

What does the CSRD mean for UK businesses?

Tuesday 15 October | 10:00am-11:00am

Speaking today



Paul Holland
Assurance Lead
ESG & Sustainability
paul.i.holland@uk.gt.com



Scott Wilson
Advisory Lead
ESG & Sustainability
scott.wilson@uk.gt.com



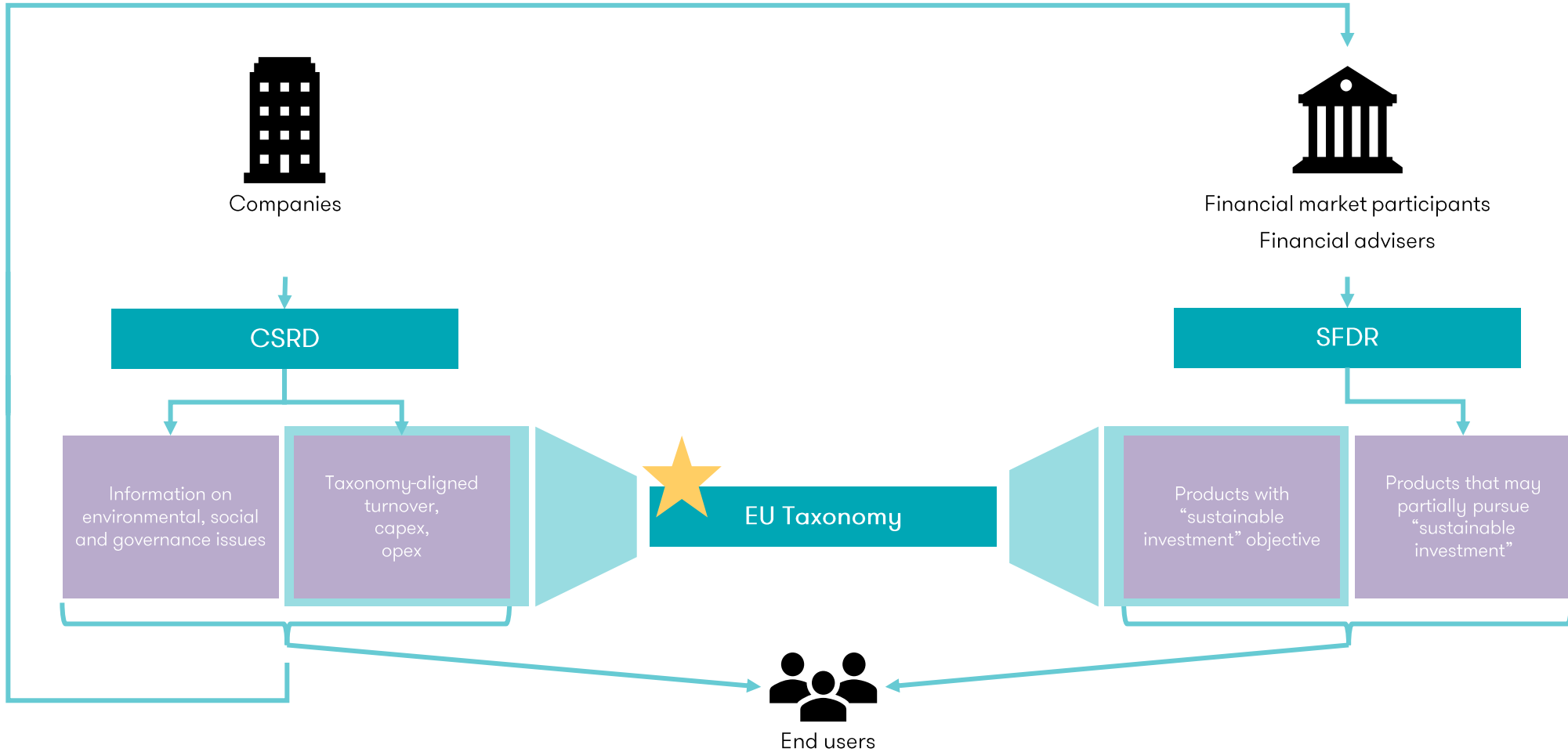
Laura Gardner
Reporting Lead
ESG & Sustainability
Laura.f.gardner@uk.gt.com

