

# CSRD and how it affects (most) power trading companies

Montel Nordic Energy Day August 2024



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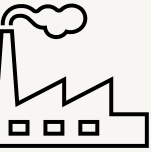
# CSRD – Corporate Sustainability Reporting Directive

“..A regulatory framework established by the European Union to enhance and standardize the reporting of sustainability and non-financial information by companies. The CSRD aims to improve **transparency** and **accountability** in corporate sustainability practices, ensuring that investors and other stakeholders have access to **reliable** and **comparable information on environmental, social, and governance (ESG) issues**”.

*The CSRD is implemented across Europe in stages, starting in 2024. Sanctions await actors who do not comply with the new rules.*



# How it all adds up...



16.12.2022 EN Official Journal of the European Union L 322/15

**DIRECTIVES**

**DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAM AND OF THE COUNCIL of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting**

(Text with EEA relevance)

THE EUROPEAN PARLIAM AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee <sup>(1)</sup>,

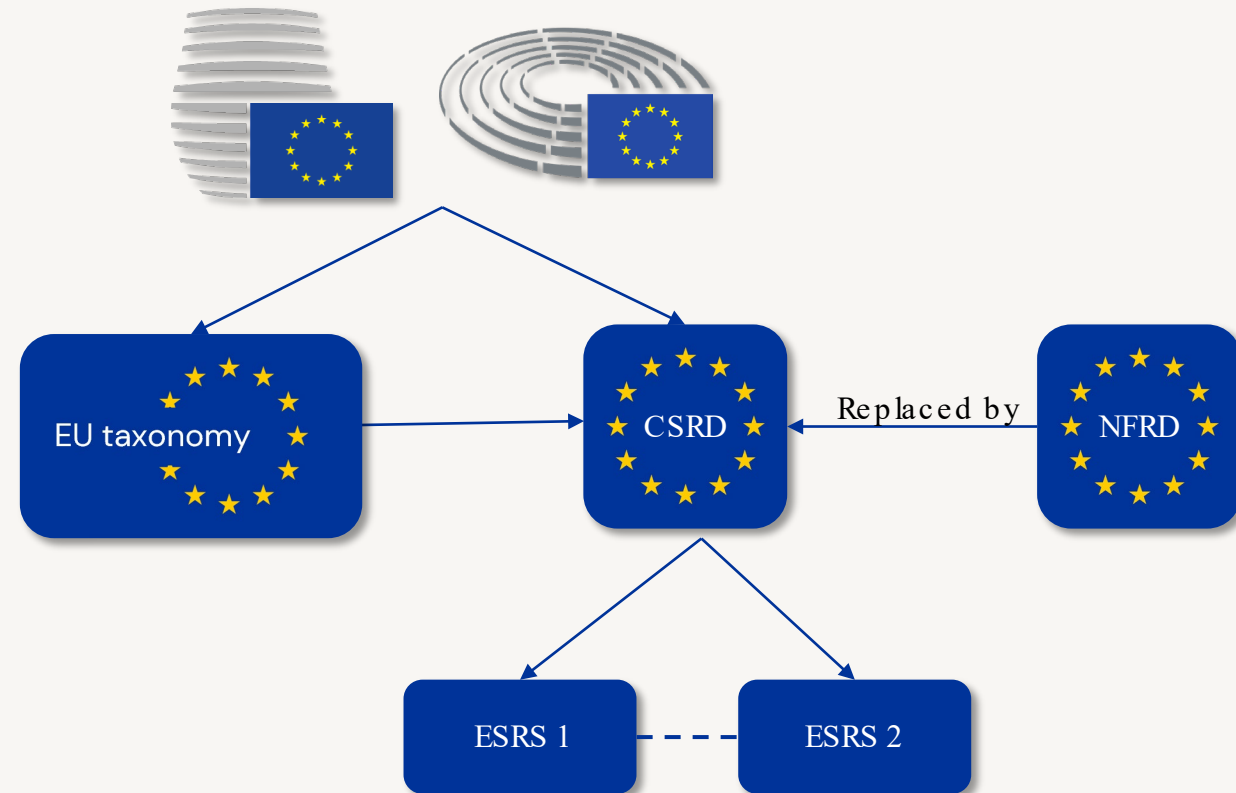
Acting in accordance with the ordinary legislative procedure <sup>(2)</sup>,

Whereas:

(1) In its communication of 11 December 2019 entitled 'The European Green Deal' (the 'Green Deal'), the European Commission made a commitment to review the provisions concerning non-financial reporting of Directive 2013/34/EU of the European Parliament and of the Council <sup>(3)</sup>. The Green Deal is the new growth strategy of the Union. It aims to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases (GHG) by 2050. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of Union citizens from environment-related risks and impacts. The Green Deal aims to decouple economic growth from resource use, and ensure that all regions and Union citizens participate in a socially just transition to a sustainable economic system whereby no person and no place is left behind. It will contribute to the objective of building an economy that works for the people, strengthening the Union's social market economy, helping to ensure that it is ready for the future and that it delivers stability, jobs, growth and sustainable investment.

