 2 last accounting years; AND
- that have a subsidiary or branch in EU; AND
- have at least 1 **large** EU subsidiary or branch with > 40 Mio EUR turnover; THEN **consolidated sustainability information of the non-EU group** should be prepared as per the CSRD.

WHICH CONTENT?



- Use of **mandatory ESRS**, which includes information about
 - **E**nvironmental, **S**ocial and **G**overnance matters
 - Strategy and resilience
 - Stakeholders and materiality assessment
 - KPI's, targets and progress
 - Risks and risk management
 - Role of the board
 - Process to identify reported ESG information
 - ...
- Reporting of **green financial indicators (EU Taxonomy)**.
 - % of green Turnover
 - % of green CapEx
 - % of green OpEx

OTHER REQUIREMENTS



01 Assurance requirement

Mandatory limited assurance.

02 Double materiality

*Companies should report information necessary to understand how sustainability matters affect them, **and** information necessary to understand the impact they have on people and the environment.*

03 Format of reporting

*Part of the **management report** and the format needs to be a machine-readable format (**digital tagging**).*

04 Audit Committee requirements

*Clarification of the **tasks of the audit committee for the assurance** of sustainability reporting.*

CSRD : Assurance Requirements as from FY24

- ✓ Assurance requirement
- ✓ Scope based on the CSRD – further detailed in next slides:
 1. Compliance with European reporting standards (ESRS), including reliable performance data;
 2. Process carried out to identify the information reported according to those standards (double materiality);
 3. EU Taxonomy reporting requirements;
 4. Mark-up of sustainability information;
- ✓ Limited assurance (on the longer term: reasonable assurance – stakeholder’s expectation!)
- ✓ Assurance standard to be adopted by the EC, but in the meantime apply national assurance standards (ISAE 3000)
- ✓ By default, assurance report will be issued by **statutory financial auditor** of the company, but further options available for member states.
- ✓ Daughter companies using the exemption:
 - ✓ In the management report, refer to the sustainability reporting at group level
 - ✓ Publish the consolidated sustainability information

CSRD : Assurance Requirements – compliance with ESRS

- **12 « ESG » STANDARDS:** 5 on Environment, 4 on Social, 1 on Governance
- **More than 80 DISCLOSURE REQUIREMENTS** (qualitative or quantitative information)
- **More than 1000 DATA POINTS**
- **4 REPORTING AREAS (TCFD pillars)**
 - Governance
 - Strategy
 - Impact, Risk & Opportunity Management
 - Metrics & Targets
- **MINIMUM MANDATORY INFORMATION!**

| | | | | |
|-------------------------------------|--|---|---|---|
| ESRS 1 General Principles | | ESRS 2 General, strategy, governance and materiality assessment disclosure requirements | | |
| ENVIRONMENT | | | | |
| ESRS E1 Climate change | ESRS E2 Pollution | ESRS E3 Water and marine resources | ESRS E4 Biodiversity and ecosystems | ESRS E5 Resource use and circular economy |
| SOCIAL | | | | |
| ESRS S1 Own workforce | ESRS S2 Workers in the value chain | ESRS S3 Affected communities | ESRS S4 Consumers and end-users | |
| GOVERNANCE | | | | |
| ESRS G1 Business conduct | | | | |

CSRD : Assurance Requirements – Reliable Data

Ensuring reliable data is crucial for the assurance requirement. Data should be supported to provide the assurance provider with sufficient comfort. Example of procedures performed by assurance provider on KPI:

1. Scope 1 & 2 emissions:

- Data to be provided to assurance provider:
 - Detail of calculation scope 1 and 2 emissions (including energy consumption figures used and emission factors used)
 - Detail of energy consumption (by entity, by building in the real estate sector...) reconciling with the energy consumption figures mentioned above
 - Important to ensure the data is complete (no missing entities or buildings, no missing months of consumption, no missing energy streams...)
 - Source of emission factors
- Example procedures that will be performed by assurance provider:
 - Understand company-specific procedures to ensure completeness and accuracy of data, company environment, internal controls...
 - Challenge completeness of the data (full year included, all entities/buildings included...)
 - Challenge and understand analytical variations (understand stable/increase/decrease in consumptions) – example:
 - Decrease in scope 2 emissions observed, however electricity consumption increasing – explanation to provide
 - Real estate sector: increase in m2 in reporting scope, however gas consumption remains stable – explanation to provide
 - Reconciliation of underlying detail of consumption with reported consumption figure
 - Sampling on consumption based on materiality level defined by assurance provider – reconciliation with underlying meter readings or consumption invoices
 - Validation of emission factor used

CSRD : Assurance Requirements – Reliable Data

Ensuring reliable data is crucial for the assurance requirement. Data should be supported to provide the assurance provider with sufficient comfort. Example of procedures performed by assurance provider on KPI:

2. Water consumption:

- Data to be provided to assurance provider
 - Detail of water consumption reconciling with reported KPI (by entity, by building in the real estate sector...)
 - Important to ensure the data is complete (no missing entities or buildings, no missing months of consumption...)
- Example procedures that will be performed by assurance provider:
 - Understand company-specific procedures to ensure completeness and accuracy of data, company environment, internal controls...
 - Challenge completeness of the data (full year included, all entities/buildings included...)
 - Challenge analytical variations (understand stable/increase/decrease in consumptions) – example:
 - Real estate sector: increase in m2 in reporting scope, however decrease of water consumption noted – explanation to provide
 - Reconciliation of underlying detail of consumption with reported consumption figure
 - Sampling on consumption based on materiality level defined by assurance provider – reconciliation with underlying meter readings or consumption invoices

