

Webinar: Rapportering om bæredygtighed - opbrud og nybrud

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Hello from PwC



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Experience

Susanne recently joined PwC after 20 years with Novo Nordisk, setting direction for the company's ambition and strategy to be a sustainable business. She is a recognised international leader in corporate sustainability and reporting.

She is a member of the Project Task Force to operate the project on preparatory work for the elaboration of possible EU non-financial reporting standards, mandated to the European Financial Reporting Advisory Group (EFRAG) by the European Commission.

Experience

Jens has worked in PwC Denmark's sustainability team since 2000. Jens has worked with the majority of the largest Danish companies, providing advice on data quality for ESG data and assurance of sustainability reports.

He is currently part of the working groups to provide input for potential updates to the reporting requirements for ESG/CSR in the Danish Financial Statements Act as well as the working group under the 14th partnership on climate change transition.

Agenda

Section: 1 New expectations of reporting

Section: 2 Implications for companies

Section: 3 Q&A





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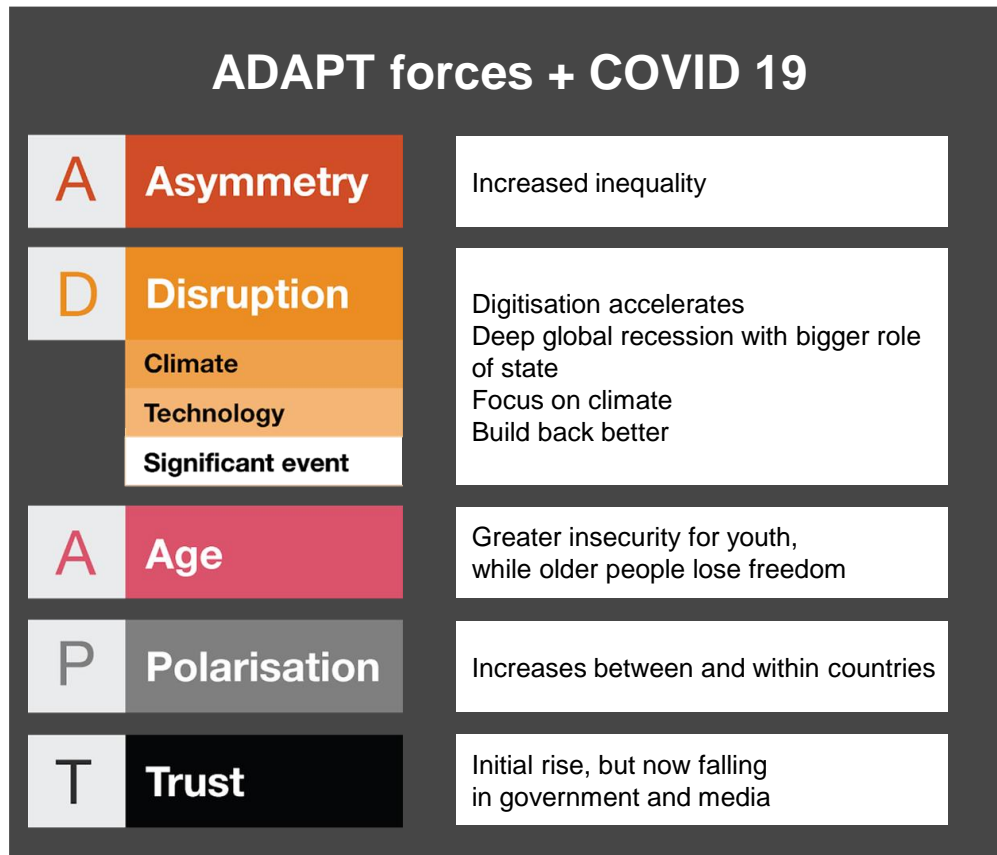
New expectations of reporting

We are at a turning point

Companies need to report **more relevant information in new ways to a wider range** of stakeholders with intense focus on information **quality** and **usefulness**. Companies also need to keep up with the **latest, ever-changing regulatory developments**.