Agenda

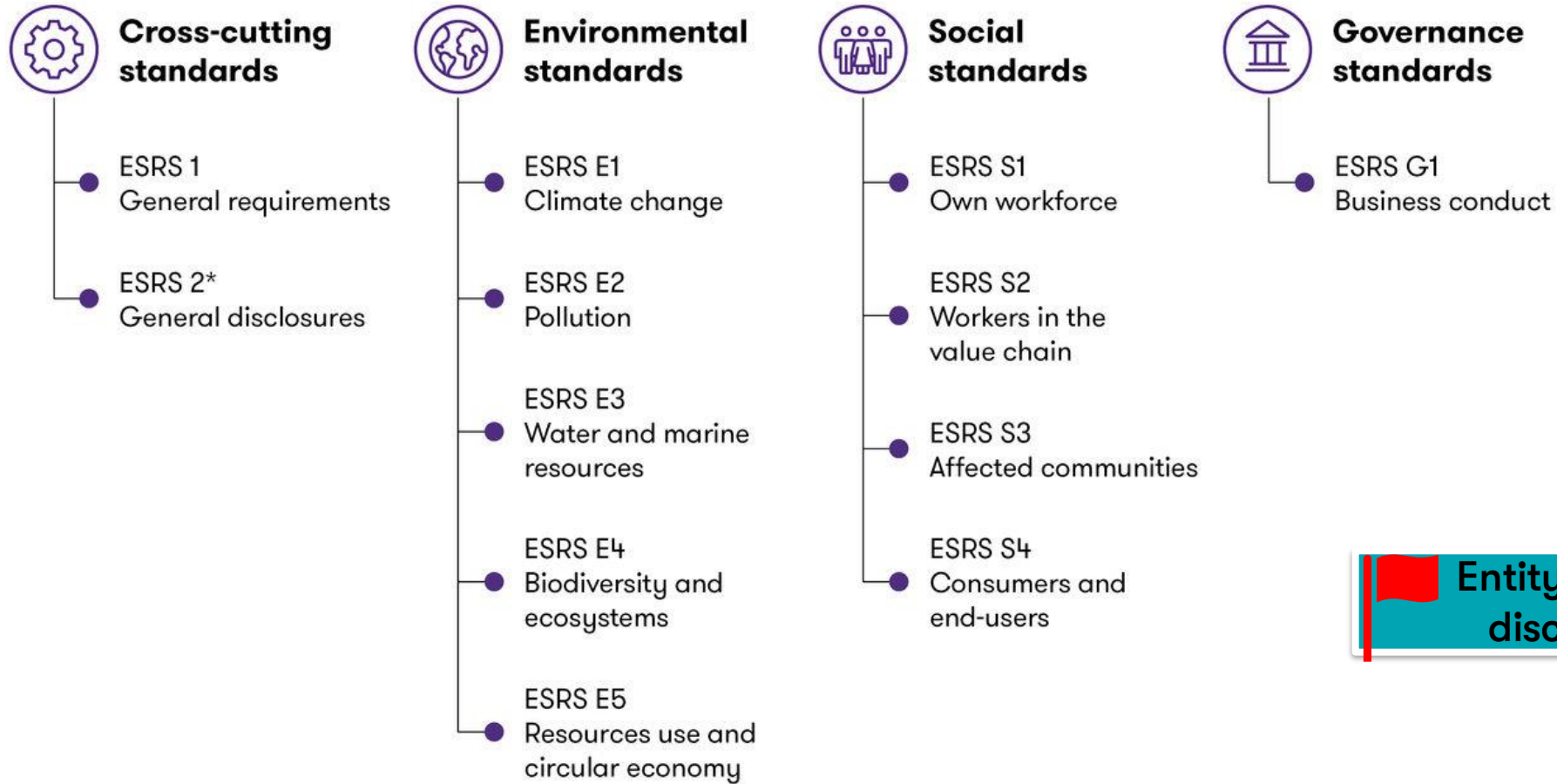
1	Introduction to CSRD	4
2	Alignment of the CSRD to UK regulations	15
3	Demystifying double materiality and creating strategic opportunities	19
4	CSRD assurance – Practical insights	23
5	Practical implementation steps	25
6	Q&A	27