CSRD : Assurance Requirements – Double Materiality process

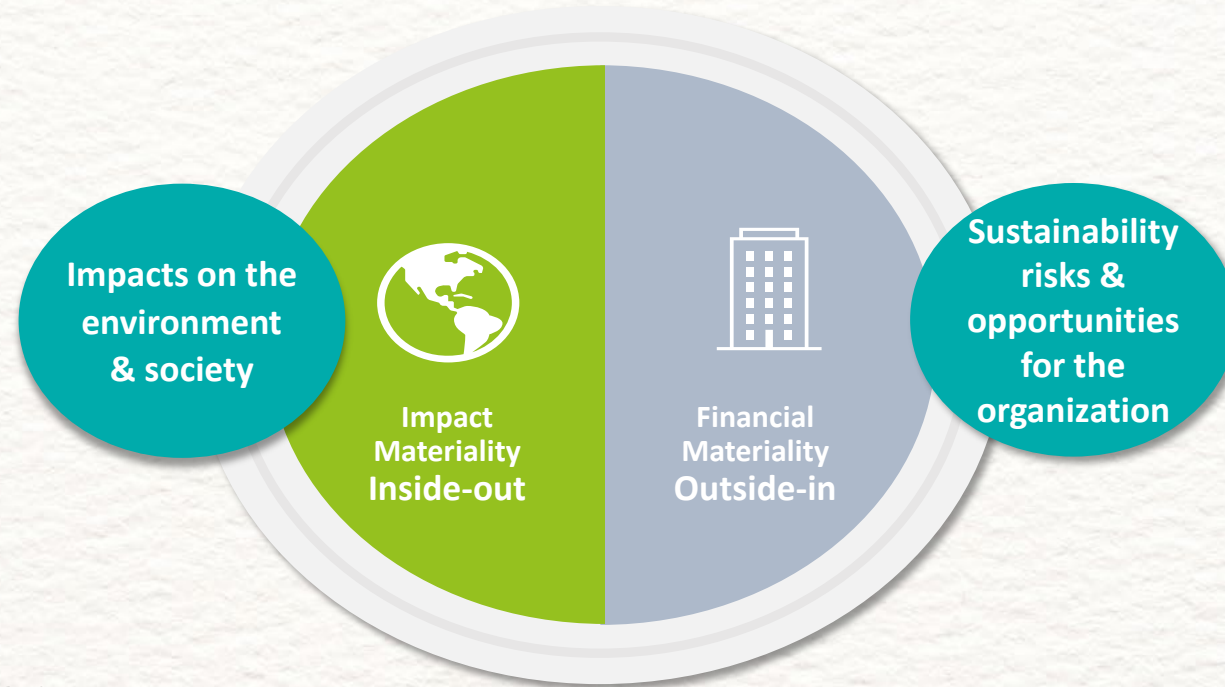
Impacts directly linked to undertaking

Actual or potential, positive or negative

Impacts on people or the environment

Short-, medium- and long-term time horizons.

Directly linked through **operations**, products, or services and **relationships**



Financial effects on the undertaking

Actual or potential, risks or opportunities

Impacts on cash flows, development, performance, position, cost of capital or access to finance

Over the short-, medium- and long-term time horizons

Key elements to consider



Stakeholder engagement



Time horizons (short, medium and long term)



Value chain (with a focus on areas where deemed likely to arise)

CSRD : Assurance Requirements – EU Taxonomy

EU Taxonomy - is a uniform **classification system** that defines **which activities are “green”** i.e., **environmentally sustainable**, and a **methodology** to calculate the **“greenness”** of the company’s activities - it is a tool to say **what** is environmentally sustainable and **how** to calculate it

Analyse

- 1 **Check eligibility** – identify Taxonomy covered activities by mapping company’s activities against the Taxonomy
- 2 **Check Technical Screening Criteria** - verify compliance with relevant substantial contribution technical screening criteria (TSC) for the activities identified.
- 3 **Check DNSH** - verify compliance with Do No Significant Harm (DNSH) criteria with other 5 environmental objectives
- 4 **Comply with Minimum safeguards** – adhere to minimum safeguards including OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights

Report

- **Report on required disclosures** – calculate and report the proportion of Taxonomy aligned KPIs: (eligible for FY2021):

Turnover

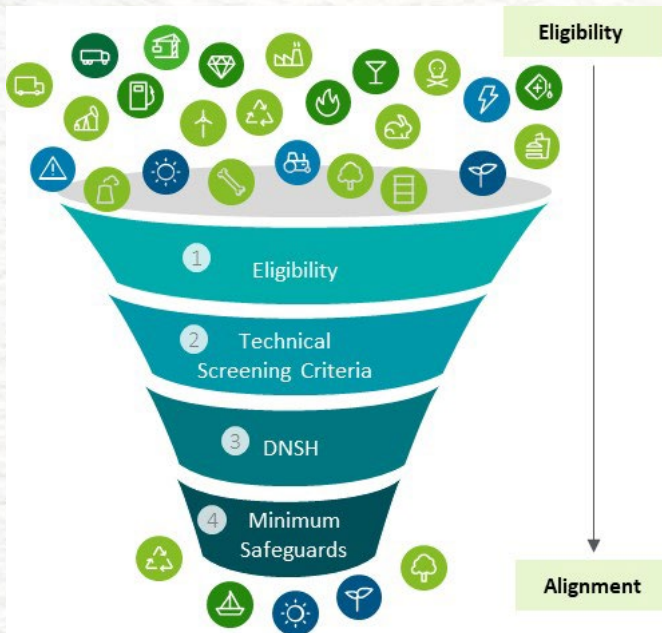
$$\text{KPI} = \frac{\text{Taxonomy Aligned Turnover}}{\text{Total Net Turnover}}$$

CapEx

$$\text{KPI} = \frac{\text{Taxonomy Aligned CapEx}}{\text{Total CapEx}}$$

OpEx

$$\text{KPI} = \frac{\text{Taxonomy Aligned OpEx}}{\text{Total “Allowed” OpEx}}$$



Assurance Standards

ISAE 3000 and ISSA 5000

ISAE 3000

ISAE covers assurance engagements other than audits or reviews of historical financial information

Methodology according to **ISAE 3000** builds on different steps:

- **Preliminary engagement activities:** Acceptance and Continuance Procedures, independence checks, agree terms of assurance Engagement
- **Understand and plan:** Understand the entity, consider risk of intentional misstatement, determine materiality, perform preliminary analytical procedures, identify risks, ...
- **Perform and evaluate:** perform planned procedures, evaluate sufficiency and appropriateness of evidence, evaluate impact of misstatements and control deficiencies...
- **Conclude and report:** perform subsequent events review, obtain written representations, complete summary memorandum, perform quality review, form opinion...

ISSA 5000 (Draft)