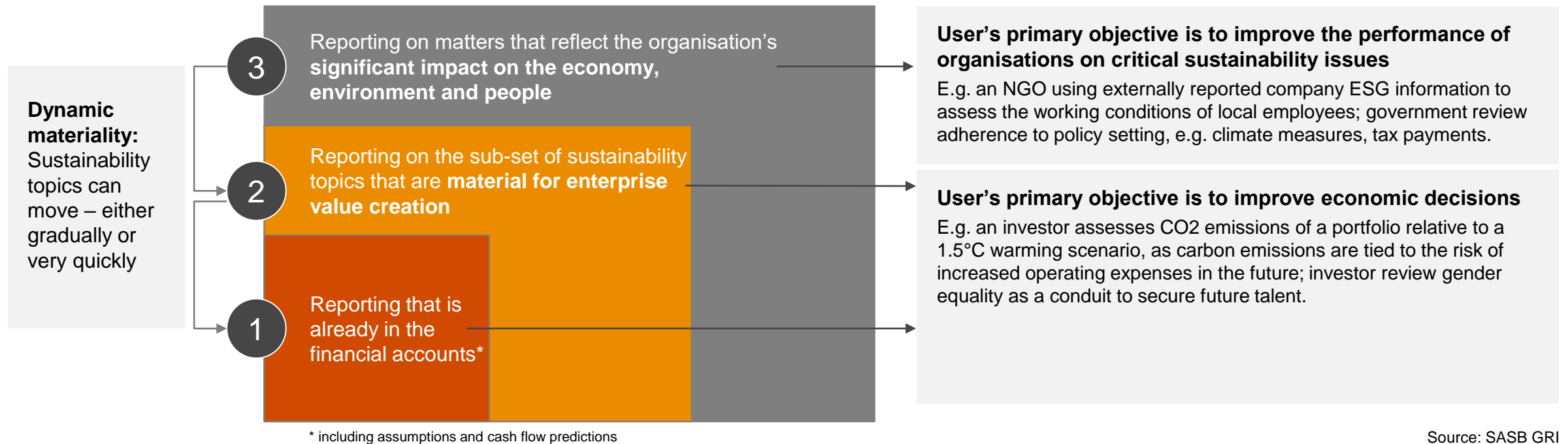
Fundamental shifts are transforming what it takes to be commercially successful, raising the importance of environmental, societal and governance (ESG) factors



Combined, these are changing what it takes to be a successful company:

- **Climate** and natural resource utilisation fundamental to every aspect of business.
- **Societal** impact affects organisations' ability to win customers, recruit and retain their licence to operate.
- Good **governance** is essential to ensuring organisations make good decisions on these issues and maintain trust.
- Investors looking for businesses that have sustainable paths, a sustainable strategy in light of these factors.
- Response to **digitisation** and the platform economy a key success factor for every business.

These transformational shifts make it vital for corporate reporting to demonstrate value beyond financial accounts



Source: SASB GRI



Organisations need to tell their story across **all three** categories of information:
Financial + Environmental Social and Governance

Source: Statement of intent to work together towards comprehensive corporate reporting (CDP, CDSB, GRI, IIRC, SASB)

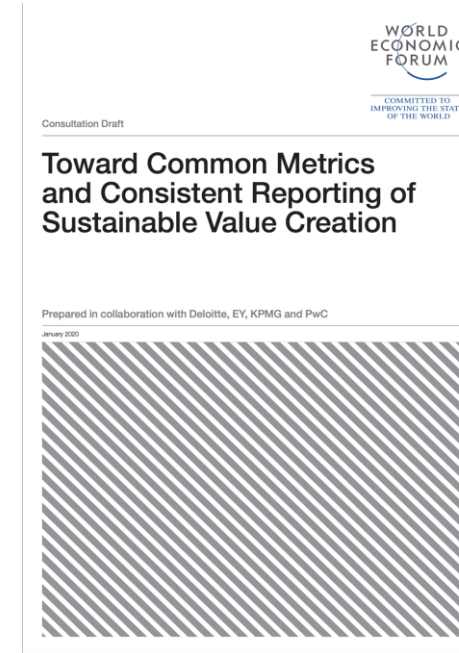
These shifts also make it vital for companies to align with new expectations of reporting