These goals are especially important considering the socio-economic damage caused by the COVID-19 pandemic and the need for a sustainable, inclusive and fair recovery. Regulation (EU) 2021/1119 of the European Parliament and of the Council <sup>(4)</sup> makes the objective of climate neutrality by 2050 binding on the Union. Moreover, in its Communication of 20 May 2020 entitled 'EU Biodiversity Strategy for 2030: Bringing nature back into our lives', the Commission commits to ensuring that by 2050 all of the world's ecosystems are restored, resilient and adequately protected. That strategy aims to put Europe's biodiversity on a path to recovery by 2030.

<sup>(1)</sup> OJ C 517, 22.12.2021, p. 51.  
<sup>(2)</sup> Position of the European Parliament of 10 November 2022 (not yet published in the Official Journal) and decision of the Council of 28 November 2022.  
<sup>(3)</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).  
<sup>(4)</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (European Climate Law) (OJ L 243, 9.7.2021, p. 3).



# Macro trends in the EU

## Sustainable Investments

EU taxonomy & ESG

## Standardisation and harmonisation

Harmonised assessment of the sustainability performance of companies and products.

## Laws and regulations for increased transparency

Mandated transparency on sustainability practices.  
CSRD, Green Claims Directive, Empowering Consumers

## Value creation and risk mitigation

Sustainability “equals” financial reporting.  
Focus on value creation and risk minimisation (own operations & stakeholders)

## “A hospital full of x-rays won’t cure any patients”

Transparency is not the end game. It must be coupled with “real work” proved by the reporting.

## Life cycle and responsibility for value chain

Life cycle perspectives that take into account all relevant sustainability aspects are a must.  
Increased responsibility for the entire value chain.

## Low tolerance for unverified claims

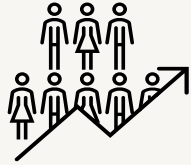
Increased pressure to communicate but also limitations on what you can communicate.

## Double digital and green transition

Digital Product Passports (ESPR) Digitized reporting & data collection.



# Who needs to report and when?



For **large companies and groups** with more than 250 employees and more than EUR 40 Million (550 MSEK) in net turnover or EUR 20 M (280 MSEK) in balance sheet total with the exception of small and non-complex institutions and captive companies, the reporting requirement will be applied for the first time for financial years starting after the end of 2024 (reporting year 2025, first report in 2026)



For **small and medium-sized listed companies**, as well as small and non-complex institutions and captive companies, the new rules will apply for the first time for the financial year starting immediately after the end of 2025. (reporting year 2026, first report in 2027)



For **subsidiaries and branches with a third-country parent** undertaking, the new rules will apply for the first time for the financial year starting after the end of 2027. (reporting year 2028)



# Who needs to report and when?



*Companies that are required to prepare a sustainability report today will be required to prepare a sustainability report in accordance with the CSRD for the financial year 2025. Processes for collecting data under the CSRD should be in place before January 1, 2025. A double materiality analysis should be prepared before the end of 2024.*



# What to report and how?

## 3 key points



**Double Materiality:** Companies must report on how sustainability issues affect their financial performance (outside-in perspective) and how their activities impact the environment and society (inside-out perspective).



**Alignment with ESRS:** Reports must align with the European Sustainability Reporting Standards (ESRS), covering environmental, social, and governance factors.

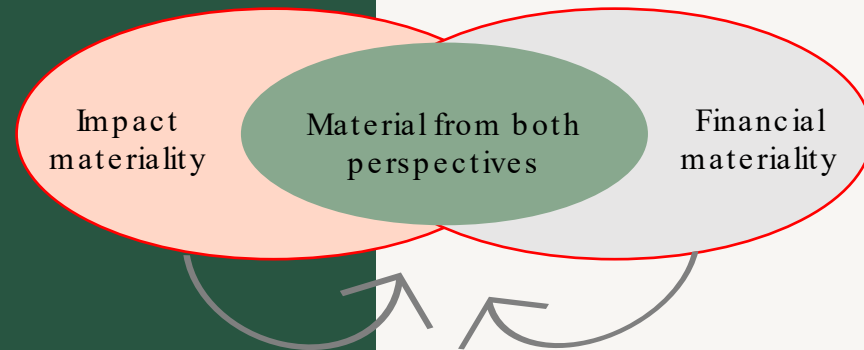


**Taxonomy Disclosure:** Companies must disclose how their activities align with the EU Taxonomy for sustainable activities.