ISSA applies to all assurance engagements on sustainability information

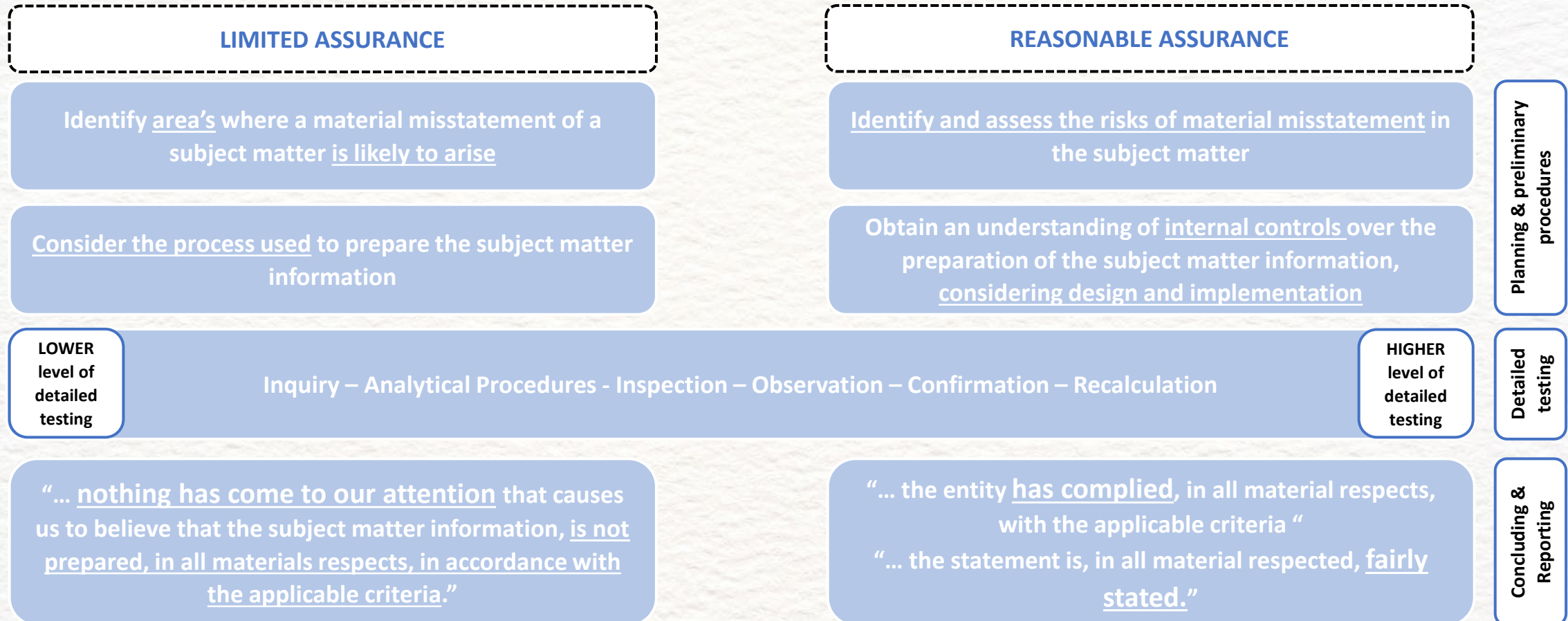
- Methodology according to **ISSA 5000** builds further upon **ISAE 3000**
- Covers limited and reasonable assurance
- Pending, still in consultation
- Includes specificities related to sustainability information – e.g. double materiality

A268A. When an entity uses applicable criteria that identify reporting topics that impact the entity's financial performance, the materiality considerations may be referred to as "financial materiality." In this case, financial materiality may be set in the context of financial terms and the intended users are likely current and future providers of debt and equity. When an entity uses applicable criteria that identify reporting topics relevant to the impacts of the entity on the environment, society, economy or culture, the materiality considerations may be referred to as "impact materiality." In this case, materiality is considered according to the nature and magnitude of impacts, and may be relevant to a broader group of intended users (see also paragraph A179). When the applicable criteria refer to both financial impacts on the entity and the entity's impacts on the environment, society, economy or culture, this may be referred to as "double materiality."

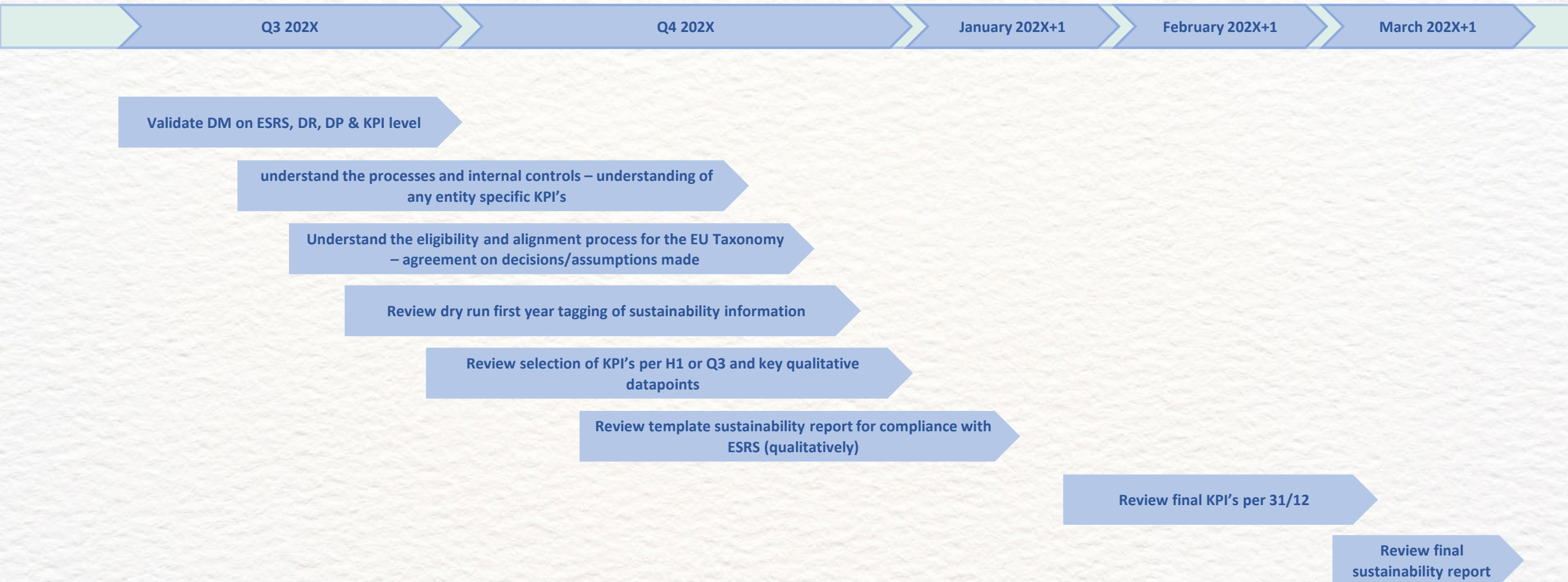
Example:

The entity operates globally in various industries, including health care and consumer goods. The entity engaged an external consulting firm to gather data on stakeholders' perspectives regarding the entity's sustainability strategy. The entity took an approach to first identify the most relevant stakeholder groups, which included "customers, suppliers, non-profit organizations, corporate/private sector, academics, consultants, government, media, finance, trade associations, and think tanks." The entity then obtained direct feedback on how its sustainability strategy affected people, wider communities and the environment. After gathering this data, the entity analyzed it to determine what issues were material to those surveyed and reported on those areas.

Main differences between limited and reasonable assurance



Assurance Process – How can a process look like?