Beyond shareholders to stakeholders

Beyond financial to impact reporting

Beyond historic to on demand and tailored

From required to valued, trusted and informative



**Task Force on
Climate-related
Financial Disclosures**
2020 Status Report

‘Non-financial reporting’ is increasingly aligned with financial reporting contents



Financial reporting contents	‘Non-financial reporting’ contents
Management review <ul style="list-style-type: none">• risks• expectations• business model	Management review <ul style="list-style-type: none">• risks• expectations• business model
Statements	Data tables/statements
Accounting principles	Accounting principles
Assurance (high)	Assurance (mainly review)



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Implications for
companies

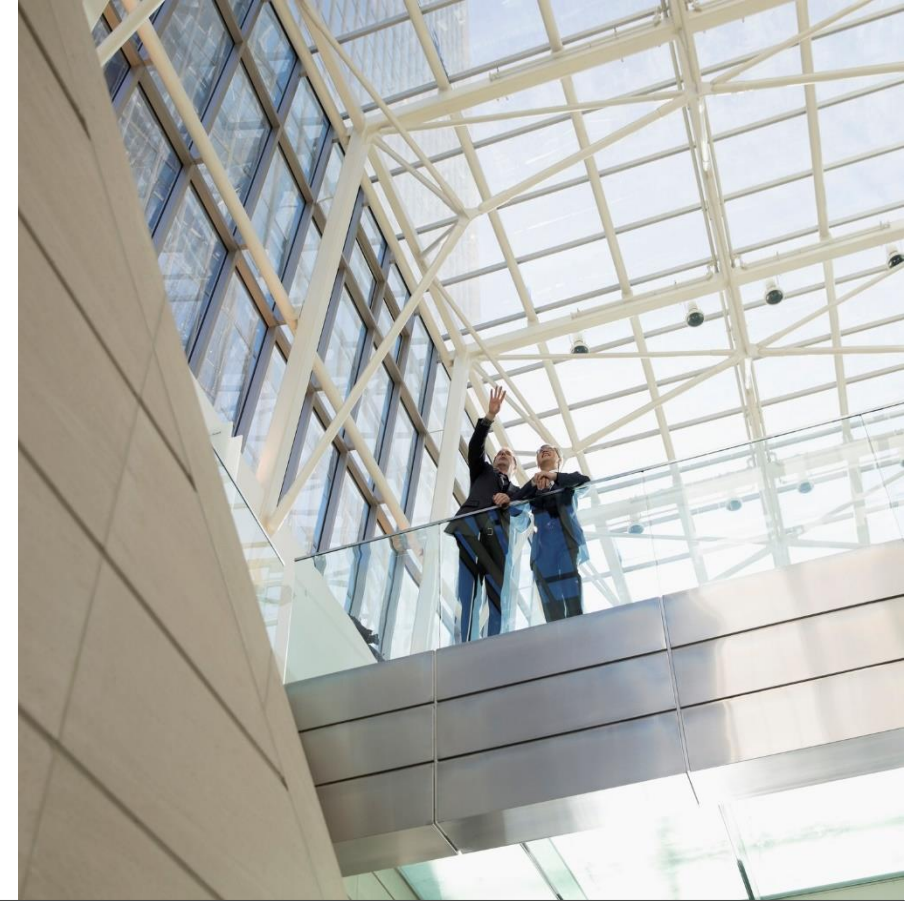
Reminder: It begins with purpose and strategy

The **purpose and resulting strategy** need to reflect the significance of **ESG** to both short- and long-term **growth**, to **operations**, to **investors** and to other **stakeholders**.

