

A large-scale photograph of a wind farm at sunset. The sky is a gradient of orange, yellow, and blue. Numerous wind turbines are visible, silhouetted against the bright horizon. The foreground shows dark, low-lying vegetation. The image is framed by a thin yellow border on the left and bottom, and a thicker yellow border on the right. Overlaid on the right side is a semi-transparent blue rectangle containing the title and subtitle text.

Transition to CSRD Reporting

Sustainable Advantage
Service Offering

Introduction to the CSRD




The new **Corporate Sustainability Reporting Directive** (CSRD) is a vital puzzle piece of the EU Green Deal – a set of EU policy initiatives with the aim to make Europe the first climate-neutral continent by 2050. The CSRD shall enhance **transparency, reliability, and comparability** of sustainability-related corporate information for all stakeholders, but particularly for the financial community to enable **well-informed investment decisions**. In the sustainability reporting landscape, the CSRD is a real disruptor. Unlike its predecessor, the Non-Financial Reporting Directive (NFRD), the CSRD is mandatory for **nearly 50,000 public and private companies** and sets far-reaching requirements for what must be reported by providing the binding European Sustainability Reporting Standards (ESRS).

Unquestionably, the CSRD poses a **huge challenge for companies**. They will have to employ additional resources to manage the reporting process and collect a large set of qualitative and quantitative environmental, social and governance (ESG) data. This is particularly true for many PE portfolio companies that might have little to no prior sustainability reporting experience and are yet to establish relevant internal structures.

From a positive perspective, the CSRD can function as a mechanism to **future-proof a company's activities** by reducing negative sustainability-related impacts and identifying and addressing risks and opportunities. Moreover, the CSRD enables companies to effectively highlight their commitment to relevant stakeholders and can be a catalyst to secure financing at better rates.

At Sustainable Advantage, we understand both the challenges and opportunities the CSRD brings along. We strive to find **pragmatic solutions for clients** by building customised transition plans that do not overwhelm organisations while doing justice to the requirements of the new reporting obligations. For that, we encourage our clients to kick off the process now so they can make it a positive experience for their organisations and maximise value.

Content

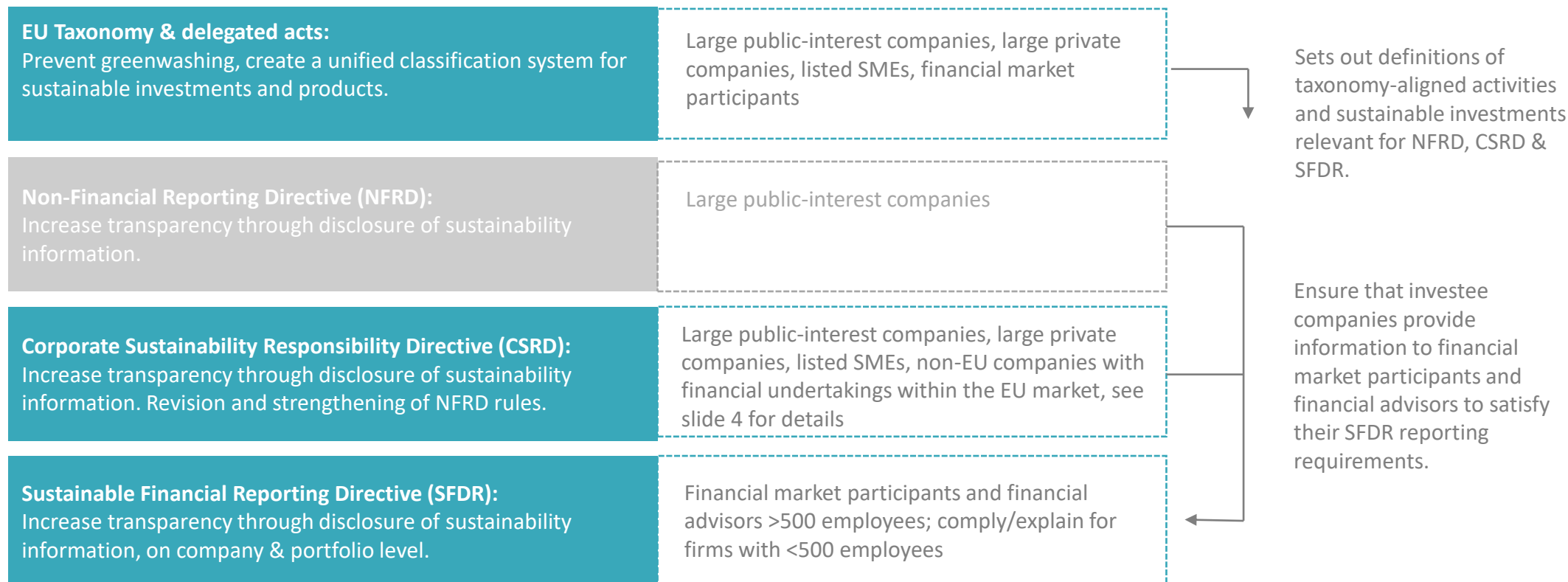
-  CSRD and ESRS requirements
-  Our CSRD Offering
-  About Sustainable Advantage

Key sustainability reporting regulations introduced by the EU Green Deal

Directive or regulation

Affected parties

Synergies



Why CSRD?

