



Get ready for the next wave of ESG reporting

Helping you tackle the Corporate Sustainability
Reporting Directive.

KPMG Switzerland | kpmg.ch/esg



Contents

03



Get ready for a new level
of ESG reporting

07



What does the CSRD
mean for companies?

10



How ready is
your company?

Get ready for a new level of ESG reporting



The EU's Corporate Sustainability Reporting Directive (CSRD) is transforming ESG reporting. Starting from 2024, almost 50,000 companies are subject to mandatory sustainability reporting, including non-EU companies which have subsidiaries operating within the EU or are listed on EU regulated markets.

On 31 July 2023 the European Commission (EC) has published the final text of its first set of twelve European Sustainability Reporting Standards (ESRSs). The ESRSs are much more rigorous in scope and depth of disclosure requirements than the current Non-Financial Reporting Directive (NFRD). Affected companies must now report in accordance with ESRSs and disclose over hundreds of metrics and targets.

With the first CSRD reports due in 2025 — for companies with year-ending 31 December 2024 — the clock is ticking, and companies should be prepared to provide accurate information from different parts of the organization to support the new assurance requirements. In this paper we discuss potential impacts of the CSRD on your company and concrete steps to prepare for CSRD readiness.

Key changes under the CSRD

- 1 Many more companies will have to report on ESG information, including listed small and medium-sized businesses and organizations headquartered outside the EU.
- 2 The sustainability report must be disclosed as part of the management report.
- 3 The principle of double materiality (impact and financial materiality) applies.
- 4 Significant extension to the scope and number of disclosure requirements, including topics such as biodiversity, resource use, treatment of your own and suppliers' workforce, and business conduct.
- 5 Full integration of the EU taxonomy.
- 6 Limited assurance of ESG reporting is mandatory.



The evolution of ESG reporting

Over the past two decades, ESG reporting has increased in transparency and importance, with greater integration of ESG-related information into mainstream financial reporting.

According to [KPMG's 2022 Global CEO Outlook](#), 69 percent of CEOs see significant stakeholder demand for increased transparency and reporting on ESG matters (up from 58 percent in 2021). Next to this, 72 percent feel that stakeholder scrutiny regarding ESG issues — such as climate change and gender equality — will continue to accelerate. Additionally, more than one-third believe their organizations struggle to narrate a compelling ESG story.

The number of companies that publish a sustainability report has been growing steadily over the past decade. [KPMG's 2022 Global Survey of Sustainability Reporting](#) shows that 79 percent of the N100 group (the leading 100 companies in every country surveyed) report on sustainability. Among the world's top 250 companies (G250), this figure is 96 percent.

For smaller companies, however, these figures are likely to be considerably lower. With the CSRD taking ESG reporting to a new level, every organization that falls into the scope of the CSRD must start putting together a plan to prepare for the first reporting year under the new standards.

ESG drives business resilience and competitive advantages

Investors increasingly recognize the link between sustainability and corporate success. Overall, they are more likely to direct their investments towards companies that can clearly demonstrate their ESG credentials. Nearly three-quarters of CEOs surveyed in the 2022 KPMG CEO Outlook agree that progress on ESG improves corporate financial performance, which is an increase of 38 percent compared to 2021. Greater transparency enables investors and stakeholders to make informed decisions based on companies' true level of sustainability.

Companies must now also disclose, in greater detail, their transition plans to a lower carbon economy, supported by clear actions and reflected in their strategy. Implementing the standards is not just about compliance, it's a strategic, board-level issue. And more and more suppliers are being asked to share information about the integrity of their supply chains. Specifically, concerns about vulnerabilities to climate change and strategies for climate change mitigation and adaptation are frequently being raised. Organizations which cannot provide the required level of transparency risk exclusion from their traditional marketplaces. This is about how companies face social risks as well as climate risks, and physical as well as transition risks — all the more reason to integrate ESG into corporate risk management systems. The effective management of ESG risks and opportunities helps companies build future-proof and resilient businesses.



KPMG insight:

Companies need to continue to make urgent progress with ESG reporting in a way that supports their short-term and long-term business objectives. A robust sustainability reporting ecosystem can help businesses not only measure progress on executing their ESG strategy, but also support businesses in driving value while mobilizing capital markets to help support innovative and much-needed solutions to the many societal issues we face.

