Ready for the change?

An Analysis of Irish Companies' ESG Reporting Readiness

KPMG Sustainable Futures

Ready or not, here it comes

We are on the verge of a profound change in the corporate reporting landscape, with ESG reporting about to transition from niche to mainstream, where sustainability-related risks, opportunities and impacts are measured and reported with the same rigour as financial metrics.

Stakeholders' expectations are evolving and in the wake of COP26, there is now real political momentum pushing the relevance and salience of non-financial reporting away from "nice to have" to it being a strategic and statutory priority. Multiple factors are driving this change, including regulation, societal demand, capital allocation and supply chain expectations.

Non-financial reporting has largely been the preserve of listed entities up to this point and a lack of definition in frameworks and standards has led to challenges in interpreting the reporting provided by those entities. That is all about to change and, in particular, the proposals set out in the EU's Corporate Sustainability Reporting Directive ("CSRD"), which we discuss in this report will greatly widen the net of companies required to provide detailed non-financial reporting.

In our report, we have analysed the readiness[1] of the selected 25 largest listed companies in Ireland as well as the selected 25 largest non-listed companies against the proposed requirements of the CSRD. We discuss the preparedness of the companies examined and consider the key challenges companies falling within the regulations are likely to encounter. The aim of the report is to aid companies in developing an understanding of where they are in relation to their sustainabiliity reporting journey and what they need to do in order to fully prepare for implementation.

1 The criteria of assessment includes the following proposed requirements in relation to materiality assessment, obtaining external assurance, consideration of stakeholder interest & sustainability impacts in business model & strategy, role of board/management and target setting & reporting on progress made against the targets.

What's driving the change?

There is a growing awareness and a strong push from various stakeholders for companies to respond to emerging sustainability risks, and transparency in reporting on its impacts on investment decisions, environmental sustainability, social license to operate and long-term profitability.

Key drivers of change

1. A core objective of EU climate policy is to redirect capital away from unsustainable businesses and towards sustainable enterprises. EU corporate sustainability reporting is seeking to provide greater clarity and transparency so that investors and stakeholders can make better informed decisions on a company's true level of sustainability.
2. In the US, while there are no Federal Regulations on the horizon, a number of initiatives within individual States and a series of SEC announcements are impacting on corporate reporting.
3. Investors and other stakeholders are pushing hard for change and companies are recognising the link between their green credentials and their need to secure investment.
4. Suppliers are increasingly being asked to share information about the integrity of their supply chains, their vulnerability to climate change and their strategies to reduce greenhouse gas emissions. Their responses vary widely. It is reasonable to expect that companies will increasingly face pressure to adapt and mitigate their climate impacts or face exclusion from their traditional marketplaces.

Key highlights

Only 4%
obtain any external assurance over their sustainability-related indicators

54%
of companies did not report targets set on any material topics

54%
either did not publish any sustainability-related information within the annual report or reported this information in a separate sustainability report

60%
of companies have not disclosed their progress towards achieving targets

66%
of companies did not include a description of the process applied to determine material topics in their reporting

50%
of companies do not clearly describe the role of the board and management in relation to sustainability

70%
of companies did not make any reference to double materiality in their reporting

The business model
and strategy of 58% of companies as described in external reporting do not take account of the interests of stakeholders

Corporate Sustainability Reporting Directive ('CSRD')

On 21 April 2021, the European Commission published ambitious proposals to strengthen the nature and extent of sustainability-related information which will be required to form part of corporate reporting in the EU over the coming years. The CSRD proposes profound changes to reporting requirements and will be fundamental in supporting the Commission's stated objective of directing capital flows towards sustainable activities across the EU.

The CSRD significantly expands the scope of the existing Non-Financial Reporting Directive (NFRD) requirements to cover all large undertakings[3] as well as all those listed on EU regulated markets, with the exception of micro-entities. While the NFRD covers approximately 11,600 companies and groups across the EU, with the CSRD expected to cover approximately 49,000 companies.

Moreover, in contrast to the NFRD, the CSRD sets out in far greater detail the non-financial information that entities should report. As expected, the CSRD will introduce mandated EU sustainability reporting standards, which are in the course of being drafted by the European Financial Reporting Advisory Group (EFRAG). The standards will be based on the recommendations made by the EFRAG Task Force on Non-Financial Reporting Standards, with a first set of standards due for adoption by 31 October 2022, and implementation for 1 January 2023.

Compared to the NFRD sustainability reporting requirements, the most significant developments associated with CSRD are:

	Current EU Directive 2014/95/EU	Corporate Sustainability Reporting Directive
When will it be applicable?	FY 2018	**FY 2023** - FY 2023: first set of Sustainability Reporting Standards (draft standards available mid-2022) - FY 2024: second set of Sustainability Reporting Standards - Adoption EU-Directive in member states legislation: Dec 1, 2022
To which companies will it be applicable?	**Large public interest entities with > 500 employees** Public interest entities are: - Listed companies - Banks and Insurance companies	**All large companies:** > 250 employees and/or > €40M Turnover and/or > €20M Total Assets Listed companies Note: small and medium listed companies get an extra 3 years to comply.
How many companies are subject to the new directive?	11,600	49,000 Covering > 75% of total EU companies' turnover
What is the scope of reporting requirements?	**Companies are to report on:** - Environmental protection - Social responsibility and treatment of employees - Respect for human rights - Anti-corruption and bribery - Diversity on company boards (in terms of age, gender, educational and professional background)	**Adding additional requirements on:** - Double materiality concept: Sustainability risk (incl climate change) affecting the company + Companies' impact on society and environment - Process to select material topics for stakeholders - More forward looking information, including targets and progress thereon - Disclose information relating to intangibles (social, human and intellectual capital) - Reporting in line with Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation
Is independent 3rd party assurance mandatory?	**Non-mandatory (for most countries)** In some countries part of legal audit requirements	**Mandatory – limited level of assurance Including:** - Integration in Auditor's Report, - Involvement of key audit partner, - Scope to include EU Taxonomy and process to identify key relevant information.
Where Should companies report?	**Included in the Annual Report**	**Inclusion in the Management Report**
In what format should companies report?	**Online or PDF version**	To be submitted in electronic format (in XHTML format in accordance with ESEF regulation)

Implementation of the CSRD will be challenging, in particular for companies which have not yet begun reporting any sustainability-related information. It is imperative that companies begin their CSRD journey now if they have not already done so, in order to ensure that they are ready for the date of implementation.

Taxonomy - what is it?

Alongside the introduction of the CSRD, the EU Taxonomy Regulation will drive a very prescriptive disclosure regime to identify the extent to which economic activities of individual reporting entities are sustainable.

The EU's Taxonomy is designed to support the transformation of the EU economy to meet its European Green Deal objectives, including the 2050 climate-neutrality target. As a classification tool, it seeks to provide clarity for companies, capital markets, and policy makers on which economic activities are sustainable. As a screening tool, it seeks to support investment flows into those activities.

The Taxonomy is primarily a classification system for economic activities, underpinned by prescript technical screening criteria, associated definitions, and rules. At the core of the Taxonomy Regulation is the definition of a sustainable economic activity. This definition is based on two criteria. An activity must:

1. Contribute to at least one of six environmental objectives listed in the Taxonomy; and
2. Do no significant harm to any of the other objectives, while respecting basic human rights and labour standards

Ultimately, the Taxonomy is designed to address concerns over "greenwashing" and to reorient capital flows toward sustainable finance.

What does it mean for corporates?

Crucially for corporates, while the Taxonomy is primarily a classification tool, it also requires certain entities to disclose information concerning the degree of alignment of their activities with the Taxonomy. Entities currently impacted by the existing NFRD will be required to comply, with an expanded list of companies captured through the EU's proposed CSRD. Companies will need to report specific metrics (the "Taxonomy KPIs"), which include their proportion of turnover, capital expenditure and operational expenditure which qualify as EU Taxonomy-aligned.

The Taxonomy reporting obligations come into effect on a straddled basis from 1 January 2022, through to 1 January 2024. For reporting year 2021, companies – and impacted financial market participants – will need to report on the eligibility of their activities with respect to the first two Delegated Acts (climate change adaptation and climate change mitigation), with more detailed alignment disclosure requirements criteria for all six Delegated Acts[2] to be applied, also on a straddled basis, from reporting year 2022. Additional companies falling under the extended scope of the CSRD, will be expected to report under the Taxonomy from the 2023 reporting year.

International Sustainability Standards Board

The launch of the International Sustainability Standards Board (ISSB), by the IFRS Foundation, at COP26 is a game changer for corporate reporting. While the establishment of the ISSB was expected, the plans to integrate the Value Reporting Foundation (VRF) and Climate Disclosure Standards Board (CDSB) were less so.

ESG reporting will continue to be complex and a significant task for reporters – however, a unified set of global standards will simplify the process, reducing complexity, ensuring consistency and avoiding the need for cross-referencing to a plethora of frameworks to satisfy various investor and stakeholder preferences.

The Technical Readiness Working Group (TRWG) has shared prototypes relating to general disclosure requirements for Sustainability-Related Financial Information and Climate-Related disclosures. It is clear from these prototypes that they draw from and build on existing work carried out by current leaders in the space of standard setting and regulation – including standards developed by the Task Force on Climate-Related Financial Disclosure (TCFD) whose recommendations are the foundation of the climate prototype. The Global Reporting Initiative (GRI) is the most popular ESG Reporting Standard globally. While the GRI is not included in the TRWG they welcomed the establishment of the ISSB and publicly indicated their willingness to work with the ISSB in the development of the suite of standards.

As noted above, under the CSRD, EFRAG has been tasked with developing ESG reporting standards and it has entered into a co-operation agreement with GRI. It will be interesting to see how EFRAG and ISSB work together in the development of reporting standards – will the ISSB and EFRAG move in different directions, will there be convergence or will we go from several ESG reporting standards to two?

Keeping on top of developments

For all of the latest developments on sustainability-related reporting requirements and other related topics, please visit us at:

Sustainable Futures - Climate change - KPMG Ireland (home.kpmg)

2 The Delegated Acts set out the TSC for determining the conditions under which an economic activity qualifies as contributing substantially to each of the six environmental objectives of the EU Taxonomy and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

3 The definition of "large" covers entities with > 250 employees; > €40 million net turnover; > €20 million total assets.

Most Irish companies will have to undertake further preparations

Of the companies examined, none reported on all of the assessed CSRD elements[4], **with 40% of companies having not started at all**. These companies, in particular, have a significant task ahead in order to meet the requirements of the CSRD in time.

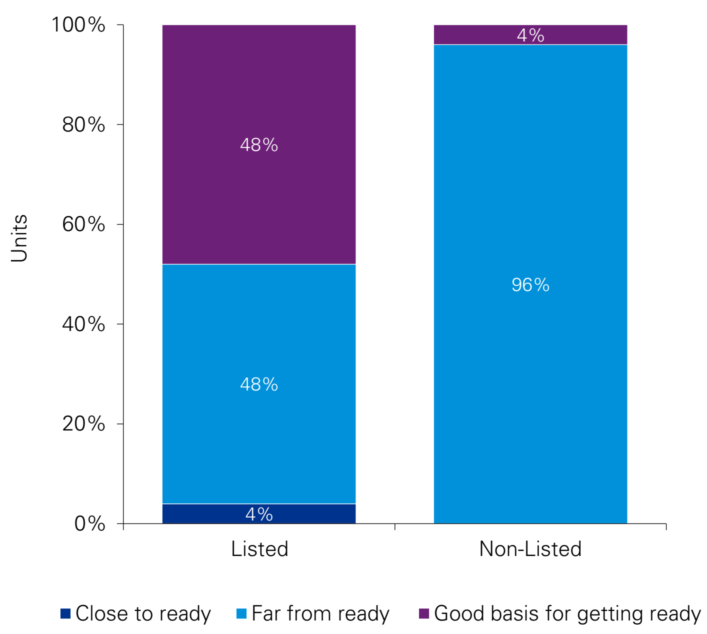
Based on our grading of the sustainability-related information reported by the entities, all companies fell into one of three categories: "**far from ready**", "**good basis for getting ready**" and "**close to ready**".

Strikingly, companies which were deemed as "far from ready" made up 72% of the sample, with 26% having a "good basis for getting ready" and only 2% "close to ready".

4 The criteria of assessment include the following proposed requirements in relation to materiality assessment, obtaining external assurance, consideration of stakeholder interest & sustainability impacts in business model & strategy, role of board/management and target setting & reporting on progress made against the targets. We defined 'close to ready' as the situation where the company already reports on the majority of these criteria and 'far from ready' where the company currently meets less than a third of the requirements.

Due to a number of pressures, including from investors, listed companies have already been reporting on some sustainability performance metrics for a long time. It is not surprising, therefore, that listed companies show better preparedness than non-listed companies. We expect that many non-listed companies will need to get their heads around what sustainability means for their company – it should be acknowledged that it takes time to disclose a strong sustainability story that addresses the underlying needs of their stakeholders properly and links sustainability to their business. This should be built on a solid foundation of internal analyses of trends, sustainability impacts, as well as risks and opportunities, targets and plans to achieve those, and a robust reporting process that delivers high quality and auditable data.

Company Status



New reporting aspects that need further attention

The CSRD will require a substantial change management exercise. At its core is an objective to ensure that the same importance is given to reporting on non-financial information as is given to reporting on financial information. The following are aspects that we have noted in our research as areas that require further attention regarding reporting for all companies:

Identifying and managing sustainability-related information

Careful consideration will need to be given to establishing processes to identify and gather sustainability-related information, drawing up firm policies, managing sustainability-related risks and opportunities and setting meaningful KPIs and targets for material topics.

Of the listed companies reviewed, **60%** described completing a materiality assessment. Of the non-listed companies reviewed, only **8%** have completed this. For the companies who have completed materiality assessments, the implementation of the CSRD is an opportunity to reassess whether their targets and KPIs are still relevant and material, or in need of revision.

Due diligence over value chains

Due diligence over value chains is an important activity in reducing exposure to risk. Companies should perform due diligence in order to assess which negative environmental and social impacts exist in their value chain and determine what steps are necessary to prevent, alleviate or rectify these. Some companies have mentioned the importance of a sustainable value chain and supplier engagement in relation to these matters in their annual reports; however, it does not appear that due diligence has been performed in most cases, with most making no reference to this in their reporting.

Reporting should contain detail on the due diligence process implemented, principal actual or potential adverse impacts connected with the value chain, including the company's own operations, its products and services, its business relationships and its supply chain; and any actions taken, and the result of such actions, to prevent, alleviate or rectify actual or potential adverse impacts.

Risk Management

Companies will need to establish or enhance procedures, create, or adapt internal controls and ensure appropriate monitoring and governance is in place in order to meet their obligations under the new sustainability reporting standards.

The CSRD requires that companies disclose information on their resilience to sustainability risks from an "outside-in" perspective i.e., discussing what impact sustainability risks may have on the company itself, as well as the opportunities available to them. Several companies examined reported on sustainability-related risks in the risk management sections of their annual reports, however for many, the risks were not explicitly linked to material sustainability topics and were somewhat generic.

A robust long-term risk and opportunity analysis should be conducted which takes into consideration the most material topics for the entity, and detail on how the entity plans to operate under changing circumstances should be disclosed.

Assurance

The CSRD introduces a requirement for companies to obtain limited assurance over their sustainability-related information, which will typically be obtained from their statutory auditors. It allows for a progressive approach to assurance moving from limited to reasonable assurance over time. Of the companies studied, **96%** did not obtain any assurance over their sustainability-related information, with the remainder obtaining assurance over some selected indicators.

Companies in scope who have not yet obtained assurance over their sustainability metrics, should begin conversations with their auditors now. This will allow them to prepare for the assurance requirement, and to develop a plan of action which will allow them to be ready by 2023.

Disclosing Information on Intangibles

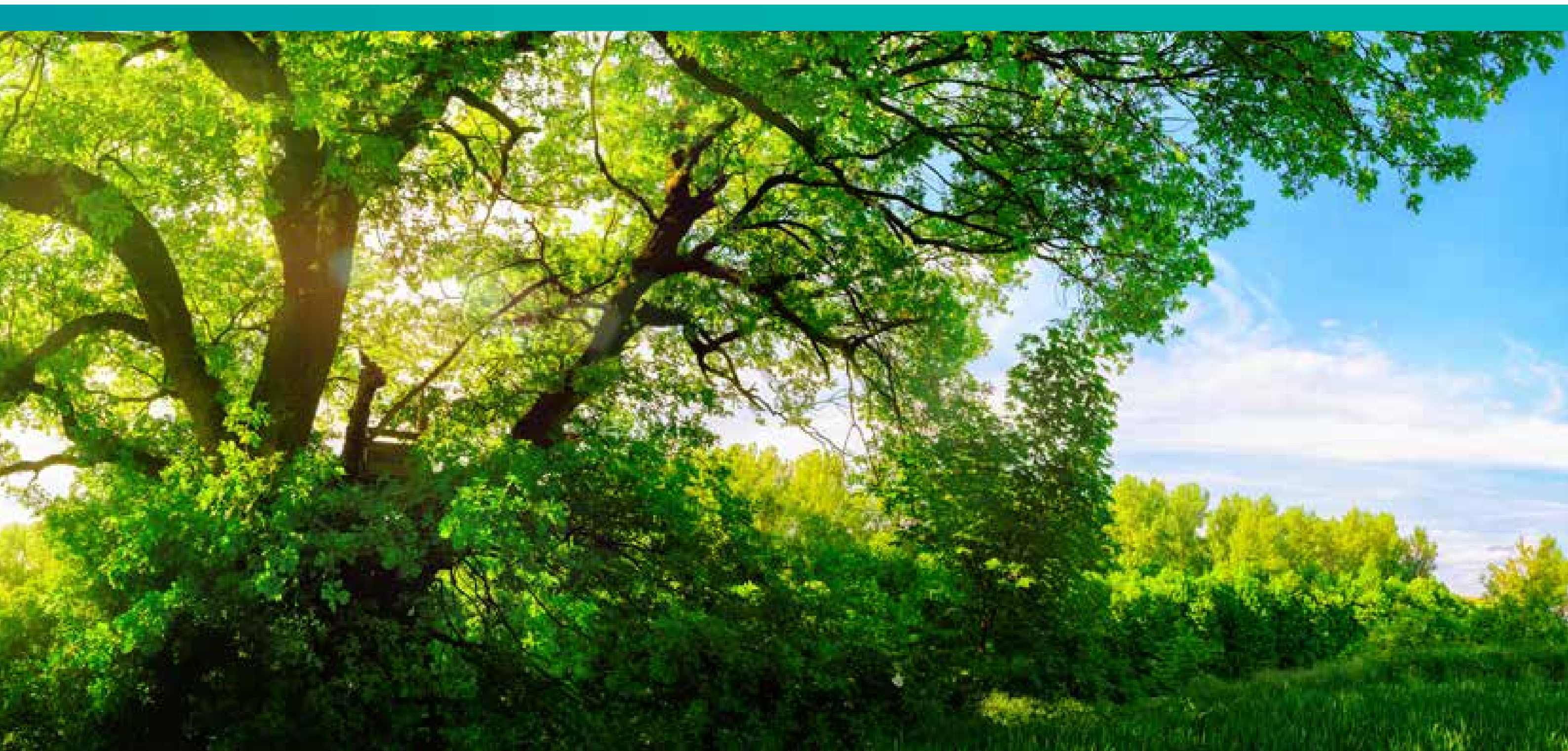
The International Integrated Reporting Council Framework <IR> has identified six capitals – intellectual, human, and social and relationship capital as well as natural, financial, and manufactured capital. Intellectual, human, and social and relationship capital have now been incorporated into the CSRD. Inevitably there will be challenges associated with reporting on intangible assets such as human capital, however, companies need to be prepared to start measuring these intangibles, particularly when they are identified as material issues.

Time Horizons

The CSRD specifies that qualitative and quantitative information that is forward looking and retrospective and covers the short, medium, and long-term should be reported. Definitions of short, medium, and long-term must also be included i.e., in terms of years. Several companies have set longer term targets e.g., net zero emissions by 2050, however many of the other targets are still covering a shorter term.

We believe that companies need to start understanding what the long-term implications of sustainability developments could be for their company and develop an appropriate reporting strategy for these.

Companies should begin preparations now, as there is currently less than one and a half years to implementation. We advise that companies remain informed of any outcomes, interpretation, and communications from the European Financial Reporting Advisory Group (EFRAG) during the standard setting process, in order to get early sight of how the standards are likely to look.



Integration of Sustainability into Governance & Business Strategy Can be Further Improved

Central to embedding sustainability within a business is the holistic integration of sustainability practices into all management and executive levels. Clear governance and management involvement sets the tone throughout a company and puts in place structures of accountability and responsibility. An integrated business model which connects business and sustainability is vital for long-term success.

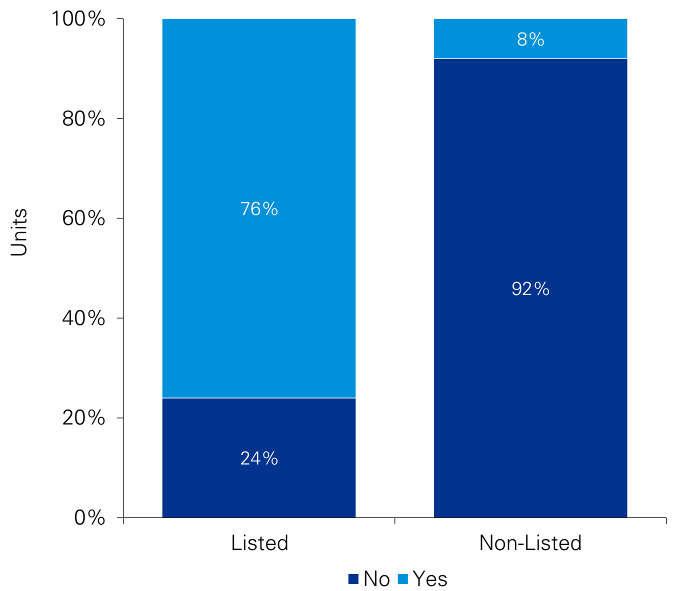
The CSRD emphasises this importance of governance and disclosing information on the role of management bodies, risk management systems, and business ethics to stakeholders. It also specifies that companies should disclose in greater detail information about their strategy and the role of the board and management, as well as how they have identified this information.

Communicating sustainability governance is relatively well established for listed companies and other frameworks such as TCFD and GRI also have governance reporting requirements. It was notable to see that 88% of listed companies disclose the role of the board. However, the opposite was true for non-listed companies - with 88% of companies not communicating this vital piece of information. Where disclosed, the information ranged from descriptions of oversight and a CEO statement of commitment to detailed organigrams showing the chain of responsibility and alignment with existing business models.

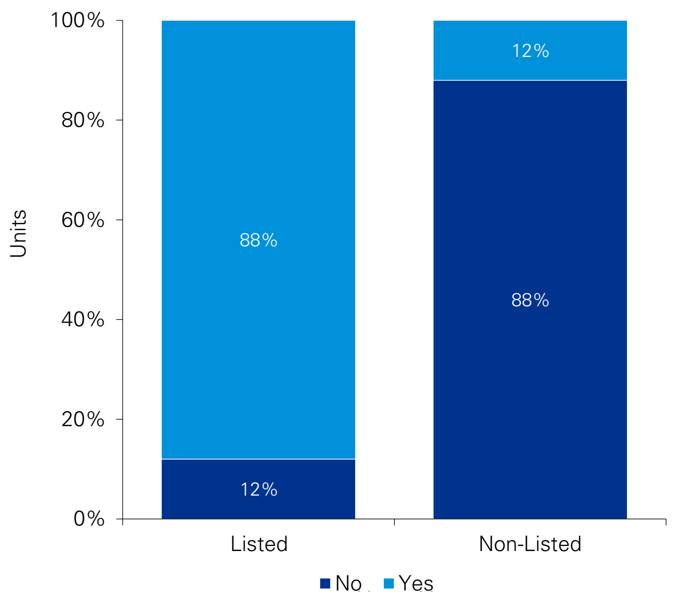
A robust sustainability strategy considers the role of internal and external stakeholders when formulating a strategy, this involvement ensures that the company is listening to critical voices who can help challenge and support. Across our study, listed companies show a good understanding of stakeholder voices with more than three-quarters involving stakeholders in their strategy process. We did not see the same results with non-listed companies as over 90% did not publicly disclose how stakeholders are involved in their sustainability strategy development.

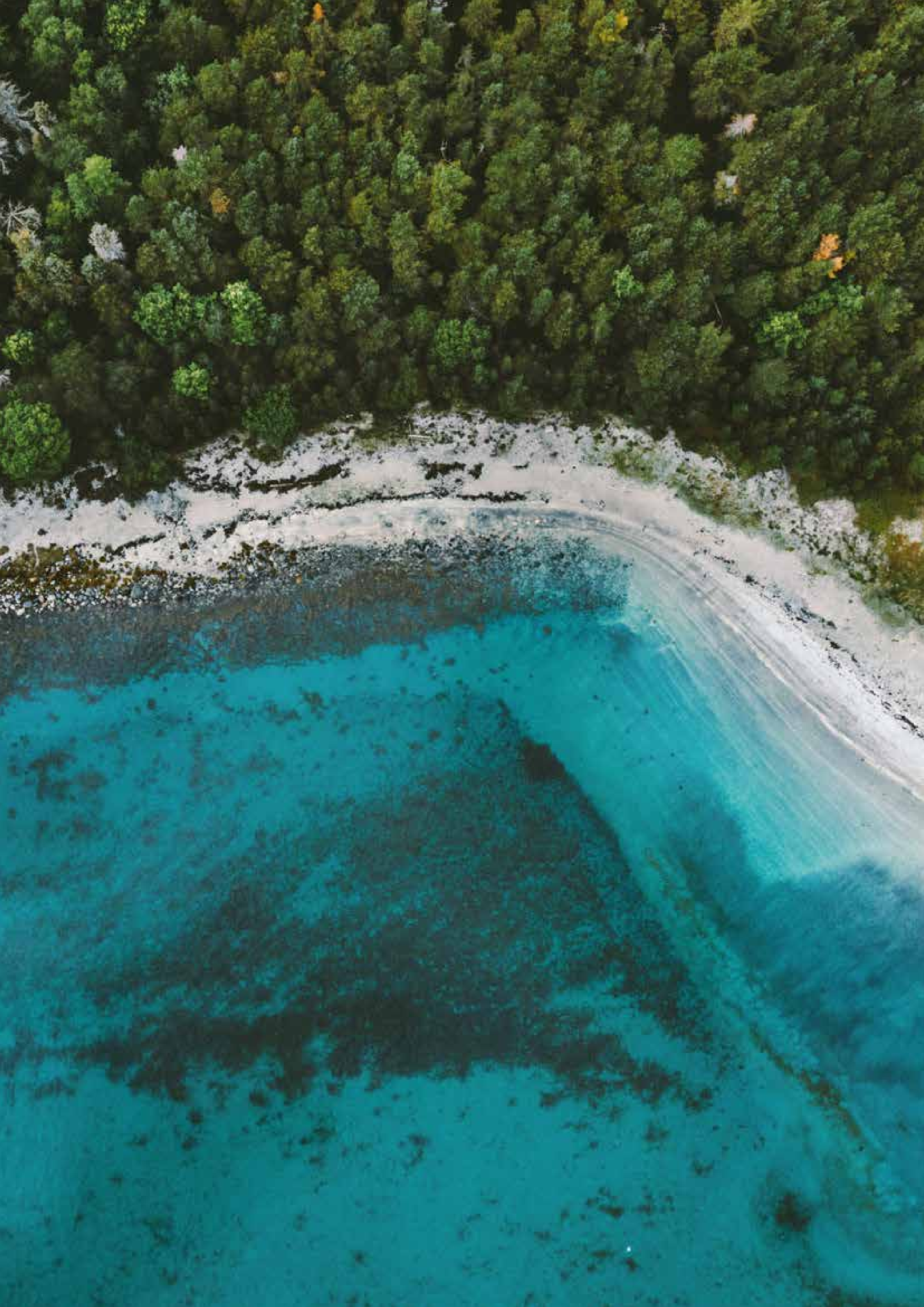
There remains room for improvement across Irish companies, and in particular across non-listed companies, to ensure that business models and sustainability strategies are closely woven together, and that stakeholder input becomes an essential part of strategy development to ensure concerns and challenges are heard.

Stakeholder Interests taken into account in Business Model & Strategy



Role of Board and Management with regard to sustainability matters Described





Rethinking materiality

As companies look to tackle a myriad of sustainability issues, the materiality process helps businesses to identify and understand which issues are the most significant to the business and to stakeholders. This process has traditionally provided the rationale behind action and prioritisation and is typically presented in the form of a materiality matrix. By communicating materiality publicly to investors and other stakeholders, businesses can provide a comprehensive and complete view of the sustainability topics that matter to them.

The CSRD adds an additional requirement in the form of the double materiality concept. This lens looks at sustainability risk affecting the company ('outside in' perspective) as well as the company's impact on society and the environment ('inside-out' perspective). This evolved way of looking at materiality connects material impacts to material risks and is referred to as 'double materiality' by the EU. The CSRD requirement places greater emphasis on materiality which strengthens the link between business value and long-term implications.

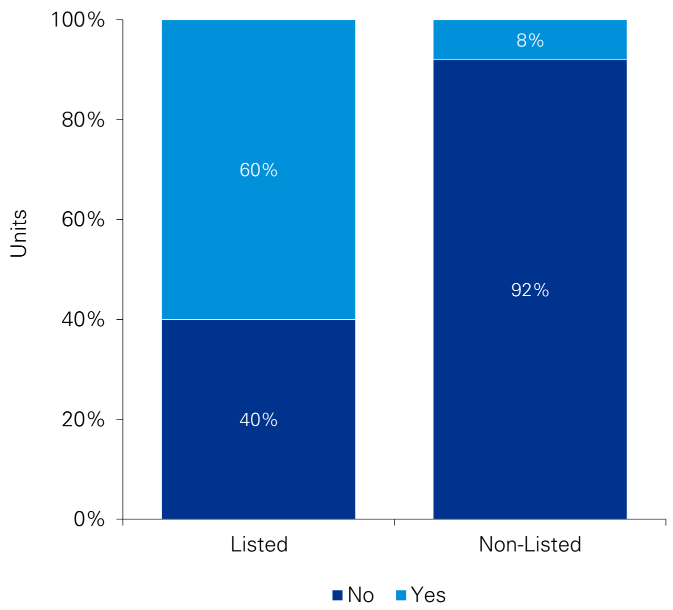
The traditional materiality process is well established however it is notable that in our results, only 34% of companies included a description of their materiality processes and 66% of companies did not publicly disclose information regarding materiality. Where disclosed, the type of materiality disclosure ranged from statements of activity and process to fuller descriptions of stakeholder engagement and publication of a company's latest materiality matrix. As expected, more listed companies report on materiality processes due to stakeholder expectations and other reporting requirements, in particular GRI.

Across our study, reference to the double-materiality process was very limited which is not surprising due to the concept being relatively new. We found indication of connecting material issues to risk which indicates the growing attention around the marrying of risk and impact and their interconnection.

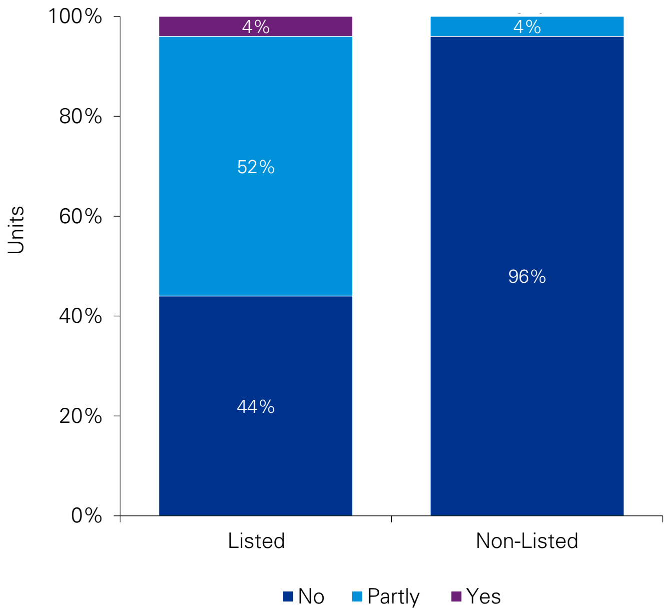
Regarding materiality overall, listed companies are further ahead in addressing these issues and communicating their prioritised issues to stakeholders. Only 8% of non-listed companies referred to materiality which is low and indicates that there is work to be done in Ireland to get these companies up to speed.

As materiality and double materiality become more important through the CSRD, companies will be increasingly expected to use these tools to inform their strategies and reporting. This transparent disclosure of processes and results will help build trust across stakeholders by providing a clear view of how a strategy was developed.

Materiality Process Described



Double Materiality Referenced



Mandatory assurance will strengthen the credibility and transparency of reported sustainability information

Assurance of sustainability information has become standard practice amongst the majority of large and mid-cap companies globally - according to the KPMG Sustainability Reporting Survey 2020[5]. Amongst the 250 largest companies worldwide, the underlying trend for third-party assurance of sustainability data is 71% (compared to 30% in 2005).

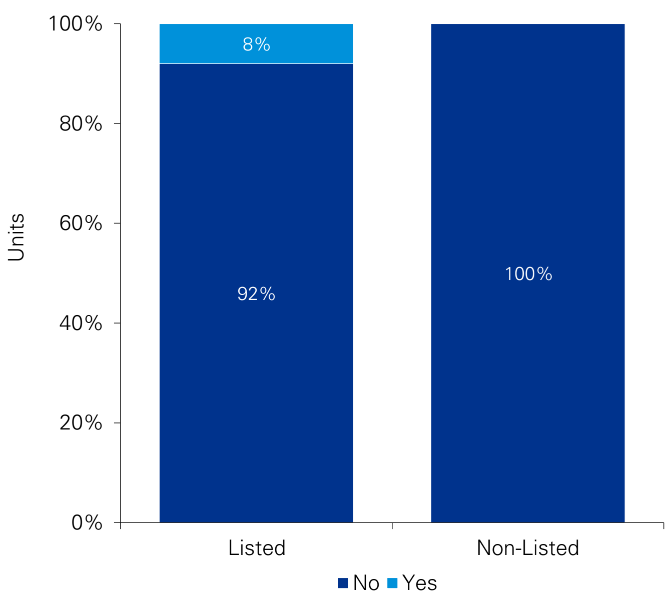
The CSRD will deliver a landmark shift in strengthening the quality and reliability of non-financial information. As of 2023, the CSRD will mandate assurance for all large companies – marking the inception of mandatory assurance requirements for non-financial information at such scale. Limited assurance will be required initially with the option to transition to reasonable assurance at a later stage.

Across the Irish companies examined, our findings indicate that only 4% of companies have obtained assurance over some selected material sustainability indicators, with 96% obtaining no assurance.

While assurance over sustainability information is becoming commonplace at a global level, there are still significant gaps remaining at an Irish level. However, mainstreaming assurance requirements over sustainability information is a welcome regulatory development as it will improve the credibility and transparency of reported sustainability information whilst highlighting potential shortcomings for companies, enabling remediation.

5 https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf

Assurance Obtained



Lack of meaningful KPIs and targets

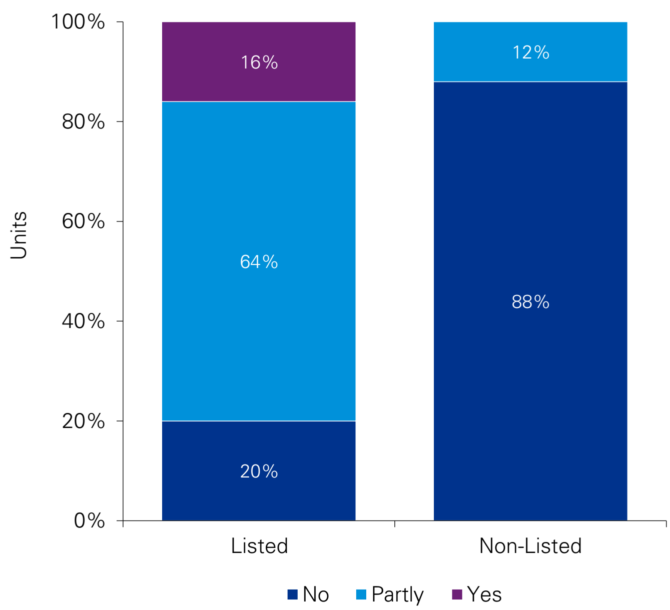
The CSRD is expected to tighten the requirements on target setting and the disclosure of progress towards these. Meaningful KPIs and targets should be set and progress against these measured for each material topic. Targets should also be spread across the short, medium, and long-term and not focussed solely on potential short-term achievements as has historically been the case with sustainability reporting. Targets should take account of the societal and environmental impact in the broader context of sustainability e.g. as expressed by the UN Sustainable Development Goals.

In terms of setting targets, listed companies were far ahead with 64% setting targets on some material topics, and 16% setting targets on all material topics, versus 12% of non-listed companies setting targets on some material topics, and 0% setting targets on all material topics.

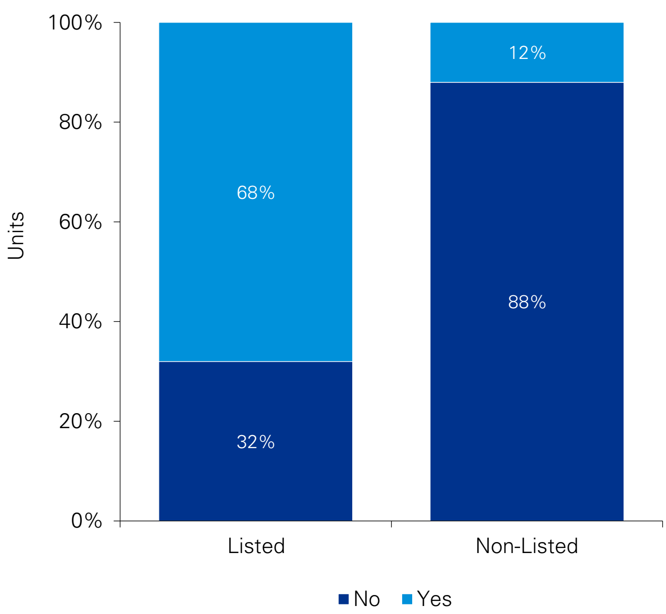
In terms of disclosing progress towards achieving targets, the same pattern is seen again, with 68% of listed companies disclosing progress where targets have been set, and only 12% of non-listed companies disclosing the same.

Even without taking the CSRD into account, target setting, and monitoring are key areas that requires significant attention, as companies come increasingly under pressure from society as a whole to become more sustainable. Without meaningful progress in relation to sustainability metrics, companies could face a substantial drop-in stakeholder support in the coming years. It is critical that this issue is approached from a strategic perspective considering what the entity wants to achieve and how this relates to business performance and continuity.

Targets set on Material Topics



Progress towards targets disclosed



Steps to take to start your CSRD journey

There is substantial work to be done in preparing for the implementation of the CSRD across all companies examined. The following are some of the first steps to take in beginning this journey:

Gap analysis:

It is imperative that companies begin, if they haven't already, defining their sustainability strategy and governance, setting up sustainability reporting systems, controls, and processes, and defining sustainability targets and KPIs in line with their materiality assessment.

For companies that already prepare a sustainability or integrated report, a gap analysis against proposed CSRD requirements would aid in identifying priority areas of focus in preparation for the CSRD.

Define KPIs and targets and track progress:

When entities have determined their material topics by way of a materiality assessment, meaningful KPIs and targets should be defined for each. These KPIs and targets should be used to track progress on each material topic. As mentioned above, 54% of all companies examined did not have targets set on any material topics, and 60% of companies have not disclosed their progress towards achieving targets, with these numbers even higher when isolating the non-listed entities.

It is important to be in control of the information for each KPI and target. The data collection process should include clearly defined responsibilities, as well as controls that are of similar robustness to those relating to financial data.

Integrating sustainability into the risk management process:

As mentioned above, the CSRD requires that companies disclose information on their resilience to sustainability risks. A number of the companies examined reported on sustainability-related risks in the risk management sections of their annual reports, however for many, the risks were not explicitly linked to material sustainability topics and were somewhat generic.