1 Introduction to CSRD

Regulatory interplay in Europe



Introduction to EU Sustainability Reporting Standards (ESRS)

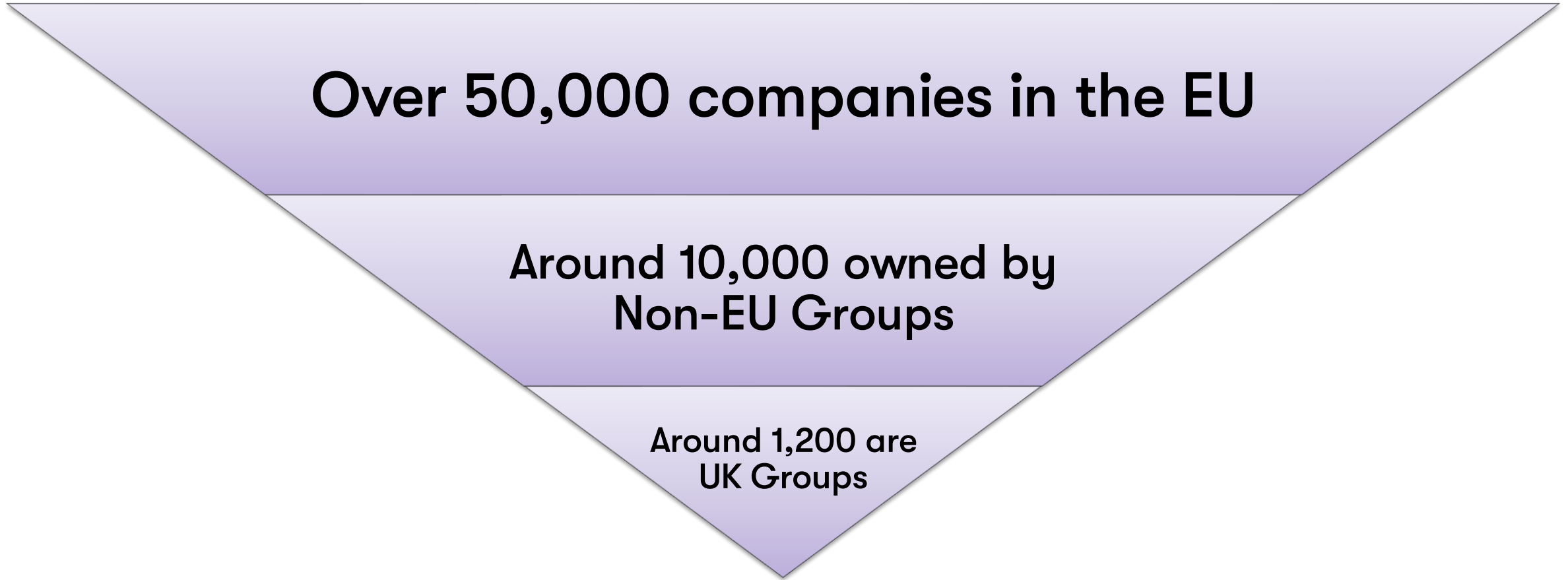


* Regardless of materiality assessment results, CSRD requires disclosures against this topic