John McCalla-Leacy

Head of Global ESG
KPMG International and Head of ESG
KPMG in the UK

What does the CSRD mean for companies?



Far more ESG performance data to report — across a wider range of topics

From 2024 onwards, companies will have to report on over hundreds of metrics and targets. In addition to tracking performance on climate change, the circular economy and pollution, organizations should be transparent about how they tackle biodiversity loss, and reductions in resource and water use — where this is material, or part of mandatory items required by other EU legislation. Social challenges like the treatment of workers, within their own organization and across the value chain, are also part of the new CSRD. Also, disclosures related to business conduct policies including corruption and bribery prevention, supplier relationship management, lobbying activities and payment practices fall under the G standard.

This is an extension to both the range of indicators that companies need to report on, and the depth of information required, with a need for far greater transparency over the entire value chain.

Tens of thousands of companies must now report for the first time

Many companies within the EU and beyond must report in compliance with the CSRD. This includes all companies listed on the EU regulated markets, although small and medium-sized enterprises (SMEs) will not have to comply until January 2026 and even have an “opt-out” clause until 2028.

Added to this are companies of a certain size, referred to as “large undertakings”, which may be EU companies or EU subsidiaries of companies from outside of the EU. These companies must fulfill two out of the following three criteria:

- net turnover of EUR40 million or more and/or
- a balance sheet of EUR20 million or more and/or
- minimum of 250 employees.

Listed or large insurance companies and credit institutions will also have to comply. Finally, non-EU companies with a turnover of more than EUR150 million in the EU, with at least one subsidiary or a branch in the EU territory with turnover of more than EUR40 million in the EU, must publish a sustainability report from 2028 on. Compared to the NFRD, the CSRD expands the number of companies from 11,600 to almost 50,000, covering more than 75 percent of European companies’ total turnover. Most of these are likely to be unfamiliar with such a comprehensive and detailed ESG reporting requirements and some might have never released an ESG report of any form.

Effective ESG reporting will not happen overnight

One of the core objectives of the CSRD is to ensure that ESG and financial reporting become of equal importance.

Although many companies have already been reporting on their sustainability performance for some time, the CSRD will require a new level of disclosure, with ESG reporting now a board-level priority. Companies need to disclose their policies and targets across a wide range of areas, including emissions reduction targets and resource conservation plans. This transparency may drive them to revisit or develop policies and targets, and integrate ESG into corporate strategy and operations. To achieve this, they must set up processes to gather ESG data, evaluate ESG performance, and report according to the ERSs in an appropriate, auditable way.



KPMG insight:

The Corporate Sustainability Reporting Directive (CSRD) has accelerated sustainability reporting. Two of the key aims of the CSRD are comparability and reliability. Comparability between companies in scope will be achieved through a consistent set of standards developed for EU companies. Reliability will be achieved by quality of information requirements, an appropriate due diligence and governance set up as well as an upcoming limited assurance obligation. Therefore, ESG reporting is a significant, board-level priority.

Goran Mazar

Partner, EMA & German
Head of ESG and Automotive
KPMG in Germany

A substantial change management exercise

As companies' ESG performance comes under growing scrutiny, ESG reporting is going mainstream. Keeping track of and adapting to evolving sustainability regulations has become a critical strategic priority for boards. As some companies only have a year before the first reporting period starts, it is vital to be prepared by considering the following key items:

Establish a board-led governance structure

Companies need processes and controls — as well as involvement of appropriate senior management — to identify impacts, risks and opportunities and perform a materiality assessment to cover both their operations and their upstream and downstream value chain. The application of double materiality means that companies must identify material topics from a financial and an impact perspective. Additionally, processes for data validation should be set up as part of ESG controls to help ensure data completeness and accuracy. To do this a cross-functional governance structure and sophisticated ESG data management systems are required.

Set up a due diligence process across complete value chains

Organizations can manage ESG risk exposure by identifying adverse impacts along their value chain, initializing preventative or mitigative measures, and tracking their impacts to adjust them accordingly.

Integrate ESG into corporate risk management systems

Internal controls, appropriate monitoring, and governance are essential to meet the ESRSs requirements. Resilience should be considered from an “outside-in” perspective, must be company specific, and material.