# Double materiality assessment

All sustainability matters affected by or that have an effect on the undertaking

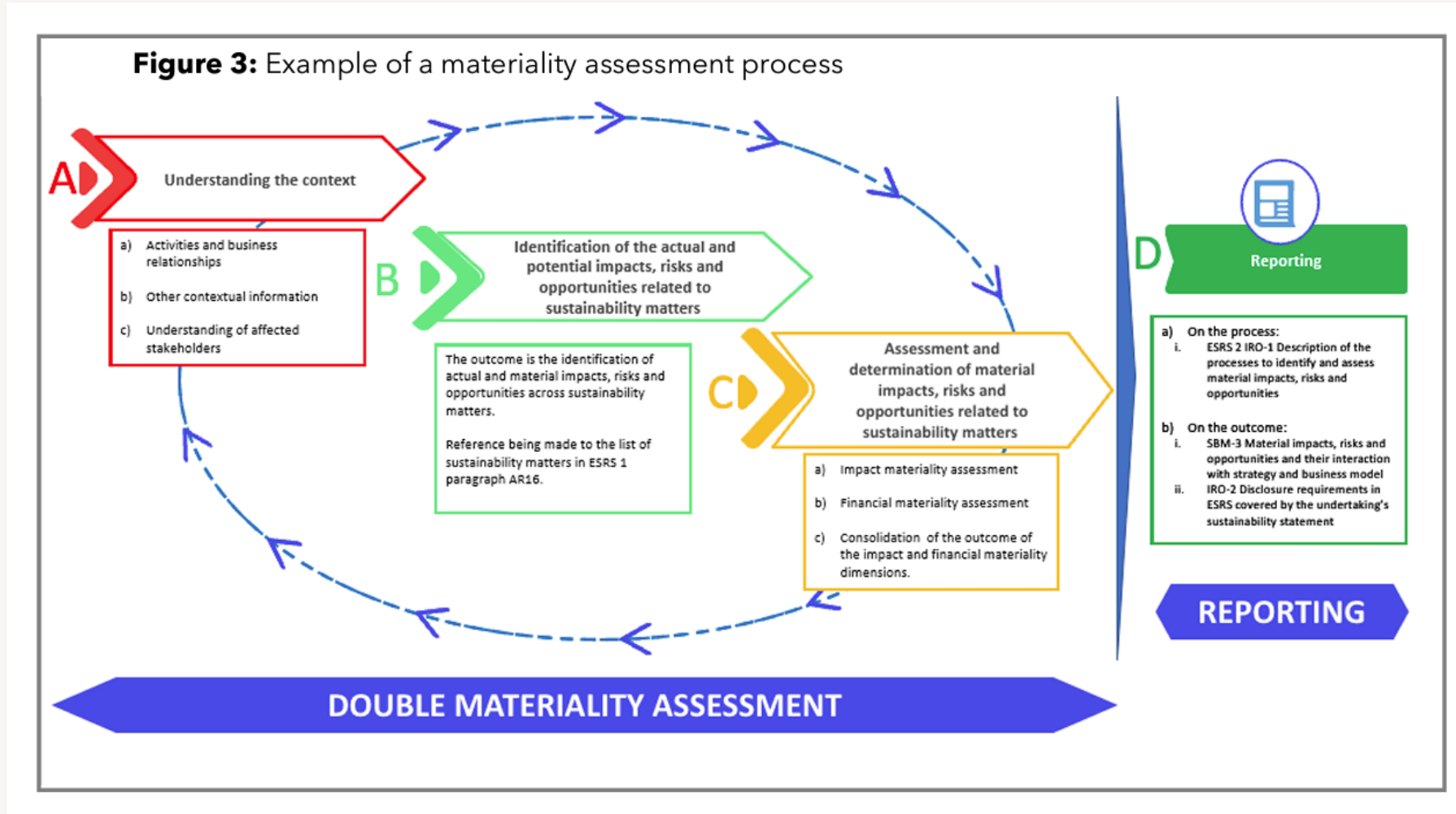


*Source (illustration): Efrag*

A double materiality assessment is used in sustainability reporting to evaluate the significance of environmental, social, and governance (ESG) issues from two perspectives: financial materiality and environmental and social materiality. This helps organizations understand and disclose the impacts of their operations on both their **own** performance and on **external factors**.



# Double Materiality Assessment Process



Source (illustration): Efrag

# What now?

## Immediate actions

- ✓ Understand the requirements that will be placed on the company and communicate internally
- ✓ Establish a CSRD compliance team
- ✓ Conduct a dual materiality analysis
- ✓ Begin work on collecting and organizing data.



**Goal: be as ready as you can by 1 January and/or your next sustainability/annual report**



# Methodology – going forward

Prepare the  
CSRD report

Use the ESRS standards to structure the sustainability report and ensure you cover all mandatory general disclosures as well as the subject-specific standards relevant to your company

Third Party  
Verification

Engage an independent third party to provide limited assurance that your sustainability information is accurate and reliable, in accordance with the requirements of the CSRD

Publish the  
report

Ensure that the CSRD report is published in the required digital format (XHTML) and integrated into the company's management report

Implement  
"experience  
loop"

Revise and reflect on your first report, learn and improve!