- The CSRD shall address the shortcomings of its predecessor version **NFRD** (limited in scope & lack of standardisation)
- Enhance public accountability by increasing **transparency, reliability, and comparability** of information
- Steer capital flows towards **sustainable investments**
- Create a **level playing field** for companies operating in the European Union

Who is affected?

- All large EU companies meeting at least 2 out of 3 criteria:
 - > **250 employees and/or**
 - > **€50 M net turnover and/or**
 - > **€25 M total assets**
- Listed SMEs
- Non-EU companies listed on EU markets possessing financial assets
- Non-EU companies generating a net turnover of more than €150 million in the EU, that have at least one large or listed subsidiary (see threshold for large companies above) in the EU or at least one branch in the EU with more than €40 million in net turnover

What is the timeline?

- The directive came into force on **January 1st, 2023**
- It is **implemented in phases**
 - **publicly listed**, NFRD-regulated companies from 2025, for the financial year 2024
 - **non-listed large** companies from 2026 for the financial year 2025
 - **listed SME** from 2027 for the financial year 2026
 - **non-EU companies** from 2029, for the financial year 2028

How to report?

- Included in the **management report**
- **XHTML or electronic format** in accordance with the ESEF regulations; digitally 'tag' reported sustainability information

What is CSRD?

- The CSRD is a new **mandatory** EU sustainability reporting directive.
- A key part from the **European Sustainability Reporting Standards (ESRS)** as developed by **EFRAG**, setting out detailed reporting requirements.
- Companies report on their impacts on people & planet as well as risks & opportunities **across environmental, social and governance topics**, incl. their value chain where applicable.

Defining features of the CSRD

Double Materiality



Companies are required to conduct a double materiality assessment to identify their **positive and negative impacts** on people and the environment (impact materiality) as well as the **sustainability-related risks and opportunities** for the company (financial materiality). The outcome determines to a large extent the reporting topics under ESRS.

External Assurance



Companies are required to seek **independent external assurance for all quantitative and qualitative information**. To start with, “limited third-party assurance” is sufficient, an expansion to “reasonable assurance” is anticipated.

Management Report



Companies will need to **disclose the sustainability information in a dedicated section of their management reports**. This also means that financial and sustainability information will be published at the same time.

EU Taxonomie



Companies that fall under CSRD are automatically **in the scope of the EU Taxonomie**. ESRS requires disclosure of information in accordance with the EU Taxonomie.

Comprehensiveness



The information required by the ESRS is complex and vast. Companies need to disclose **forward-looking and retrospective information**, incl. reporting progress against set targets.

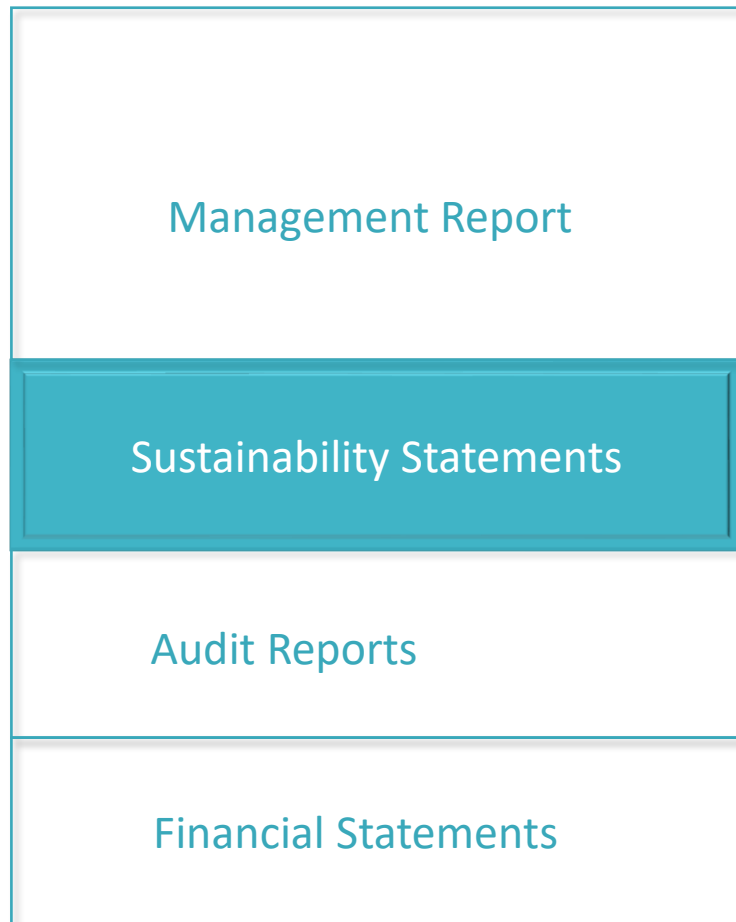
Scope



Companies need to include **value chain information**, where applicable. Companies will need to gain an understanding of the sustainability aspects of all relevant third parties.



Including ESRS information into the management report

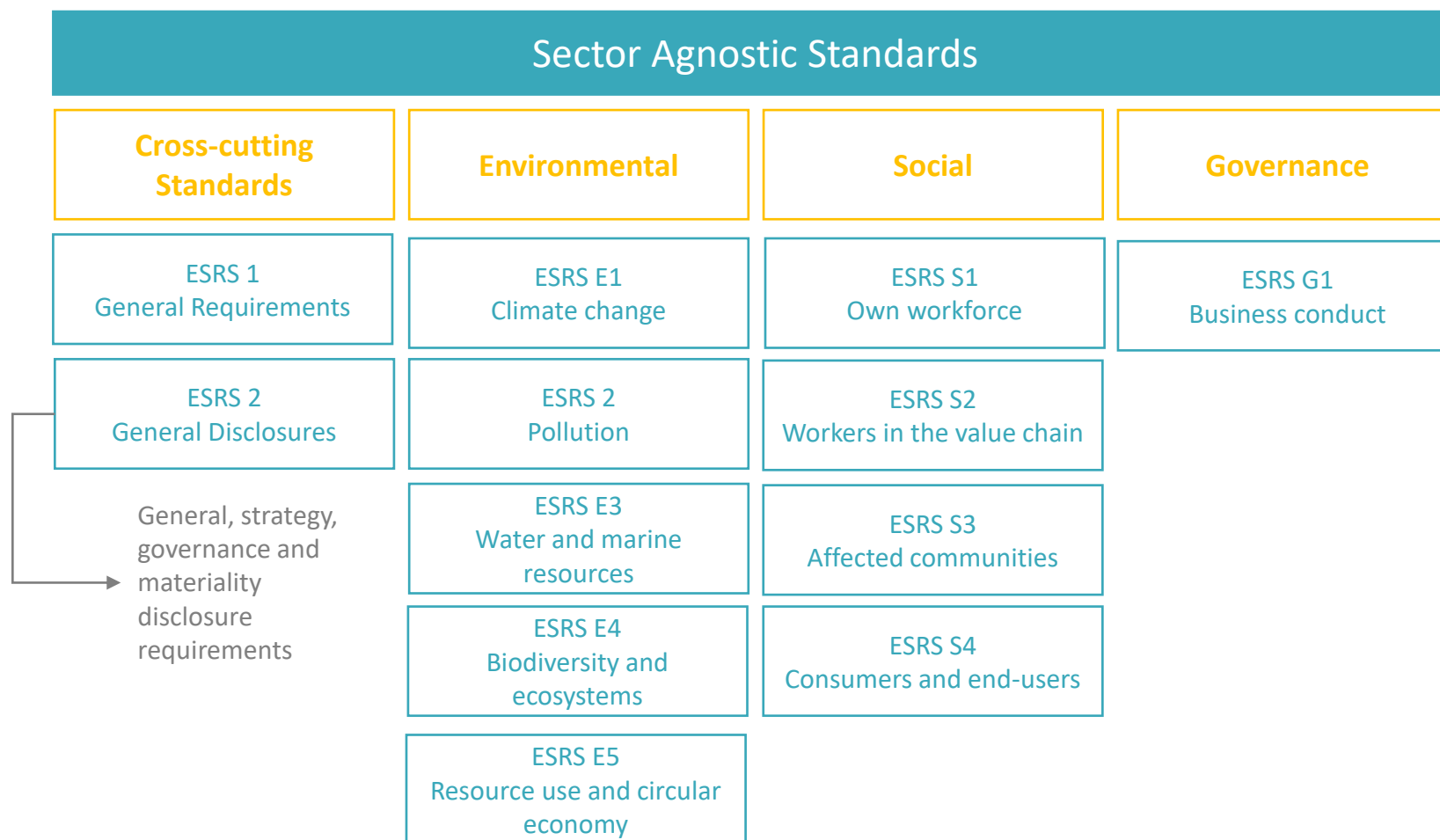


What is ESRS?

- The European Sustainability Reporting Standards (ESRS) set the structure and disclosure requirements, that entities in the scope of CSRD will need to report on.
- The ESRS consist of
 - 1 standard on general principles for sustainability reporting (ESRS 1)
 - 1 standard on overarching disclosure requirements (ESRS 2)
 - 10 topical ESG standards

→ In total, more than 1,100 data points
- Many reporting requirements are based on or are similar to those under global frameworks such as GRI and TCFD.
- The reporting set published to date is sector-agnostic. Sector-specific disclosures are in development.

The ESRS requirements at a glance

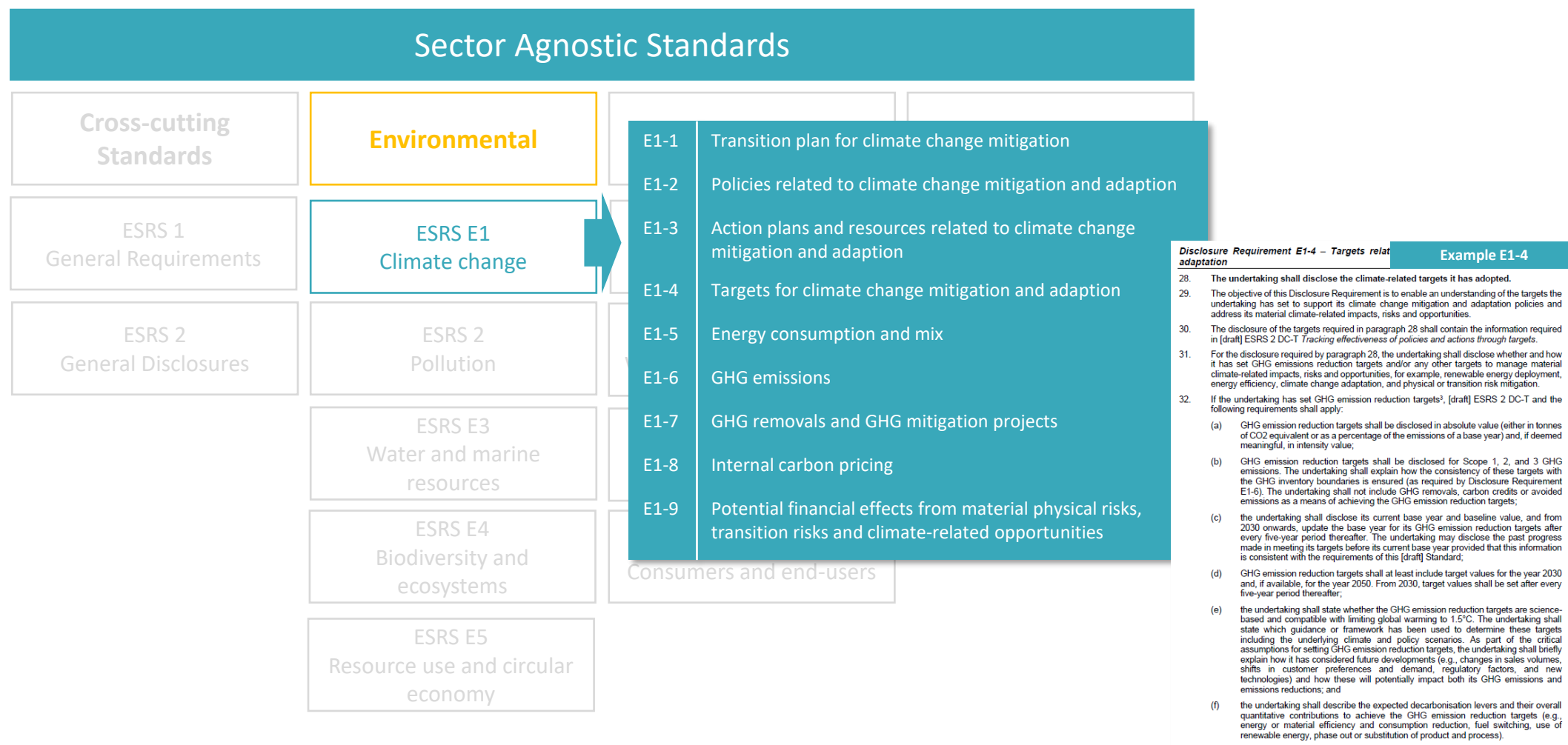


Sector-specific standards
(coming later)

SME-specific standards

- The cross-cutting standards (ESRS 1, ESRS 2) apply to all companies.
- The reporting of topic-specific standards (e.g. ESRS E1, ESRS S3) is dependent on materiality.

Unravelling the ESRS requirements – Example climate change



Understanding CSRD Double Materiality

What is double materiality?

Outside-in perspective:

Financial risks & opportunities caused by nature and society, e.g. climate change, demographic change



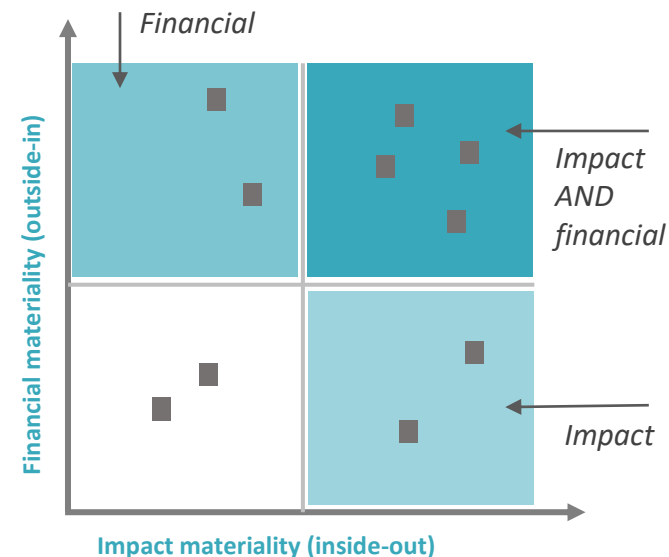
Primary audience: Investors, shareholders

Inside-out perspective: Positive & negative impacts by the organisation on nature and society, e.g. climate change, diversity



Primary audience: Consumers, civil society & local communities, employees, suppliers, etc.,

Double materiality combines financial and impact materiality.



- The double materiality analysis is a compulsory element of CSRD/ESRS.
- The analysis shall help a company identify
 - its most significant impacts on society and the environment.
 - sustainability-related risks and opportunities.
- The analysis enables companies to
 - select the material topical reporting disclosures.
 - gain insights to inform its sustainability strategy.
- Stakeholder engagement is a vital element of conducting a double materiality analysis.

Our CSRD Solutions

Our services to prepare your organisation for CSRD Reporting



CSRD Kick-off Workshop

- Common understanding of CSRD requirements and transition milestones; assigned responsibilities
- See slide 12



CSRD Double Materiality

- Assessment of financial- and impact materiality incl. stakeholder engagement
- Compliant with ESRS requirements
- See slide 13



CSRD Readiness Roadmap

- Detailed assessment of ESRS maturity
- Tailored action plan to achieve CSRD readiness
- See slide 14



Transition Report

Optional

- Publication of “test run” report based on 2024 data
- Aligned with ESRS requirements to the highest possible degree



First CSRD Report



- Publication of first CSRD report based on 2025 data
- Fully compliant with ESRS requirements
- Externally assured (“limited assurance”)

2024

Preparation stage

2025

2026

Delivery stage

Pricing for service offering depends on complexity of organisation and governance structure in place.



CSRD Kick-off Workshop

Approximately 2.5 hours workshop with all key topic owners to establish a common understanding of CSRD reporting requirements and key milestones of CSRD transition, to assign/reinforce internal responsibilities and to identify potential roadblocks.

Indicative workshop agenda

Overview of sustainability requirements

- Overview of recent developments in the (legislative) sustainability space and drivers for corporate sustainability
- CSRD and ESRS requirements

Company Transition Path

- Discussion of a company's status quo and key gaps to CSRD compliance (high-level)
- Milestone plan with timeline and responsibilities

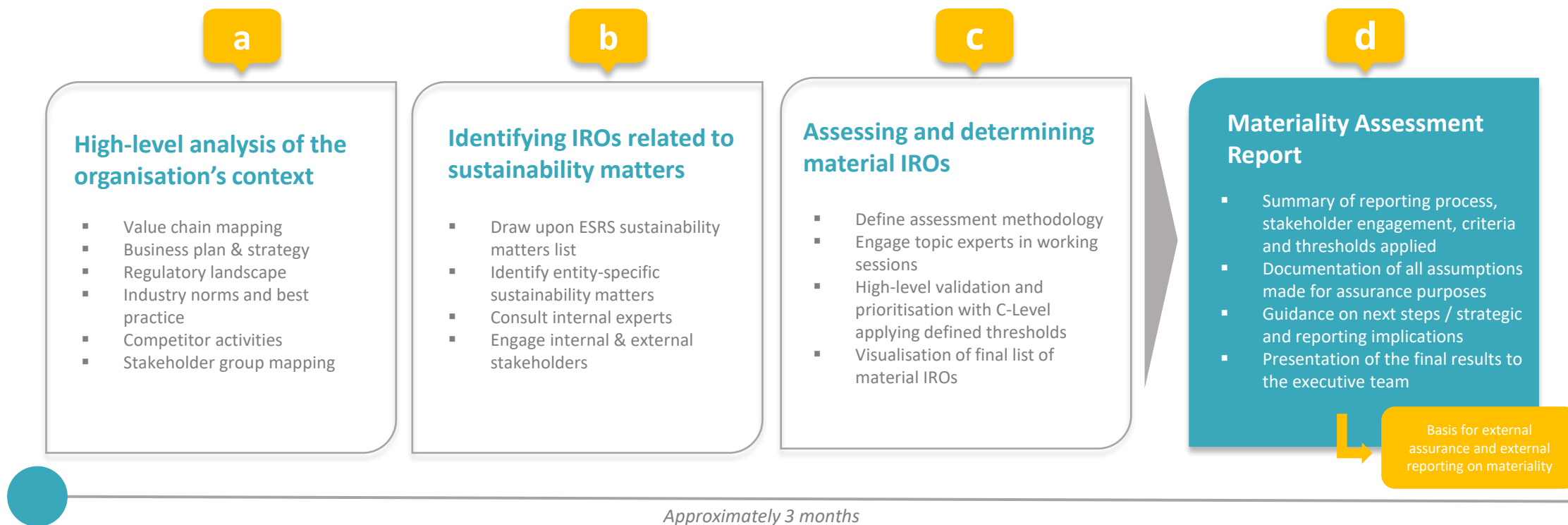
Interactive element

- Break-out sessions: With the help of guiding questions, topic owners identify what CSRD transition means for them and their teams, key stumbling blocks/challenges and potential solutions
-

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Double Materiality Assessment

Assessment of financial materiality and impact materiality in compliance with CSRD/ESRS requirements. The outcome will be a list of material topics relevant for topic-selection under ESRS and valuable for strategic insights. Key stakeholder groups will be included in the assessment. Sustainable Advantage will provide you with a Materiality Assessment Report summarising all key findings and preparing you for the next steps.