Member states are in the process of transposing CSRD into national law

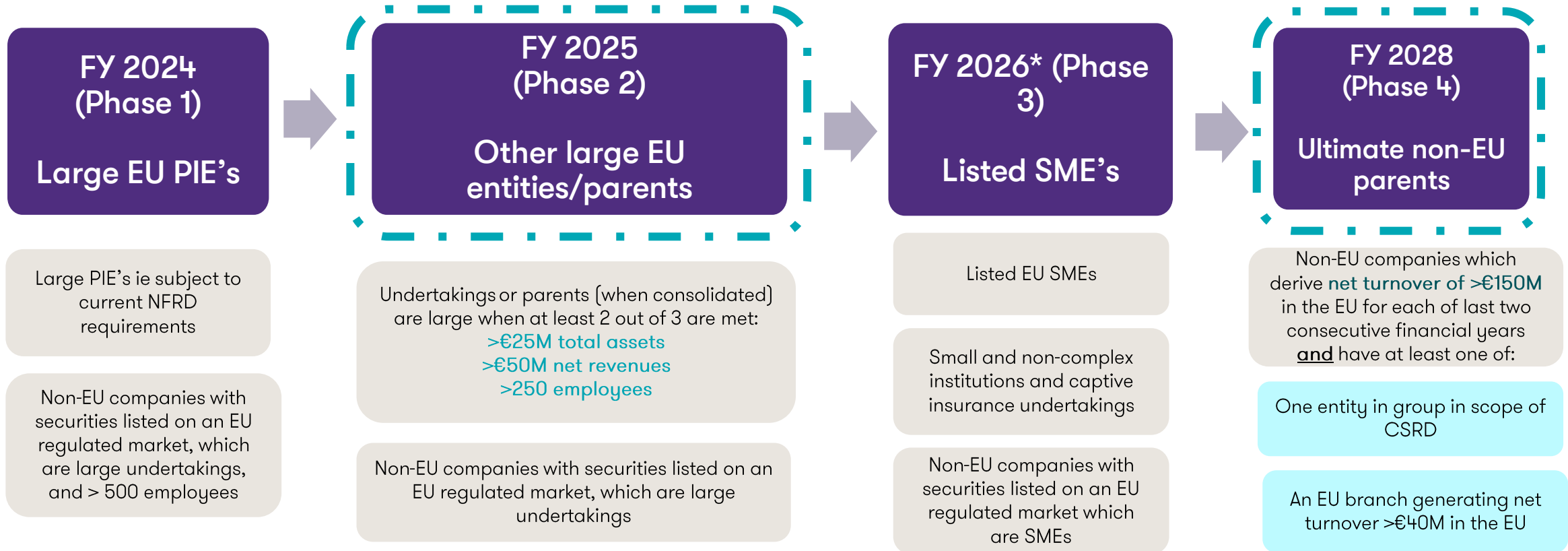


Why is the CSRD relevant to my UK business?



When does CSRD first apply?

It depends on how you fall into scope of CSRD...



* Two-year opt out option

Key things to watch out for...

Listed debt/equity
in Europe

Intermediate
holding companies
incorporated in
Europe

Net turnover in
Europe over €150m

Group
reorganisations

Growth

Bottom-up
assessment

Exemptions which may be available to you



Group exemption

- The parent will need to voluntarily make available group-level sustainability reporting per full ESRS
- Subsidiary will need to make certain disclosures such as a link to the Group report and assurance opinion
- Not available to all eg large listed entities

Artificial consolidation

- Prepare an “artificially” consolidated sustainability report (similar to combined financial statements) that includes only those subsidiaries that fall under the general scoping
- Filed by EU subsidiary that generated the greatest turnover in at least one of the preceding 5 years
- Available until 2030
- Not available to all eg large listed entities