Prepare for assurance

According to the [2022 Survey of Sustainability reporting](#), less than half (47 percent) of N100 companies obtain independent external assurance of sustainability reporting information — which was slightly less than in 2020. Limited assurance of sustainability information is mandatory under the CSRD and there is ambition to move to reasonable assurance at a future date. Typically, assurance is provided by a company's auditors. Therefore, conversations with auditors should begin as soon as possible to help ensure thorough preparation and preconditions are present.

Consider short, medium, and long-term time horizons

Stakeholders expect qualitative and quantitative reporting to be both forward-looking, covering the short, medium, and long term, and retrospective. To satisfy ESRS, companies need to explain their strategy and targets. Consequently, every company should set a net-zero emissions target. They must understand the long-term implications of such targets and develop realistic roadmaps to meet such targets.



KPMG insight:

Limited assurance of sustainability information is mandatory under the CSRD and is expected to shift to reasonable assurance as of 2028. Typically, assurance is provided by a company's auditors. Therefore, conversations with auditors should begin as soon as possible to help ensure thorough preparation.

Ruth Tang

ESG Reporting & Assurance Leader
KPMG in the US

Companies must ensure the necessary preconditions for assurance are present and issues addressed before going through the assurance process. This will reduce the risk of poor outcomes in the future.

Michael J Shannon

Global Head ESG Assurance
KPMG International and Partner
KPMG in the US

A man and a woman are shown from the chest up, looking down at a small plant growing from a wooden boardwalk. The woman, on the left, has dark curly hair and wears glasses and a light blue t-shirt. The man, on the right, has a beard and wears an orange and white striped polo shirt. They are outdoors, with a sandy beach and the ocean in the background. The lighting is bright, suggesting a sunny day.

How ready is your company?

Even those companies that are fairly advanced in their sustainability reporting are likely to require significant improvements to the way they gather, process and report data across environmental, social and governance topics across their entire upstream and downstream value chain.

The ESRs are complex and companies need to understand what to disclose, and identify any gaps in their existing ESG measurements and reporting.

For this purpose, KPMG professionals have developed a fast-track readiness assessment to evaluate companies' level of preparedness for the new CSRD. To provide an accurate indication of companies' current level of preparedness the tool has been based on the final ESRs. With help of this tool companies' most recent publicly available report(s), including annual, sustainability and CDP report(s), are reviewed. As the assessment follows a standardized approach, it allows for the evaluation of any company that will be subject to the CSRD. As a result, CSRD compliance can be benchmarked across different industries and different company sizes.

How KPMG can help

Sustainability is vitally important for all companies. KPMG firms support organizations of any ESG reporting level to make their sustainability transition as smooth and beneficial as possible. The CSRD will require corporations to integrate ESG as a major topic in their Risk discussion which must be qualified and quantified in their ERM. Our five-phase approach can help you embed the CSRD requirements in your organization while, at the same time, seizing ESG-related opportunities.

With our tailored, modular project approach, and KPMG professionals extensive experience in providing advisory and assurance services over sustainability reporting, we deliver pragmatic solutions and services to help you address the CSRD challenges and to help you get ready for a new level of ESG reporting.



KPMG insight:

The scope and complexity of the ESRs is unprecedented. With the deadline for first reporting fast approaching, companies should start preparing themselves in a holistic way.

Silvan Jurt

Partner, Head Corporate Sustainability Services
KPMG Switzerland



Contacts

Silvan Jurt

Partner, Head of
Sustainability Services
KPMG Switzerland

T +41 58 249 50 25
E sjurt@kpmg.com

Theresa Tiersch

Senior Manager,
Sustainability Services
KPMG Switzerland

T +41 58 249 22 88
E theresatiersch@kpmg.com

For more information visit kpmg.ch/esg

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.ch/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The scope of any potential collaboration with audit clients is defined by regulatory requirements governing auditor independence. If you would like to know more about how KPMG AG processes personal data, please read our Privacy Policy, which you can find on our homepage at www.kpmg.ch.

© 2023 KPMG AG, a Swiss corporation, is a subsidiary of KPMG Holding AG, which is a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

January 2023

Subscribe today to receive the latest ESG-related content straight to your inbox.

KPMG ESG insights

For more information about how you can help your organization fulfill its purpose and achieving its ESG goals, check out and subscribe to ESG insights, which is an ongoing subscription that allows you to receive articles, publications, webcasts and podcasts curated for ESG leaders.

kpmg.com/esg
kpmg.com/esginsights

For more information, please visit our curated content related to ESG reporting:

