



# Corporate Sustainability Reporting Directive (CSRD)

## Staying compliant with KPMG & ServiceNow



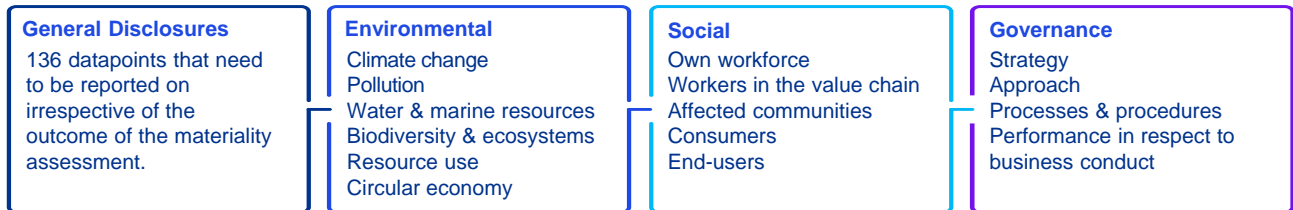
### What is CSRD?

Approximately **49,000** companies could be affected by the CSRD, adopted by the European Commission in April 2021. This directive requires companies within its scope to report using a **double materiality** principle - the impact of ESG risks on their business (financial materiality) and the company's impact on society and the environment (impact materiality). For entities to comply with CSRD, their reports must comply with European Sustainability Reporting Standards (ESRS). The CSRD represents a profound set of changes and an overhaul to the existing rules of sustainability reporting requirements currently in place in the European Union, effectively imposing substantive and expanded disclosure requirements resulting in an **increase in cost, regulatory complexity, and compliance risks**.

### How will it Impact your Business?

The ESRS will require companies to report on a set **of over 100 Disclosure Requirements**<sup>1</sup> composed of hundreds of qualitative and quantitative granular datapoints, with an estimated total of **1,144**<sup>2</sup>. Some of these Disclosure Requirements are mandatory, requiring all entities to report on them irrespective of their sector or specific circumstances. Others are optional, requiring companies to assess if they are material to them. Therefore, organisations will be required to perform a **double materiality assessment**, through which they should identify their material impacts, risks, and opportunities. Companies are required to analyse and report whether the Disclosure Requirements in the ESRS are material to them, in accordance to the regulatory standard's criteria for impact or financial materiality.

### ●..... The ESRS mandatory and optional reports cover the following sustainability matters .....●



## The Challenges

### Lack of Data Measurement and Gathering System

Companies that currently lack an enterprise-wide platform are often incapable of tracking and managing vast and diverse data sets. This results in limited real-time visibility, as well as reduced data availability and quality, making it difficult for organisations to successfully drive Environmental, Social and Governance (ESG) initiatives across their business.

### Risk of regulatory non-compliance

According to CSRD, companies that are found non-compliant with the directive can be subject to laws and regulations in the country in which they operate<sup>3</sup>. As the scope of sustainability accounting and reporting widens with CSRD, companies may be at risk of not reporting accurately on their ESG efforts.

### Ever increasing transparency and scrutiny

Entities will have to disclose their ESG targets, their performance against their Key Performance Indicators (KPIs), and how they will achieve their goals in the future. A well-conceived ESG strategy is required, as well as the enterprise-wide technology to forecast, monitor and assess progress against this strategy.

### Assurance

To increase sustainability accounting and reporting reliability, CSRD requires companies to seek limited assurance for the information they report. This information requires a highly-organised and readily-available database, which is in an evidence-based format for third-party assurance.



## KPMG's ServiceNow ESG Command Centre

KPMG's ServiceNow ESG Command Centre enables you to mobilise your ESG strategy. You can **plan, manage, govern, and report on progress against your sustainability goals** across the organisation and throughout your customer / supplier ecosystem. Additionally, With ServiceNow, you break down silos, seamlessly connecting your people, systems, and processes, thereby **operationalising your ESG strategy** with digital workflows across your enterprise. Our solution combines **KPMG's Powered ESG methodology and regulatory expertise with ServiceNow's ESG management** to help you accelerate your ESG journey by:

### Capturing Plans and Data Centrally

ServiceNow provides companies with the enterprise-wide platform required for streamlined data collection, improving data availability and quality. By **establishing a disclosure plan to respond to CSRD material sustainability matters**, companies can leverage ServiceNow's powerful reporting engine and pre-built connectors to **automatically calculate and report Scope 1, 2 and 3 GHG emissions, Social metrics such as IDSE ratio, and Governance reporting**

1

### Managing and driving your ESG initiatives

ServiceNow's Strategic Portfolio Management can establish a program management and governance structure to **manage ESG initiatives against KPIs, goals and targets**. Additionally, ServiceNow's Digital workflows help **drive meaningful ESG insights into your organisation's business functions** by connecting your people, systems, and processes, thereby communicating your CSRD journey.

2

### Governing and Controlling the Risk

KPMG's ServiceNow ESG Risk and controls framework can help companies accelerate your journey of driving compliance with CSRD Disclosure Requirements by **embedding ESG controls** into daily work across corporate teams and business functions, and assets.

3

### Improving Reporting Quality & Compliance

The majority of organisations today are tracking their ESG data on Excel. ServiceNow's robust data and reporting engine helps businesses centralise and evidence your ESG data from current and past years, along with methodologies and processes, creating a **holistic and CSRD compliant view** internally, as well as rationalising the third-party assurance process.

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## Contact us



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## Case Study

KPMG helped a large Professional Services firm gain the right technology to realise their defined sustainability strategy through the use of a **KPMG's ServiceNow ESG Carbon Reporting and Internal controls solution**.

### Challenges

- Operations across multiple regions, on 11 facilities with 3000 employees.
- Large number of data sources requiring high manual effort, revealing data gaps and lack of data governance.
- Infrequent data collection and lack of automation.

### Our Solution

- KPMG developed an **end-to-end ESG Framework** (including operating model, data model, metric inventory and governance model) covering global ESG regulations and developed an ESG transformation roadmap.
- KPMG configured the ServiceNow ESG command centre to accommodate the required goals and scope, and calculate carbon emissions for Scope 1, 2 and 3 from different buildings, and track the progress against the defined ESG Goals & Targets. Along with this, KPMG delivered an **internal risk and controls framework**, to drive compliance with ESG imperatives, such as CSRD.

### Benefits

More efficient and transparent reporting

Better management of ESG initiatives

Reduction of regulatory risk

### Taking the Next Steps

As companies plan their activities to comply with CSRD it is crucial to:

- **Identify the data points** that need to be tracked to comply with CSRD and locate the sources of this information.
- **Outline a plan** for storing the vast amounts of data so it is available for third-party assurance and for the annual Management Report.
- **Talk to our KPMG's CSRD regulatory experts and ServiceNow ESG experts** to learn more.

### References

<sup>1</sup> EFRAG, Due Process Note, November 2022

<sup>2</sup> KPMG Denmark, "The expected future requirements for CSRD reporting", 2022

<sup>3</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council, 14 December 2022

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