Weighing up the best way for your group to report



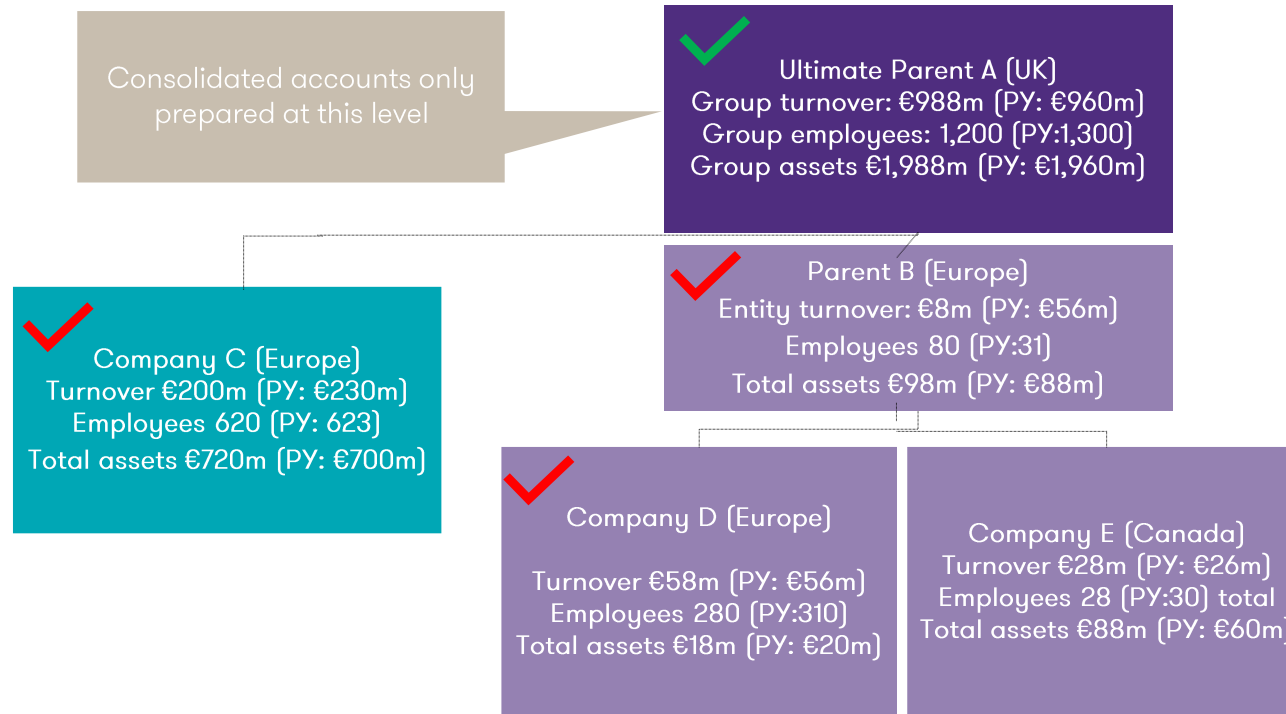
Entity-level
(Art 19a)

Consolidated
EU (sub)group (Art 29a) or
Global consolidation (Art 40a)

**“Artificial
consolidation”**
(Art 48i)
Relief available until 2030



Bringing this to life with an example



Potential reporting options:

- Entity-level reports: Company C and Parent B (consolidated)
- One artificially consolidated report: Company C (filer) and Parent B (consolidated)
- One consolidated report by ultimate Parent A: Consolidated global report

*All entities are not listed entities or PIE's

** Consolidated revenue generated in the EU exceeds €150 million for each of the last 2 years

- ✓ Entity would fall in scope of CSRD in 2025
- ✓ Entity would fall in scope of CSRD in 2028

Documenting your scoping considerations

Scoping evaluation

Judgements and assumptions

Exemptions

Company-specific information

Reporting decision

2 Alignment of the CSRD to UK regulations

UK sustainability reporting landscape



The alignment to the UK landscape

Moving beyond
climate

Annual reports

4 key pillars:
Governance,
Strategy, Risk
Management,
Metrics and Targets

Sector specific
standards

Connectivity with
financial
statements

The key differences...

Assurance

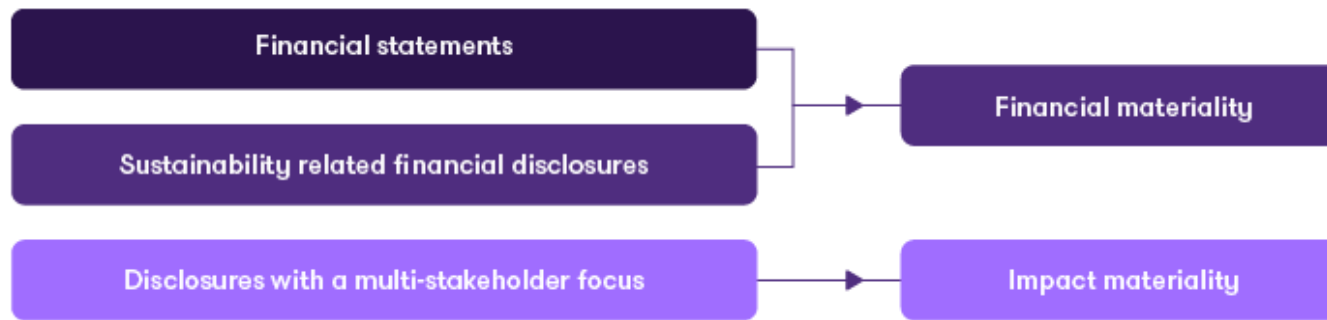
Topical standards

Definition of
materiality

3 Demystifying double materiality and creating strategic opportunities

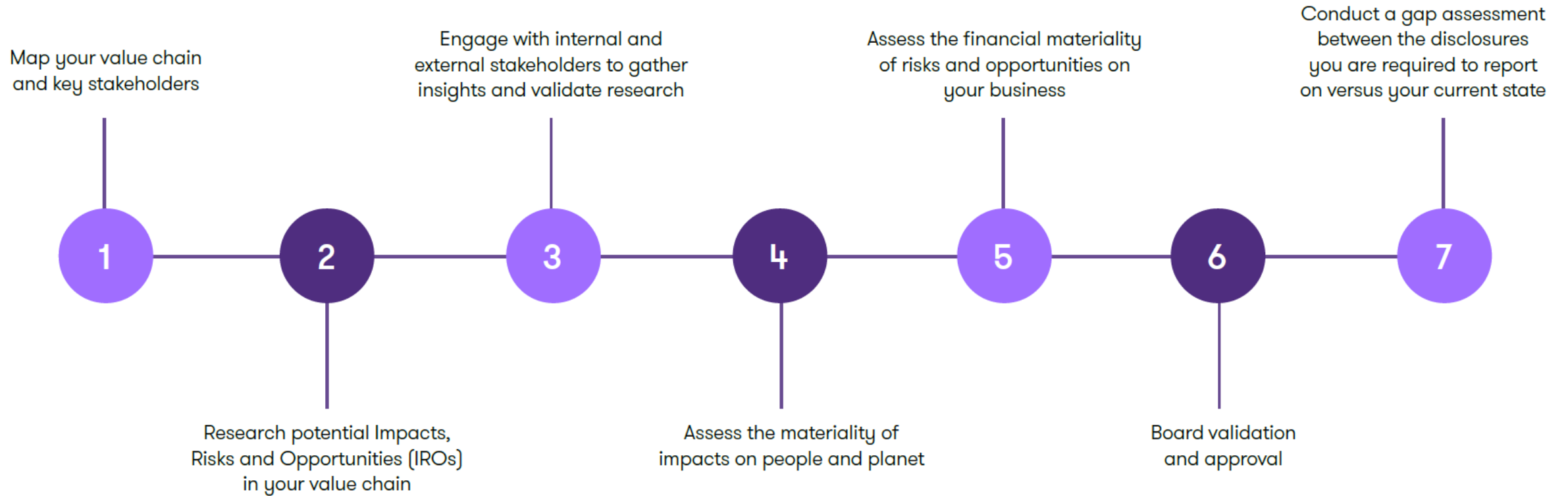
What is the 'double materiality' principle?

ESRS and CSRD introduce the concept of double materiality.



Financial	Impact
A sustainability matter is material if it triggers material financial effects – risks or opportunities (outside-in)	Actual or potential positive or negative impacts on people or the environment over the short-, medium- and long-term horizons (inside-out)
Similar with assessment for financial statements on material financial matters to be disclosed	This includes impacts linked to own operations, product, services or through business relationships (including value chain)
Likelihood of occurrence and the potential magnitude of their financial effects in the short-, medium- and long-term	Severity (scale, scope and irremediable character of the impact) and, for potential impacts, also likelihood

Double Materiality Assessment



Strategic opportunities

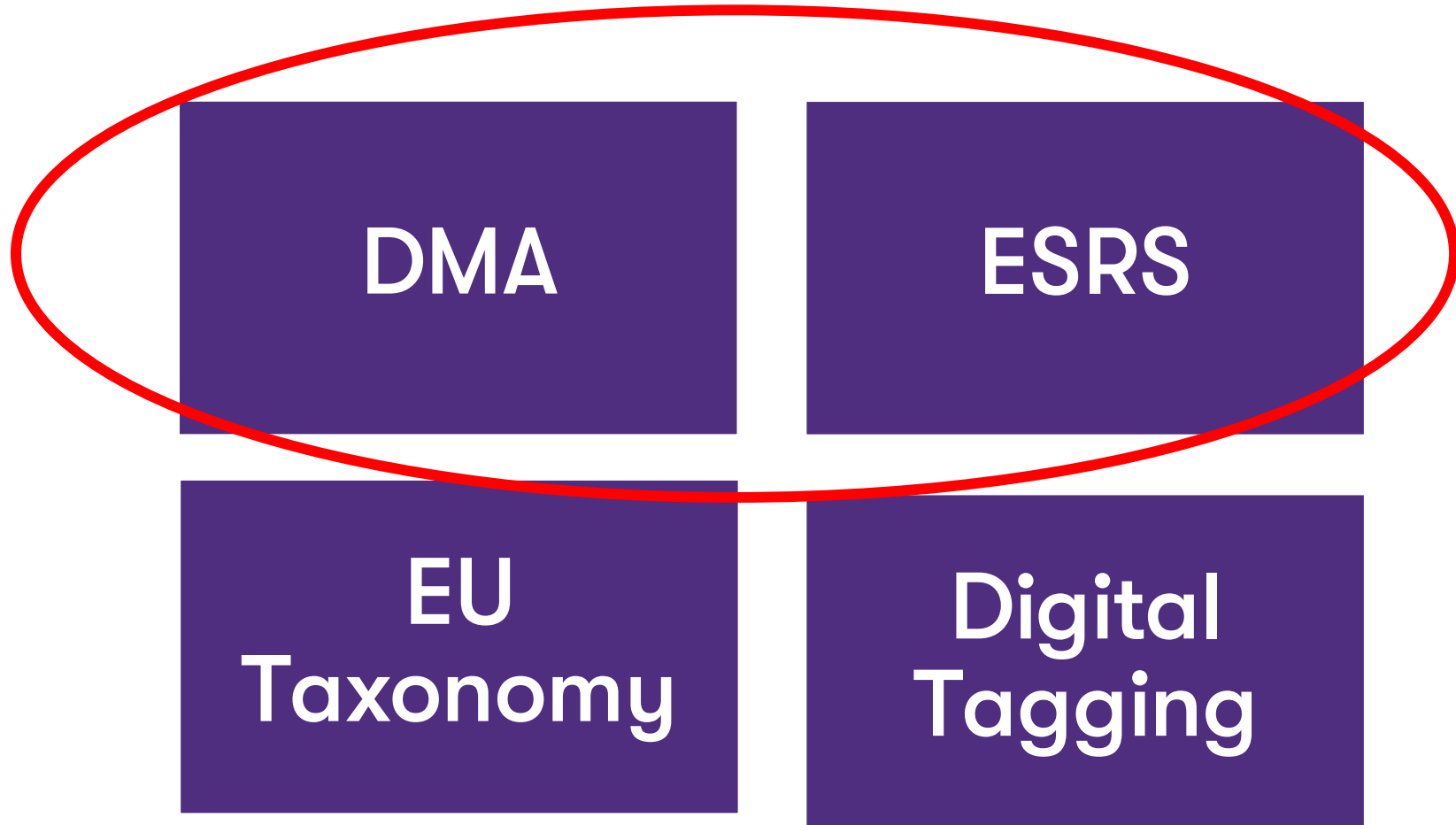
Maximising stakeholder
engagement

Focus and prioritisation for
sustainability strategy

Business resilience and cost
optimisation

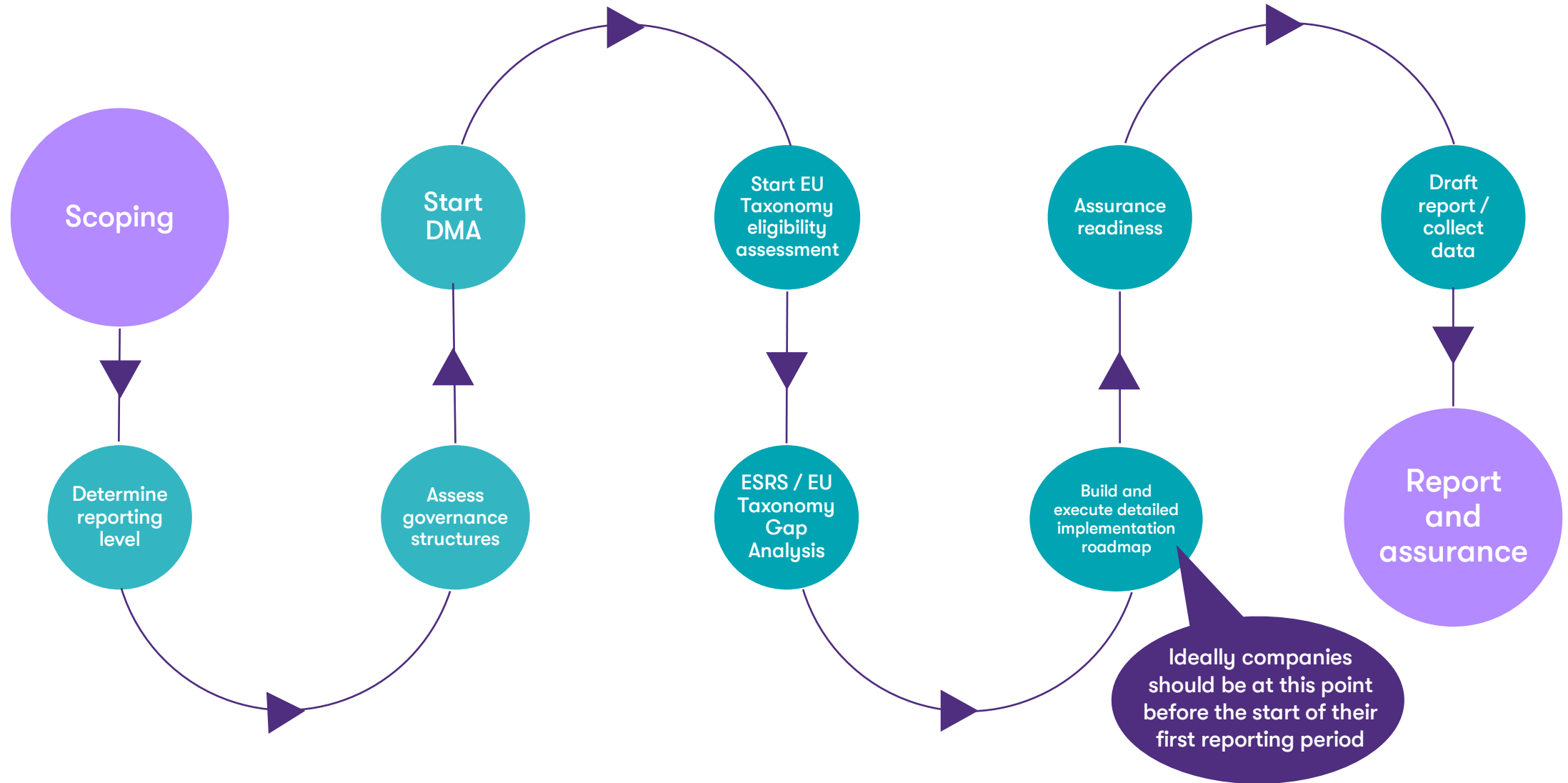
4 **CSRD assurance** **Practical insights**

Four components of CSRD assurance



5 Practical implementation steps

Typical CSRD implementation steps



7 Q&A



© 2024 Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.