Assurance Process : How to get ready



Assurance Process: Challenges

Challenges

- **Double Materiality:** Identifying the right stakeholder group and ensure the relevant and material topics are identified – assurance provider can give comfort through a pre-validation exercise
- **Availability of data:** Centralized or scattered, database...
- **Reliable data collection:** implement an internal control manual to ensure consistent data is collected using the same approach within a group – assurance readiness can provide with further guidance
- **Estimates and assumptions:** Documentation on estimates and assumptions
- **Compliant reporting:** ensure all mandatory disclosures are included in the report based on the ESRS. Timely start with the compliance check review with the assurance provider.
- **Timing of reporting:** Should be aligned with financial reporting and should foresee sufficient time for the assurance work as well
- **Maturity of the ESG reporting process:** manual versus automated process
- **Start timely**

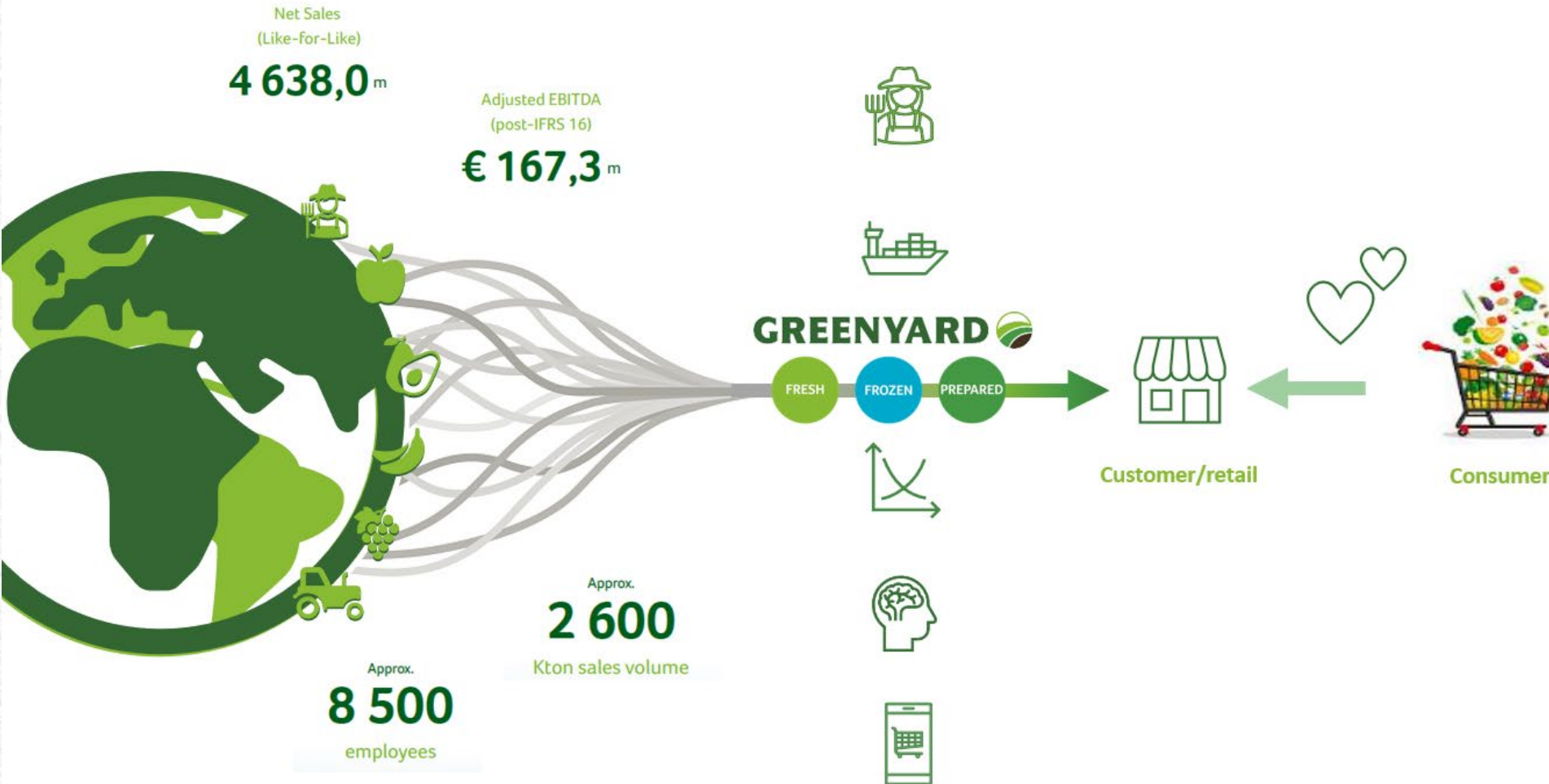
Company Case - Greenyard



GREENYARD 

40 years

Company Case
“every step counts”



- ✓ NFRD
- ✓ TCFD
- ✓ CSRD
- ✓ EU Taxonomy
- ✓ CSDDD
- ✓ What's next ?

Sustainability at the heart of everything we do at Greenyard

Embedded in the history, our products and our people

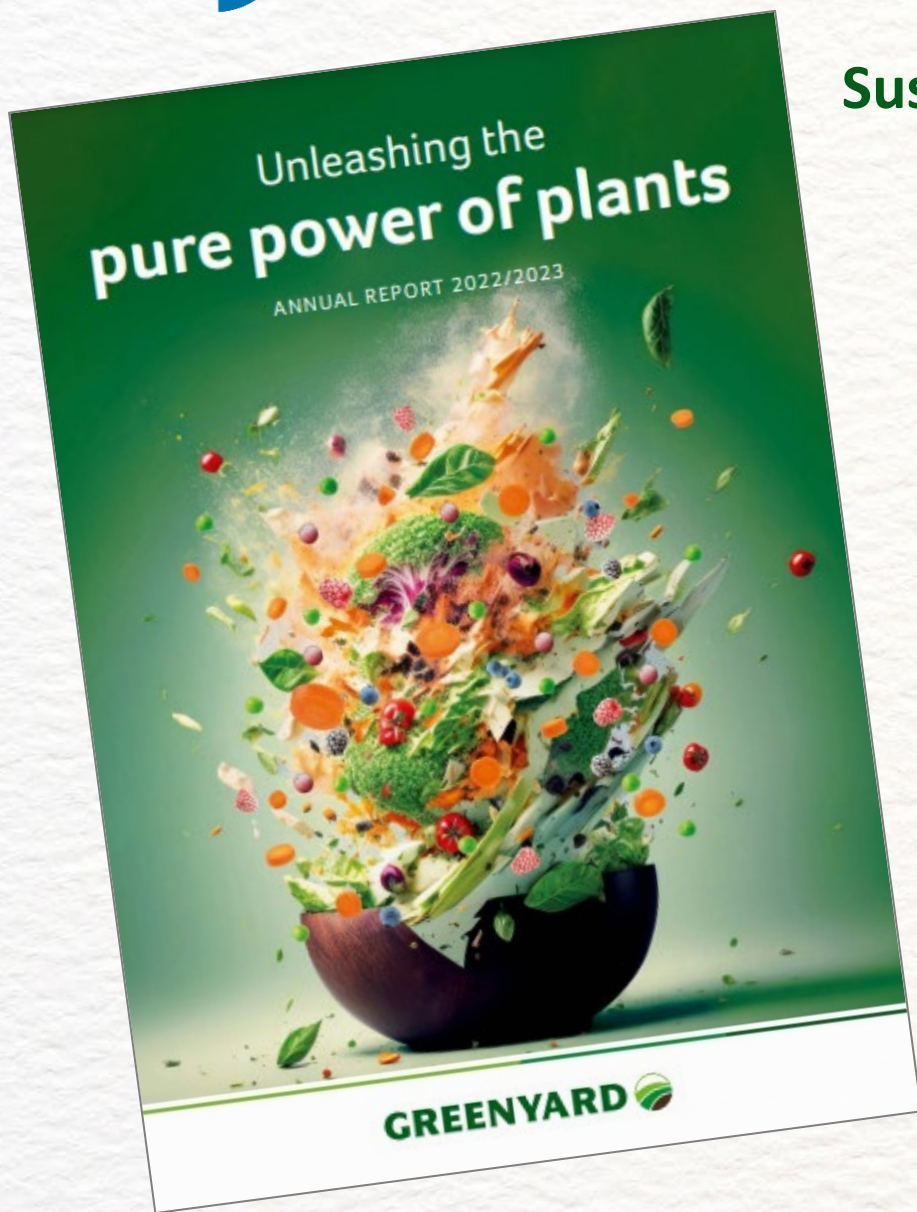
Improving ESG Ratings by telling our story and living our purpose

Accelerating our sustainability journey

- As of 2021 we have a clear roadmap on sustainability with relevant KPI's for 2025 and beyond
- As of 2022 we have “one Greenyard” sustainability data collection method for all locations and audited figures (limited assurance)
- As of 2022 we have a sustainability linked loan with clear targets in line with our sustainability roadmap
- As of 2023 we have an integrated report including a limited assurance on our sustainability data

Next steps coming years




- CSRD (update as well on our Double Materiality Assessment)
- CSDDD Social Compliance and Due Dilligence





Roadmap & Guiding compass

- Measure and know your starting position
- Set realistic target on key topics
- Know where you are (heading)
- Embed it in the business
- Leadership
- Patience

| Maturity level | Definition | Clarification |
|---|--|---|
|  | Minor observation only / close to maturity | This topic is considered close to maturity. Improvement is possible but not a priority. |
|  | Requires improvement | This topic is considered not mature and improvements are required to be ready for assurance. Priority is medium. |
|  | Significant improvement required | This topic is considered not mature and improvements are required to be ready for assurance. These topics are the most critical to improve regarding adequacy and effectiveness of the process. |

Are you ready?

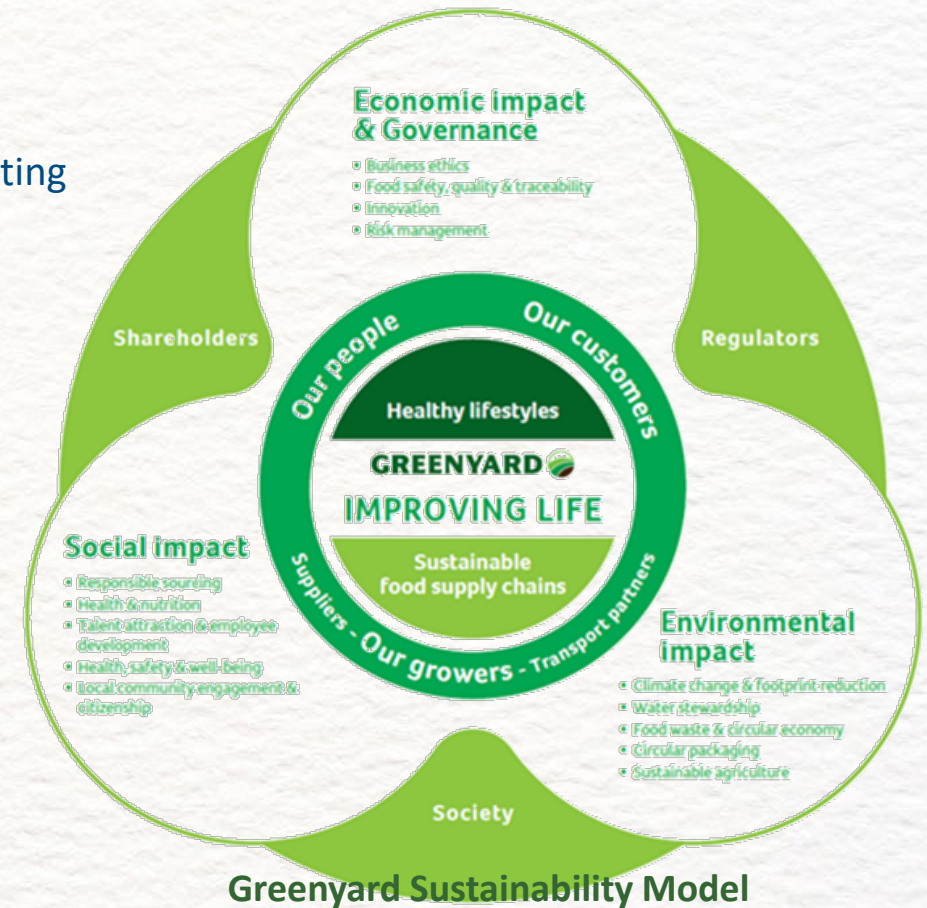
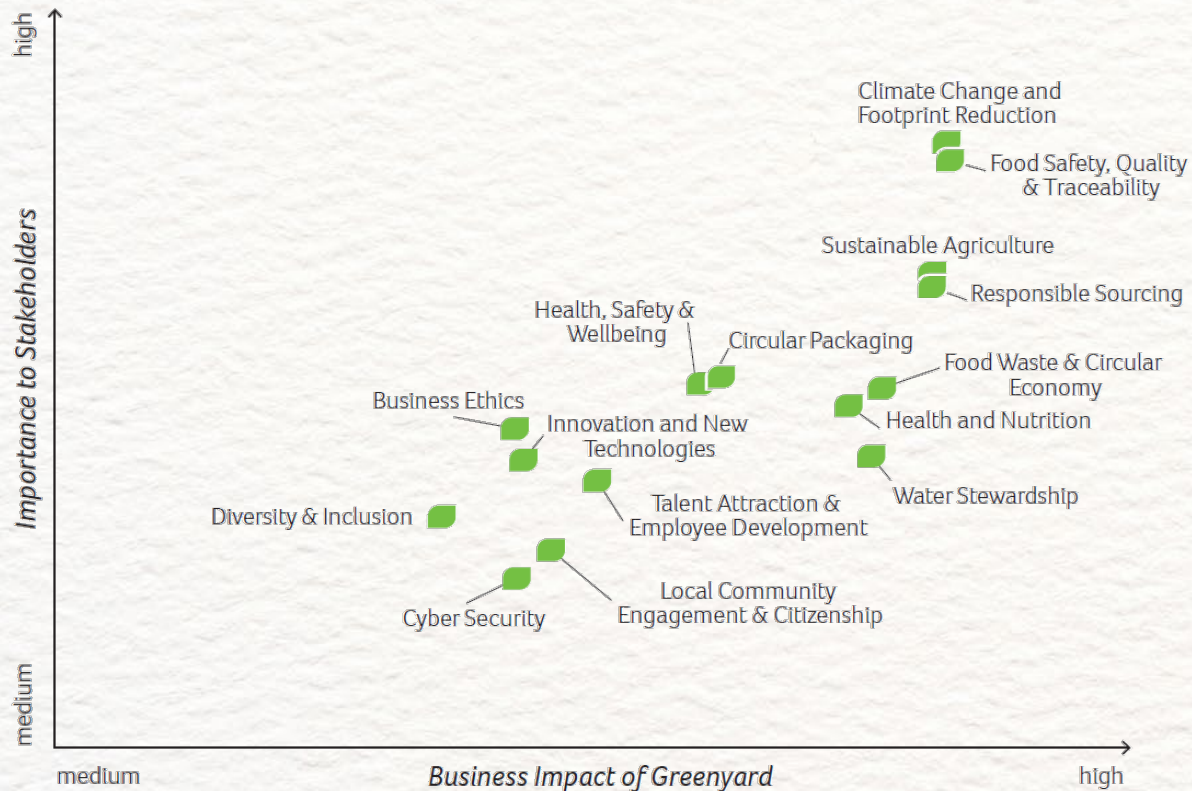
Does your auditor agree?

Be transparent - team up & fix the gaps!

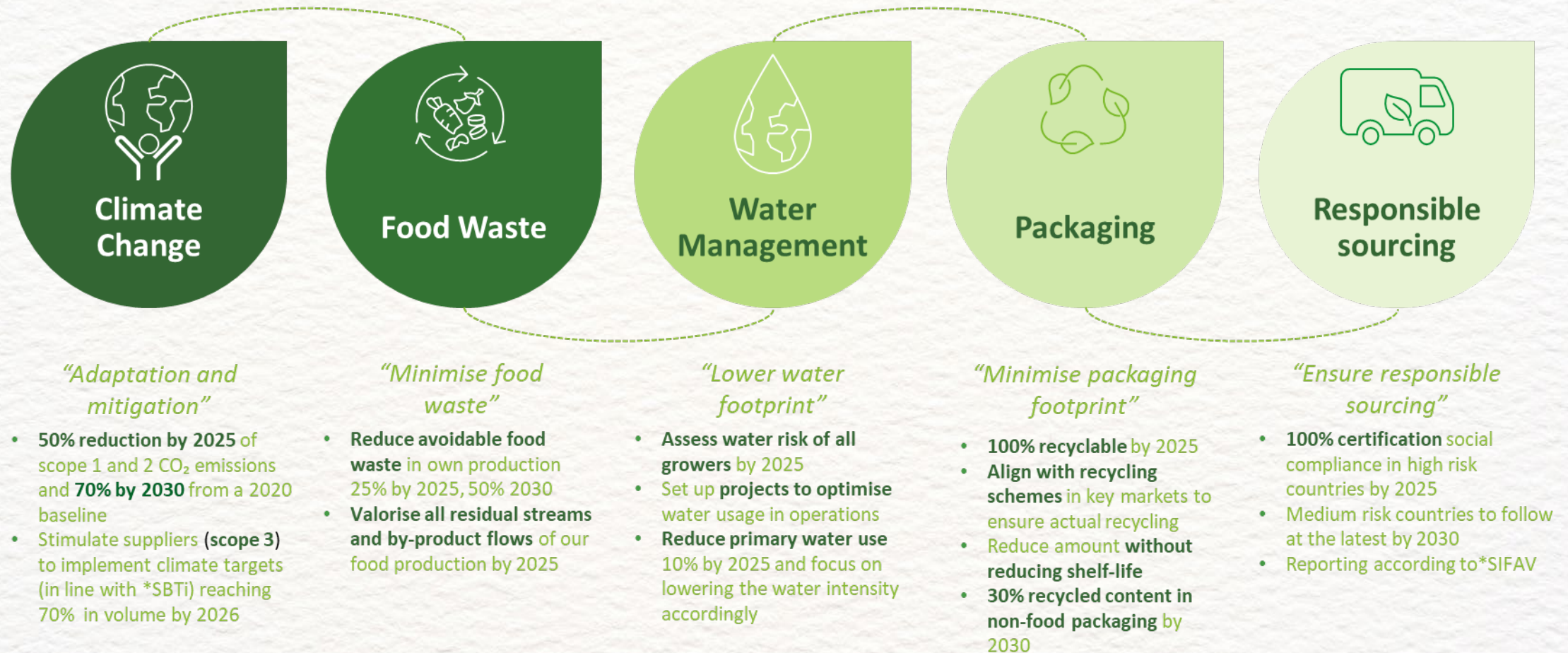
| Observations | Description | Recommendation | Action | Maturity level |
|-------------------|--|--|--|----------------|
| Internal Controls | At present, only sanity checks are currently being performed, with a focus on outliers by the same person who is consolidating the data. No four-eyes principle is applied to the consolidated data sheet. | We recommend a review by the Finance department of the entity or division and the Internal Audit Department in close cooperation with the sustainability ambassadors at entity level and the central sustainability team. | We worked closely with the internal audit department in setting up our new database structure and involved the finance directors. Finance department is involved in the data collection process as from April 2022. | ✓ 2022 |
| Reporting manual | No reporting manual exists. Greenyard does have a standardized data collection template which is used for each entity. 2021 readiness check | We recommend to establish a reporting manual for Sustainability data containing detailed explanation on the reporting process, what to report, what source to use, in accordance with the definitions, commonly used conversion factors, etc. | We have reviewed all KPI's and KPI definitions and put together a reporting manual. We have organized a training for all people involved in collection and reporting of the data and within our database all KPI=definition can easily be viewed | ✓ 2022 |

Our Sustainability Strategy based on a double materiality assessment

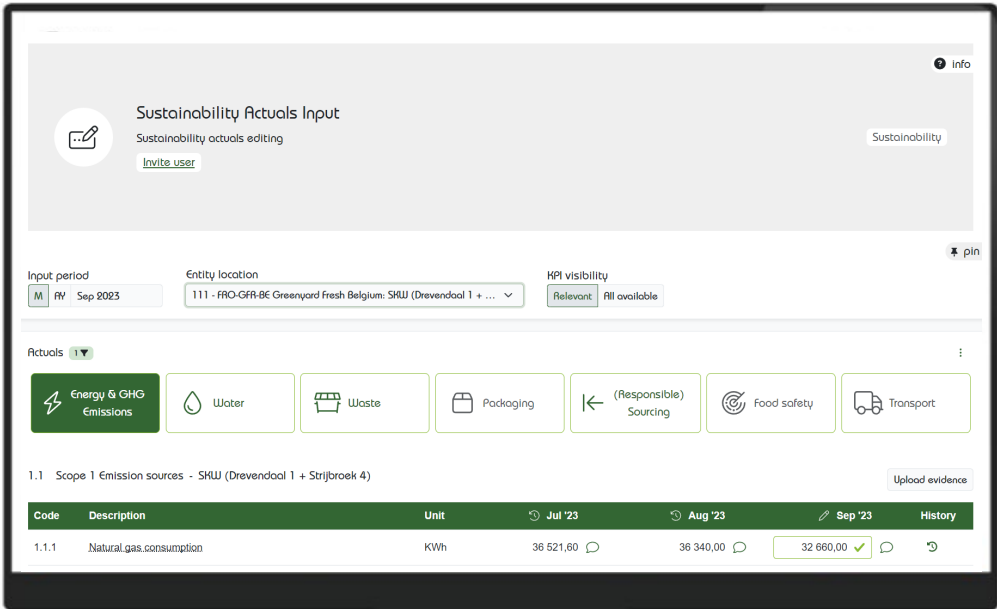
A Solid base for our sustainability roadmap, linked to the SDG's & CSRD Reporting



Our Sustainability Roadmap with clearly defined ambitions:



Keeping track of performance at location level



| Code | Description | Unit | Jul '23 | Aug '23 | Sep '23 | History |
|-------|-------------------------|------|-----------|-----------|-------------|---------|
| 1.1.1 | Natural gas consumption | KWh | 36 521,60 | 36 340,00 | 32 660,00 ✓ | |

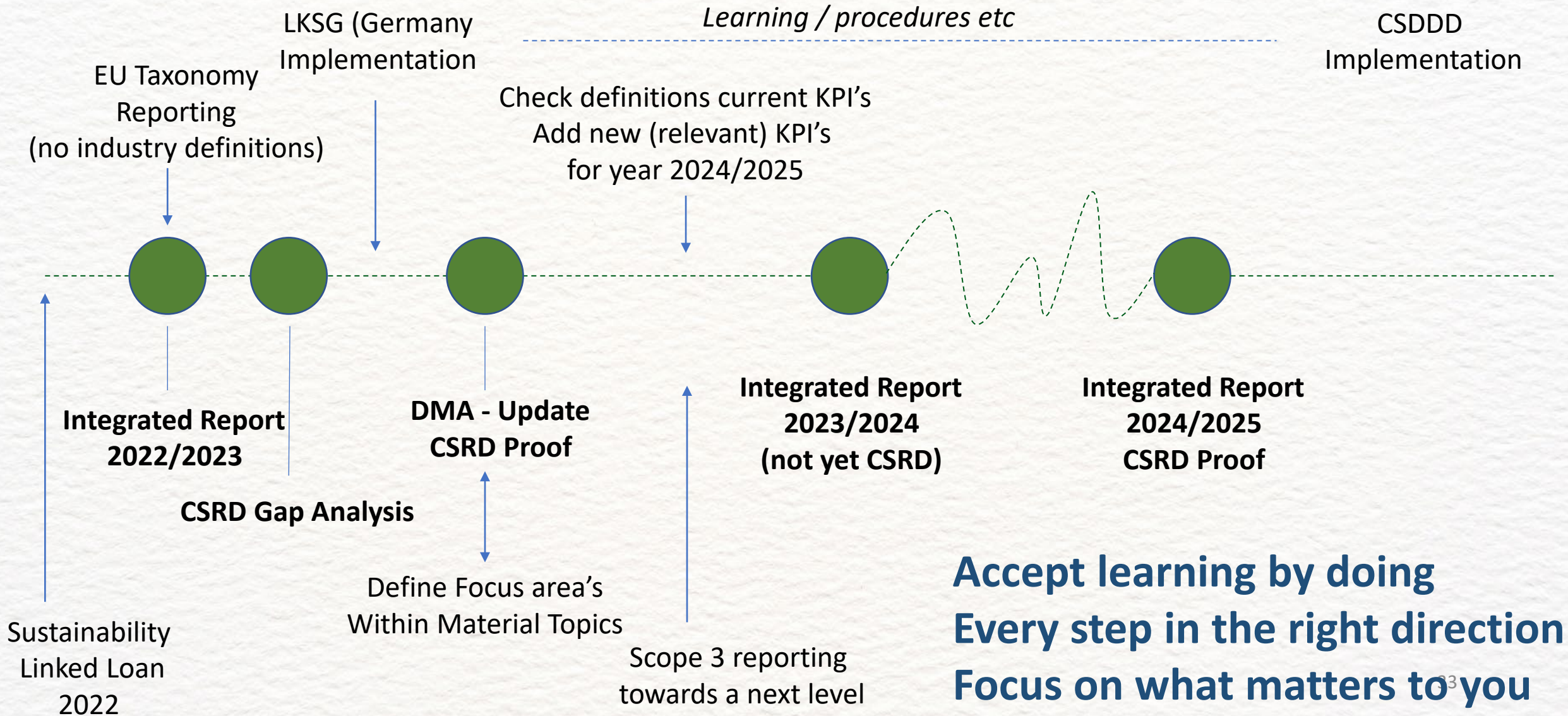


- Enable clear & easy data - input
- Capture evidence
- Ensure feed-back loops
- Visualise performance (graphs)
- Ensure you do not only do this for compliance...use the insights!

- In house developed monitoring system to track all activity data, which is as well translated into CO2 emissions

Towards Limited Assurance

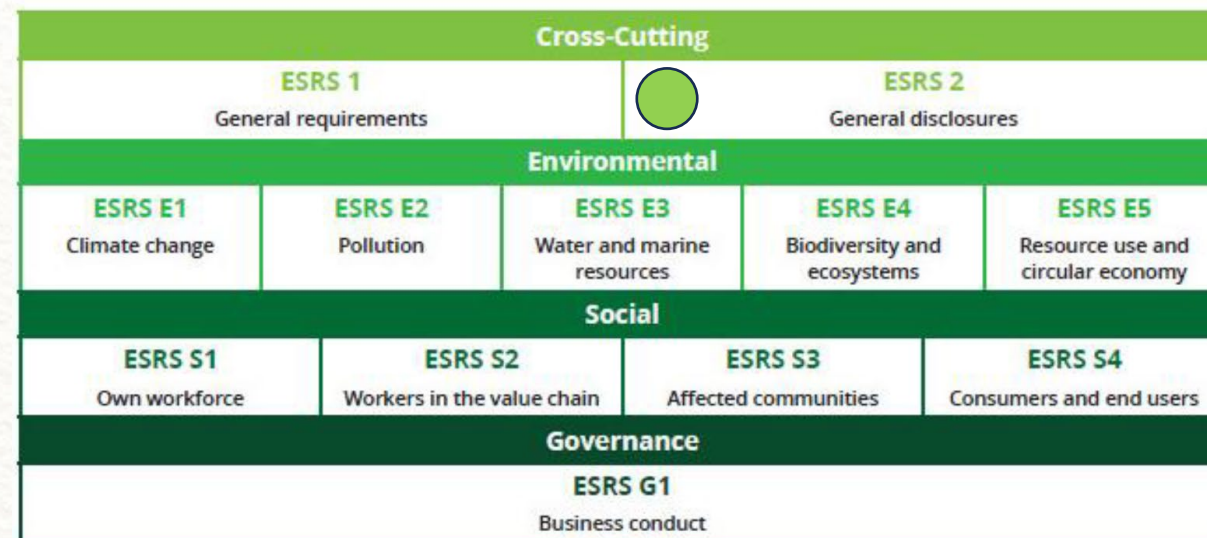
- Reporting Manual – KPI
- Data collection framework
- Data model / Data base
- Measure & understand
- Awareness (internal)
- Evidence / enable reconciliation
- Transparency
- Team-up



CSRD – ESRS Gap Analysis

Example

| 2 | General disclosures | Status |
|-------|---|---------------------|
| BP-1 | General basis for preparation of the sustainability statements | Mostly compliant |
| BP-2 | Disclosures in relation to specific circumstances | Partially compliant |
| GOV-1 | The role of the administrative, management and supervisory bodies | Mostly compliant |
| GOV-2 | Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies | Mostly compliant |
| GOV-3 | Integration of sustainability-related performance in incentive schemes | Mostly compliant |
| GOV-4 | Statement on sustainability due diligence | Not compliant |
| GOV-5 | Risk management and internal controls over sustainability reporting | Partially compliant |
| SBM-1 | Market position, strategy, business model(s) and value chain | Partially compliant |
| SBM-2 | Interests and views of stakeholders | Partially compliant |
| SBM-3 | Material impacts, risks and opportunities and their interaction with strategy | Partially compliant |
| IRO-1 | Description of the processes to identify and assess material impacts, risks and opportunities | Partially compliant |
| IRO-2 | Disclosure Requirements in ESRS covered by the undertaking's sustainability statements | Not compliant |



- Define key actions to comply
- Prioritize
- Ensure it “makes sense”
- Build upon your sustainability strategy and your DMA

A learning process – step by step

- **Readiness check** for a “limited assurance” 2021
- Internal sustainability data base system (vs excel)
- From yearly to monthly reporting (for major / material KPI’s)
- **Limited assurance** on our Sustainability Report 2022 (report 21/22)
- Integrated reporting (3 months at least earlier reporting!) 2023
- Limited assurance on **Integrated Report** 2023 (report 22/23)

- Introduction quarterly reporting meeting with Finance
- Quarterly soft-audits (internal)
- Reporting on sustainability to Leadership & Board

- **How? As well keep smiling and trust & respect your Sustainability Ambassadors**



Thanks!

And next to some CSRD stuff you now also know the sustainable and healthy answers to the daily “what’s for dinner” - question!



Q&A

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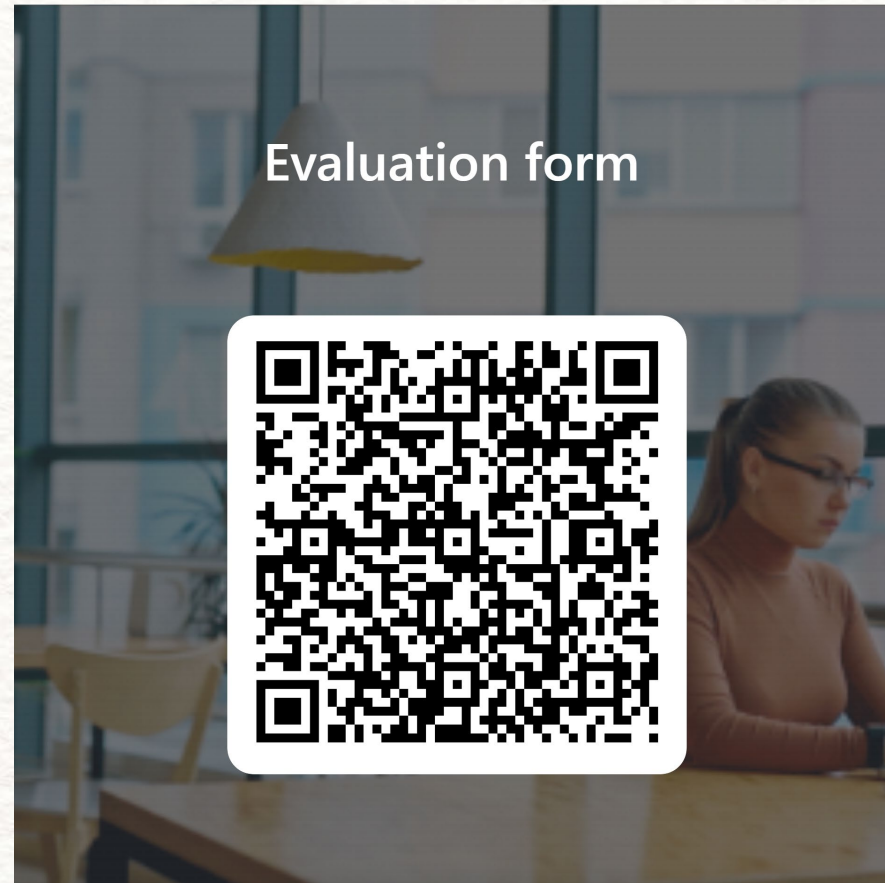
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Thank you for your attention