Sustainability risks should be integrated into the risk management processes of the entity and should be considered with the same rigour as afforded to financial risks. These sustainability risks should be linked to the material topics of the entity as defined by their materiality assessment. A robust long-term risk analysis should be conducted and detail on how the entity will stay resilient under changing circumstances, should be disclosed.

Undertake an assurance readiness assessment

As mentioned above, under the proposed directive, there will be a requirement for the company's statutory auditor, or an independent assurance services provider, to provide limited assurance around reported sustainability information.

Companies in scope who have not yet obtained external assurance over their sustainability metrics (which includes **all** non-listed companies examined as part of this report), should begin conversations with their auditors now.

Appendix - summary of results

In terms of the central elements of the CSRD examined, the following results were noted:

Annual/Management Report – 54% either did not publish any sustainability-related information within the annual/management report or reported this information in a separate sustainability report, with 32% including a summary on sustainability-related information in their annual/management report, and 14% including full reporting on sustainability in the annual/management report.

Annual/Management Report			
Proposed Requirement	Sustainability included in Annual/Management report	Summary included in Annual/Management report	Sustainability not included in Annual/Management report*
Overall	14%	32%	54%
Listed	24%	56%	20%
Non-Listed	4%	8%	88%

* We note that where information was not included in the annual/management report, we have reviewed any separate sustainability reports and assessed alignment of these reports to the central elements of the CSRD. We note that while the CSRD removes the possibility for member States to allow companies report required information in a separate report, this information can be transferred over to the annual/management report relatively easily and therefore these reports provide useful insight into the level of preparedness of the companies examined.

In some instances, we also noted that the separate sustainability report is published at a later date which may indicate challenges in producing all of the required sustainability-related information within the current timetable for publication of the annual/management report. The root cause for this is likely to be the relative under-development of the related systems and processes versus those which underpin the production of financial information

Business model and strategy – the business model and strategy of 58% of companies as described in this external reporting do not take account of the interests of stakeholders, with 42% taking these interests into account.

Business Model and Strategy		
Proposed Requirement	Stakeholder interests taken into account	Stakeholder interests not taken into account
Overall	42%	58%
Listed	76%	24%
Non-Listed	8%	92%

Appendix - summary of results

Role of board and management – 50% of companies do not describe the role of the board and management in relation to sustainability, with 50% describing the role of both.

Role of Board and Management		
Proposed Requirement	Role described	Role not described
Overall	50%	50%
Listed	88%	12%
Non-Listed	12%	88%

It is clear that there remains a lot of work to be done by virtually all companies in order to prepare for the CSRD. Although there is less work to be done by most listed companies than their non-listed non-listed peers, there is room for improvement across all companies examined.

While there remains some time, it is our experience that, for example, implementing data and internal control systems and developing a reasonably well-developed report, requires a minimum of two reporting cycles (i.e., years), and therefore it is imperative that these entities begin their CSRD journey now.

Materiality process – 66% of companies did not include a description of the process applied to determine material topics in their reporting, with only 34% including this description.

Materiality Process		
Proposed Requirement	Materiality process described	Materiality process not described
Overall	34%	66%
Listed	60%	40%
Non-Listed	8%	92%

If you are interested to obtain additional insights into a similar KPMG study conducted for listed & non-listed companies in Netherlands, please visit this website: https://home.kpmg/nl/nl/home/insights/2021/07/no-escape.html Study of the CSRD-readiness of Dutch companies - KPMG Nederland (home.kpmg)

Double materiality – 70% of companies did not make any reference to double materiality in their reporting, with only 2% mentioning double materiality. As an additional test, we note that 28% of companies are part of the way there on this concept as they have linked risks to material topics.

Double Materiality			
Proposed Requirement	Double materiality referenced	Risks linked to material topics	Double materiality not referenced
Overall	2%	28%	70%
Listed	4%	52%	44%
Non-Listed	0%	4%	96%

6 If you are interested to obtain additional insights into a similar KPMG study conducted for listed & non-listed companies in the Netherlands, please visit this website: Study of the CSRD-readiness of Dutch companies - KPMG Nederland (home.kpmg)

Appendix - summary of results

Assurance – 96% do not currently obtain any external assurance over their sustainability-related indicators, with 4% of companies obtaining assurance over some selected indicators.

Assurance		
Proposed Requirement	Assurance obtained	No assurance obtained
Overall	4%	96%
Listed	8%	92%
Non-Listed	0%	100%

Targets set – 54% of companies did not report targets set on any material topics, with 38% setting out targets on some material topics, and 8% setting targets on all material topics.

Targets Set			
Proposed Requirement	Targets set on all material topics	Targets set on some material topics	Targets not set on any material topics
Overall	8%	38%	54%
Listed	16%	64%	20%
Non-Listed	0%	12%	88%

Progress towards targets disclosed – 60% of companies have not disclosed their progress towards achieving targets, with 40% disclosing progress where targets have been set.

Progress towards targets disclosed		
Proposed Requirement	Progress disclosed	Progress not disclosed
Overall	40%	60%
Listed	68%	32%
Non-Listed	12%	88%

Contact us

Russell Smyth
Partner
Head of Sustainable Futures

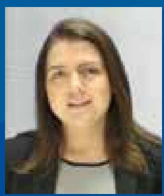
t: +442 89 089 3814
e: russell.smyth@kpmg.ie

Colm O'Sé
Partner
ESG Reporting & Assurance

t: +353 87 744 2252
e: colm.ose@kpmg.ie

Conor Holland
Director
ESG Reporting & Assurance

t: +353 87 050 4335
e: conor.holland@kpmg.ie



Maria Diver
Director
ESG Reporting & Assurance

t: +353 87 050 4763
e: maria.diver@kpmg.ie

Gunarani Ganasagaran
Associate Director
ESG Reporting & Assurance

t: +353 1 410 1000
e: gunarani.ganasagaran@kpmg.ie

Ciara Dunne
Manager
ESG Reporting & Assurance

t: +353 1 410 1589
e: ciara.dunne@kpmg.ie

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