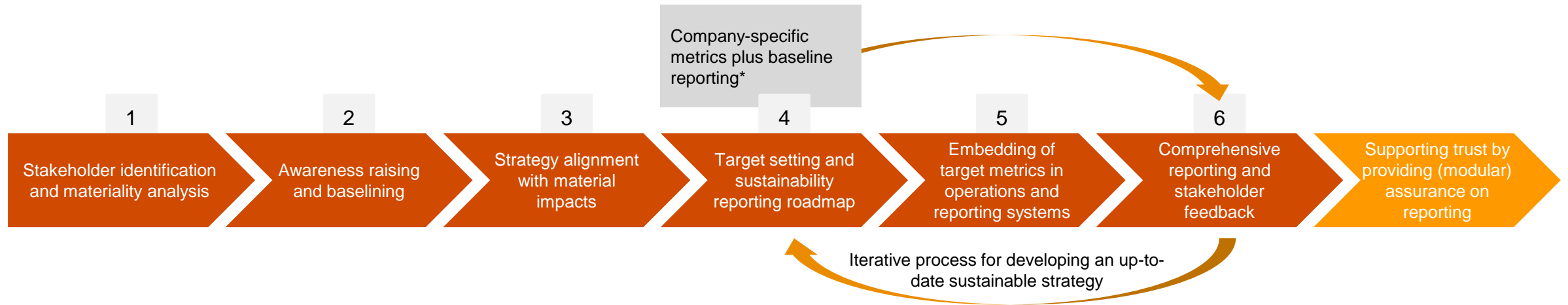
The right **reporting** approach – including financial and non-financial metrics – flows from that strategy.



In order to succeed, companies also need proper KPI definition (financial and non-financial) and trusted data.



Companies should embark on a strategy refinement and resulting transformation to address stakeholder concerns



Strategy

Transformation

Execution

* To cover all information needs, you may need to consider:

- Established financial and non-financial reporting standards defined by third parties
- Specific KPIs relating to strategy, defined by you

The reporting landscape is evolving, and there are significant moves towards a common set of standards

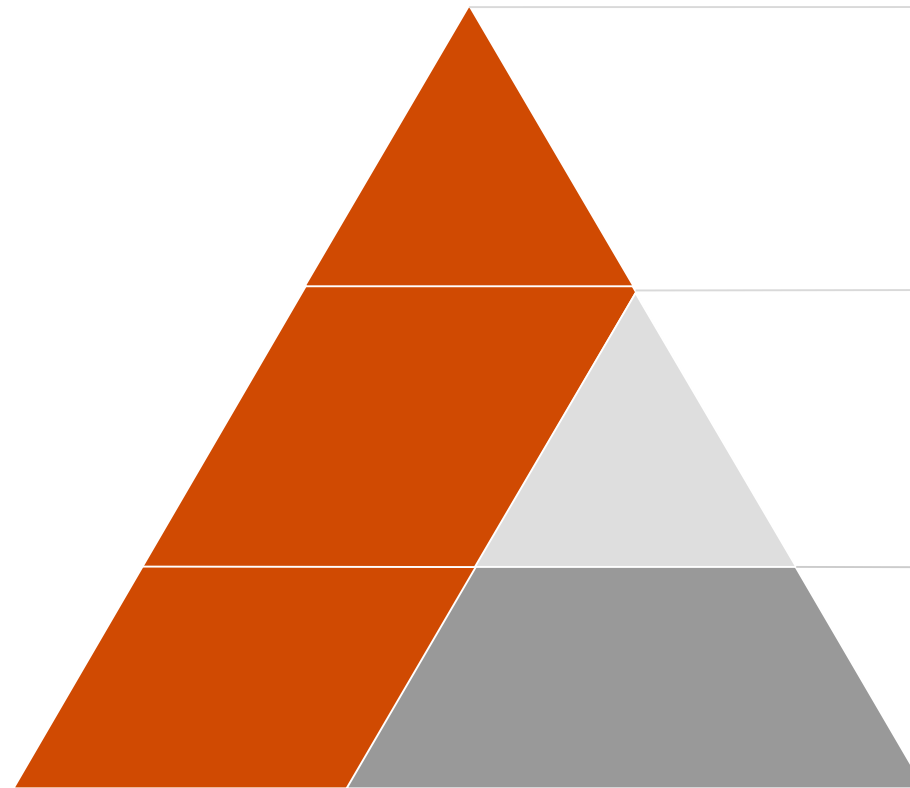


Metrics must be based on universal norms, industry-specific, national standard and company-specific KPIs

Navigating the corporate reporting landscape

External disclosure

- What are the expectations of our stakeholders?
- Discuss with market, analysts, ESG professionals.



External disclosure

Materiality, significance, accounting principles

Universal

- Understand regulatory and compliance requirements
- Seek inspiration from WEF/IBC recommendations that use e.g. GRI, SASB, SDGs

Industry and national

- Consider industry-specific standards from e.g. SASB, GRI
- Consider national requirements
- What are our peers doing?

Company-specific

- Consider what else is needed to inform decision making and measure performance against company strategy and stakeholder needs

The momentum is unprecedented, and keeping up with the latest developments can be difficult

2018 – 2019

- **The Non-Financial Reporting Directive (NFRD)** requires companies to include non-financial statements in their annual reports from 2018 onwards. ★
- **Accountancy Europe** proposed a new global corporate reporting structure, with the creation of an **International Non-financial reporting Standards Board (INSB)** to sit alongside the existing International Accounting Standards Board (IASB).

Q1 – Q2 2020

- During the **2020 World Economic Forum (WEF)**, the “**Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation**” report was released.

Q3 – Q4 2020

- In July 2020, the **Sustainability Accounting Standards Board (SASB)** and the **Global Reporting Initiative (GRI)** announced a collaborative work plan to show how companies can use both sets of standards together.
- In September 2020, the **Carbon Disclosure Project (CDP)**, the **Climate Disclosure Standards Board (CDSB)**, **GRI**, the **International Integrated Reporting Council (IIRC)** and **SASB**, announced a shared vision for a comprehensive corporate reporting system.
- In November 2020, the **IIRC** and **SASB** announced their intention to merge into a unified organisation, the **Value Reporting Foundation**.
- The **International Organisation of Securities Commissions (IOSCO)** established a board-level task force to harmonise the wide range of different sustainability standards and disclosures.

2021 – 2022

- The European Commission plans to announce the proposed revised NFRD in April 2021.
- It has also requested the **European Financial Reporting Advisory Group (EFRAG)** to set up a task force to make recommendations on potential European non-financial reporting standards to deliver a first or draft standard by June 2022.
- The final version of the **EU Sustainable Finance Disclosure Regulation’s (SFDR)** specific disclosures are expected to be finalised by January 2022. ★
- The **Taxonomy Regulation** will require large companies (covered by the NFRD) to report on turnover, capex and opex. ★
- The **International Financial Reporting Standards (IFRS) Foundation** is considering feedback on its proposal to set ESG standards which could be ready in time for the COP26.
- The **Task Force on Climate-related Financial Disclosures (TCFD)** based reporting to become mandatory by the end of 2021 in some countries.



Example: Deep dive into the EU Sustainable Finance Disclosure Regulation

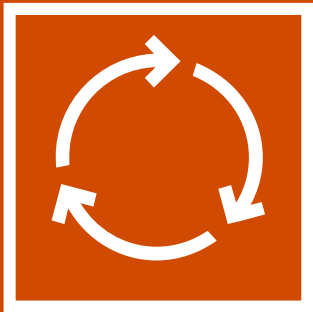
The draft list below contains the 14 mandatory indicators which the financial sector will have to comply with and collect from the companies they invest in. The draft list published on the European Securities and Markets Authority's (ESMA) website will include the disclosure regulation coming into force on 10 March 2021.

1. GHG emissions, scope 1 and 2 (as well as scope 3 as of 1 January 2023)
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high-impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violation of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons.



The regulation will be established on 10 March 2021. However, the full regulation will be effective starting from January 2022 along with the taxonomy regulation.