# Driving forces to communicate sustainability

## Driving forces

- Business critical – Do or die
- Laws and regulations
- Stronger brand
- Competition advantage
- Increased trust from stakeholders



# Driving forces to communicate sustainability

## Driving forces

Attractive employer branding

Attracts investors

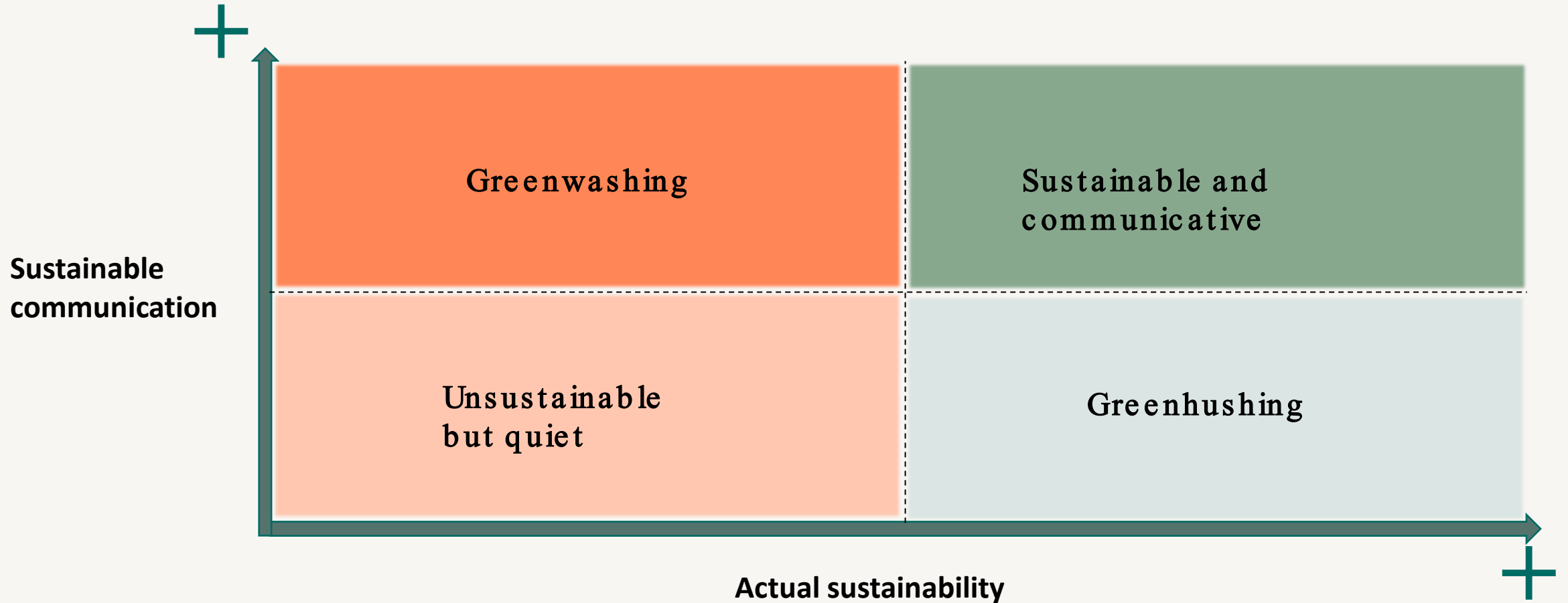
Attractive to work and to be seen with

Advantage in procurement

Creates a structure for own goal setting



# Greenwashing & Greenhushing



# CSRD and how it affects power trading companies

## Summary

- CSRD affects most companies based on turnover/balance sheet total, owner structure and value chain but unclear how many power trading companies that will be affected
- Start somewhere, the sooner the better
- Prepare the report of 2025
- Continuously improve: regularly review and update your CSRD reporting processes to incorporate feedback, address any gaps and stay ahead of evolving regulatory requirements
- Early adopters are winners, sustainability in focus by investors and stake holders (internal/external)
- We are all in the same boat. Better do something than sit and wait. Trial and error.
- **Let me know if you need help 😊**





# Sources

- Swedish Government's proposition (Regeringens proposition) 2023/24:124 Nya regler om hållbarhetsrapportering
- Efrag Sustainability Reporting:
  - 1) Materiality Assessment Draft 1
  - 2) Value Chain Draft 2
  - 3) List of ESRS Datapoints Draft 3
- [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en)
- <https://www.thefuture.se/project/esrs/>
- WSP: CSRD Lookbook



# Thank you!

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