3

Customized CSRD Readiness Roadmap

a

Maturity Assessment

Analysing a company's CSRD readiness regarding the ESRS framework's over 1,100 qualitative and quantitative data points.

The maturity assessment establishes:

- Materiality (based on Double Materiality outcome)
- Compulsory / non-compulsory/ postponement allowance
- Availability of data
- Quality of data
- Documentation of data
- Data owners
- Required action

The maturity assessment is based on document evaluation and interviews with topic owners.

b

Action Plan

Customised action plan with clear timelines and responsibilities covering

- Strategic recommendations regarding sustainability strategy, ESG & climate governance, data governance & external assurance preparedness
- Detailed recommendations for all material / compulsory data points

CSRD Data points									
Disclosure number	Disclosure title	Sub-Disclosure ref.	Completeness Y / N	Materiality	Gap Analysis	Data quality	Data owner	Recommended Action	
ESRS 2 SDIM-2	Interests and views of stakeholders	43. To where applicable, how the undertaking has endeavored to respond to material strategic and business model risks address the interests and views of its stakeholders, including any further steps that are being planned and/or what timeline and whether these steps are likely to modify the materiality of the interests and views of stakeholders.	Y						
ESRS 2 SDIM-2	Interests and views of stakeholders	43.1. To where applicable, how the administrative, management and supervisory bodies are informed about the interests and views of affected stakeholders with respect to the undertaking's sustainability-related impacts.	Y						
ESRS 2 SDIM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	46. The undertaking shall disclose the material impacts, risks and opportunities resulting from its materiality assessment (see Disclosure Requirement 42) for the (short) Standard, together with a brief description. The disclosure shall include the following: (a) how the material impacts, risks and opportunities affect or are expected to affect (single or the environment, the reasonably expected time horizons for these effects, whether the undertaking is included with the material impacts through its activities or because of its business relationships (describing the nature of the activities or business relationships concerned and where in its value chain material impacts are concentrated); and whether and how the impacts originate from or are connected to the undertaking's strategy and business model(s).	Y						
ESRS 2 SDIM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	(b) how the material risks and opportunities relate to the undertaking, specifying which risks and opportunities the undertaking reasonably expects could have financial effects, including affecting its business model(s) and strategy, and the materiality assessment time horizons for those effects.	Y						
ESRS 2 SDIM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	(c) the effects of material impacts, risks and opportunities on its strategy and decision-making, including how the undertaking is responding to these effects. In this context, the undertaking shall disclose any changes the undertaking has made, or plans to make, to its strategy or business model(s) as part of its actions to address particular material impacts or risks, or to pursue particular material opportunities.	Y						
ESRS 2 SDIM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	(d) the financial effects of material risks and opportunities, specifically:	Y						

General Disclosures	Environment	Social	Governance	Overall CSRD Readiness
				

Maturity Assessment

Assigned readiness traffic light based on calculated percentages

4

Transition Report

Depending on where a company is in its journey to CSRD, we recommend planning a “test run”. This allows for stress-testing internal governance and newly established work streams and familiarises the company with ESRS reporting in practice. Sustainable Advantage can aid your organisation in determining the appropriate ambition level and facilitate every step of the reporting process.

Features of a Transition Report

- Report covering qualitative and quantitative information for the financial year starting in 2024, to be published in 2025
- Adhering to the ESRS requirements to the highest possible degree
- External assurance of selected KPI and selected qualitative information to prepare for a “limited assurance” of all qualitative and quantitative information in the subsequent year