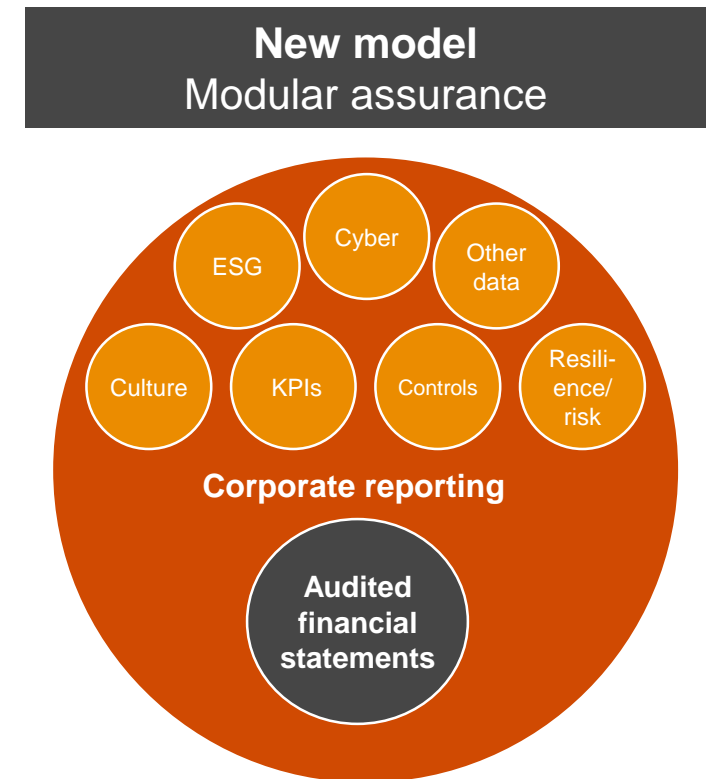
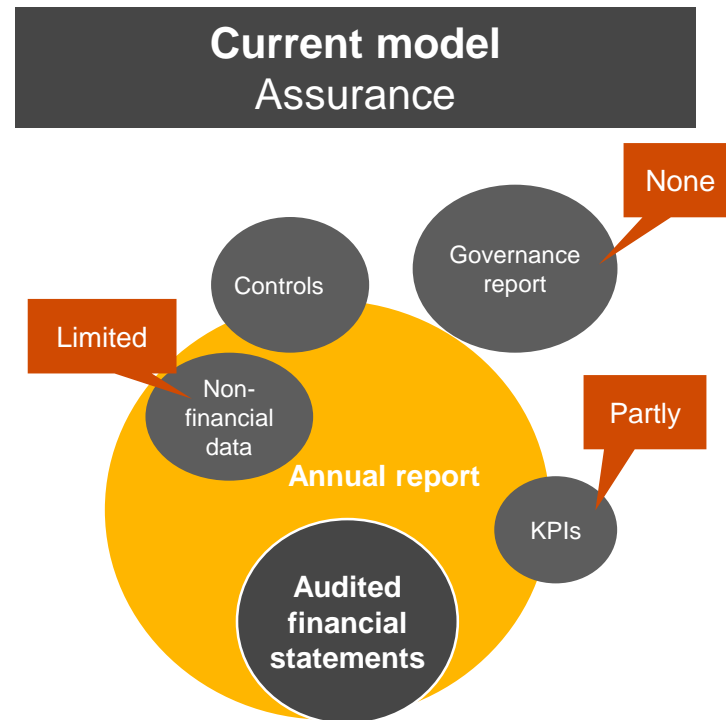
This leads to an increased need to build trust and confidence



- The financial reporting ecosystem is designed to boost trust through measures including:
 - high levels of personal accountability for the quality of information
 - a well-build-out system of requirements, knowledge on application, processes, controls and reporting
 - a requirement that information is independently assured.
- Users of equivalent non-financial information need to address whether and how such requirements should apply to this category of information.
- At the same time, there is an ongoing debate on how to improve quality of information within the current audit.
- This is prompting increased debate on how to structure the ecosystem to maximise quality, addressing the responsibility of management, audit committees, internal audit, external audit and regulators, among others.

Assurance should evolve to include more of this agenda. The future is likely to be modular.

- The **EU consultation** on non-financial reporting standards are considering how assurance should evolve
- We can expect this debate to accelerate



In a nutshell

Companies need to reshape their corporate reporting to meet investor and other stakeholder needs.

We need globally aligned standards to drive consistency and trust.

Standards and expectations should be as high as they are for financial reporting.

ESG information needs to be assured to be trusted.

PwC will lead our clients through this process – from strategy to execution.



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Q&A

Thank you

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www.pwc.dk



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