Benefits of a Transition Report

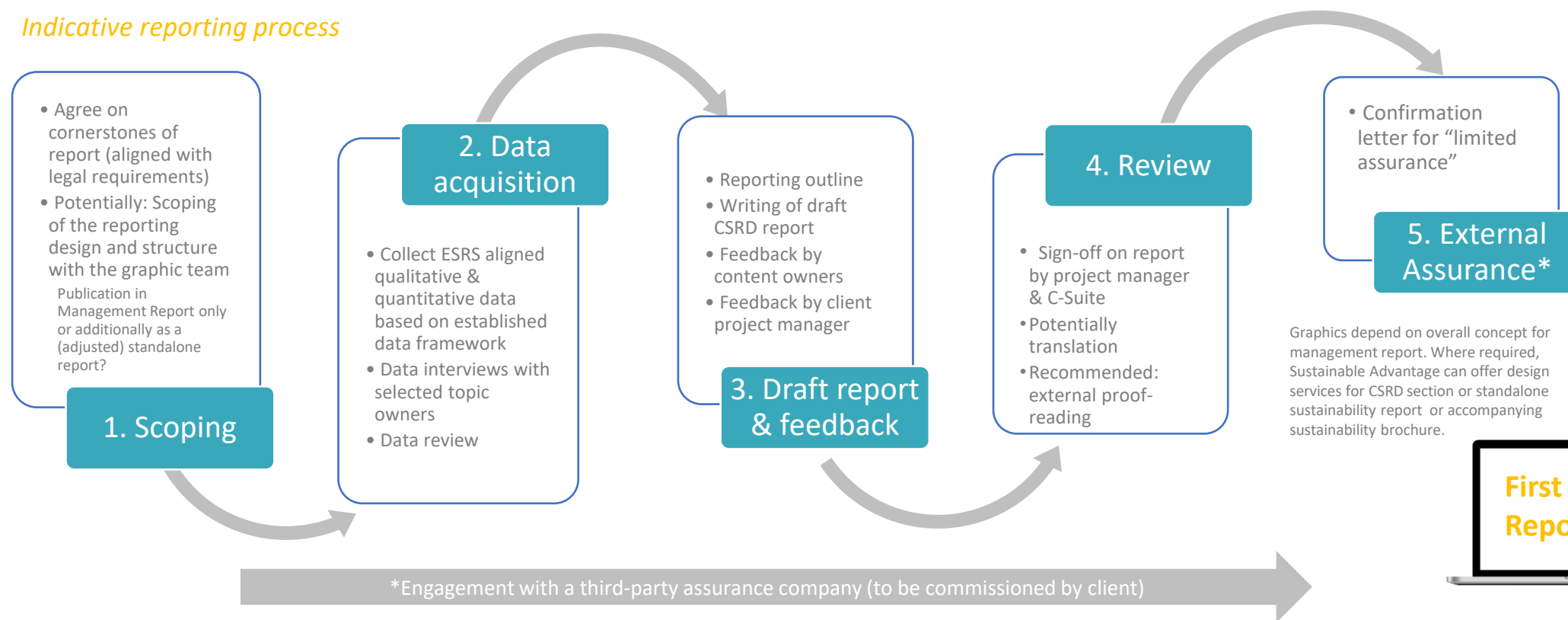
- ✓ Stress testing newly established internal governance, workstreams, and project plans across all relevant functions
- ✓ Facilitates data collection and editing in the upcoming year, as a foundation has been established
- ✓ Availability of (externally assured) quantitative data for comparison and trend analysis in the upcoming year
- ✓ Practice run with external service providers

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CSRD Report

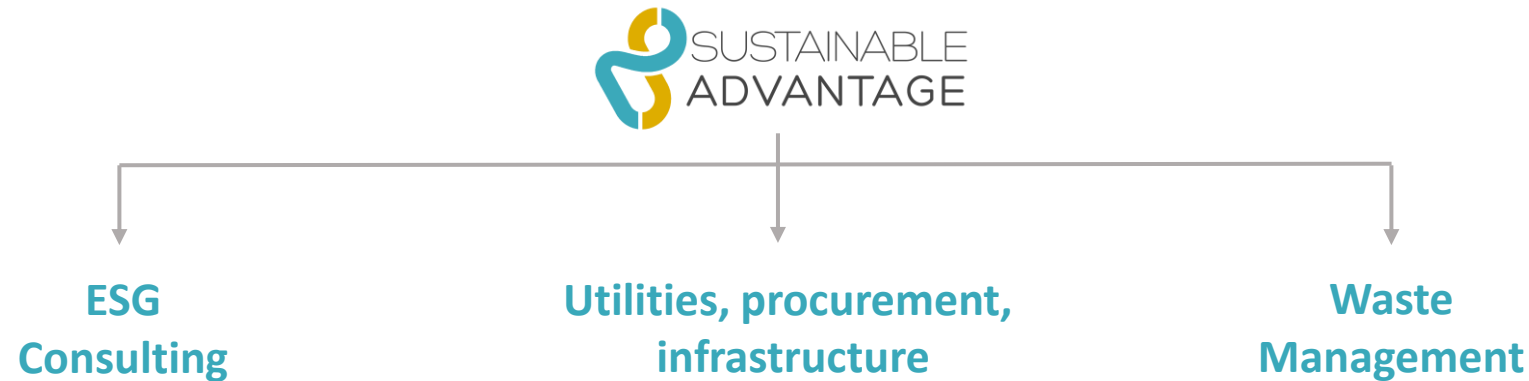
Supporting you in a smooth reporting process and ensuring compliance with the ESRS reporting framework. The result is your organisation's first CSRD Sustainability Report and blueprint for the following years.

Indicative reporting process

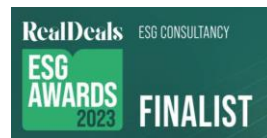


About Sustainable Advantage

We support over 500 companies globally across all sizes and sectors



- Over 500 national and international clients
- Over 40 Private Equity houses supported
- £450m of utilities and waste procured and managed for over 15,000 client locations in the UK



Private Equity Companies



Why work with Sustainable Advantage

Our ESG team has a strong track record in delivering ESG services to the mid-market Private Equity sector.

Our ESG products and services are tried and tested, expertly mapped against the PE investment cycle:

- Investment strategy
- Pre-investment due diligence
- Active asset management
- Divestment

The products and services that we can offer during each part of the investment cycle are illustrated on the next slide.



Private equity experience

A trusted partner in mid-market private equity, Sustainable Advantage has a strong track record, working with over 40 private equity funds and over 300 investee companies. Our work evolves in response to the changing aspirations and regulatory challenges of investors and organisations.



Collaborate approach

We pride ourselves in taking a collaborative and flexible approach to working with our clients. We have a range of skills and recognise the importance of listening to our clients' needs.



Technical knowledge and skills

We have a diverse team with rounded ESG knowledge and skills such as due diligence, Net Zero, and materiality.



Clear and actionable outcomes

We offer a range of bespoke ESG products and platforms, ensuring that we can deliver clear and actionable outcomes for our clients.

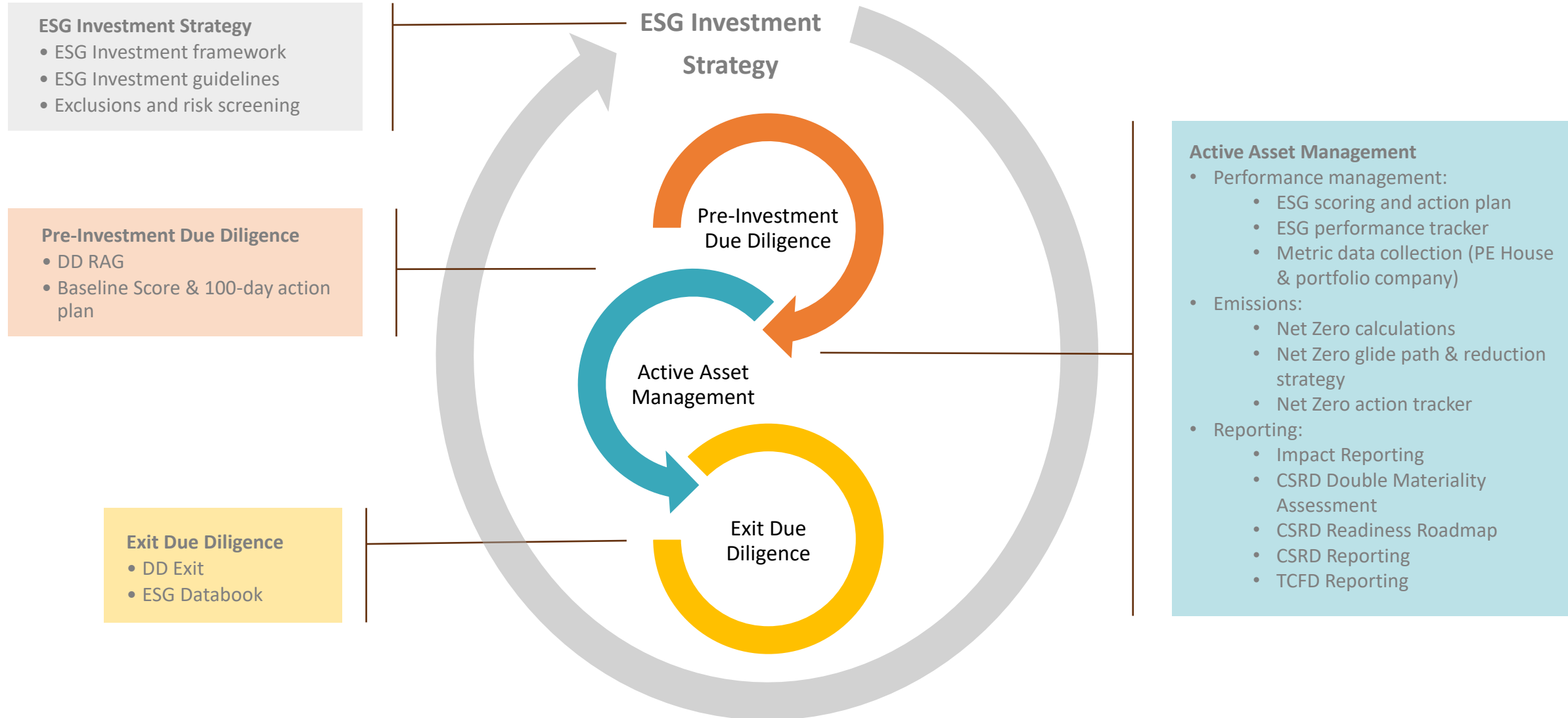


Partnerships approach

Sustainable Advantage has partnered with Worldfavor to provide a comprehensive software solution for data management across portfolio clients.

Managing your PE Investment Cycle with SA

The diagram summarises the products SA have developed to support your investment journey



Our team



James Stander
Founder



Sharon Dekker
ESG Director



Anna Govier
ESG Associate Director



**75 sustainability consultants and
experts across three business units**

Contact us for a free CSRD consultation

Jana Nikolin
Principal Consultant
Jana.Nikolin@sustainable-advantage.com

Emilie Jeanjean
Senior Consultant
Emilie.JeanJean@sustainable-advantage.com

