



GRC Espresso

CSRD regulatory updates and its impact on GRC processes

Today on the call



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Agenda

- 01 || CSRD Introduction
- 02 || GRC overview and requirements
- 03 || Moving regulatory landscape
- 04 || Q&A



01 || CSRD Introduction



Substantial development of reporting

Key changes under the CSRD include a larger number of affected companies, the specification of double materiality, more extensive reporting content, and increased reporting depth and assurance requirements.



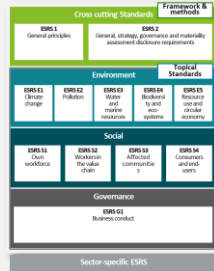
Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive (CSRD) strengthens the rules about the **social and environmental information** that companies have to report.



European Sustainability Reporting Standards (ESRS)

The European Sustainability Reporting Standards (ESRS) are a series of **delegated acts** prepared by the EU to **specify reporting requirements under the CSRD**.



Influenced by GRI, SASB, TCFD...



EU Commission Omnibus proposal (as of Feb 26, 2025)

The **Omnibus Directive** (COM (2025) 80, approved in April 2025 and COM (2025) 81, proposal in review) **simplifies sustainability reporting requirements for companies**.



02 || GRC overview and requirements



Key Elements of Governance, Risk & Compliance (GRC)

Central structure that incorporates three main elements for continuous oversight.

Governance, Risk & Compliance (GRC)

Acts as the overarching framework that aligns ICS, RMS, and IA to ensure ESG goals are met with integrity, continuous oversight, and accountability.

Internal Control System (ICS)

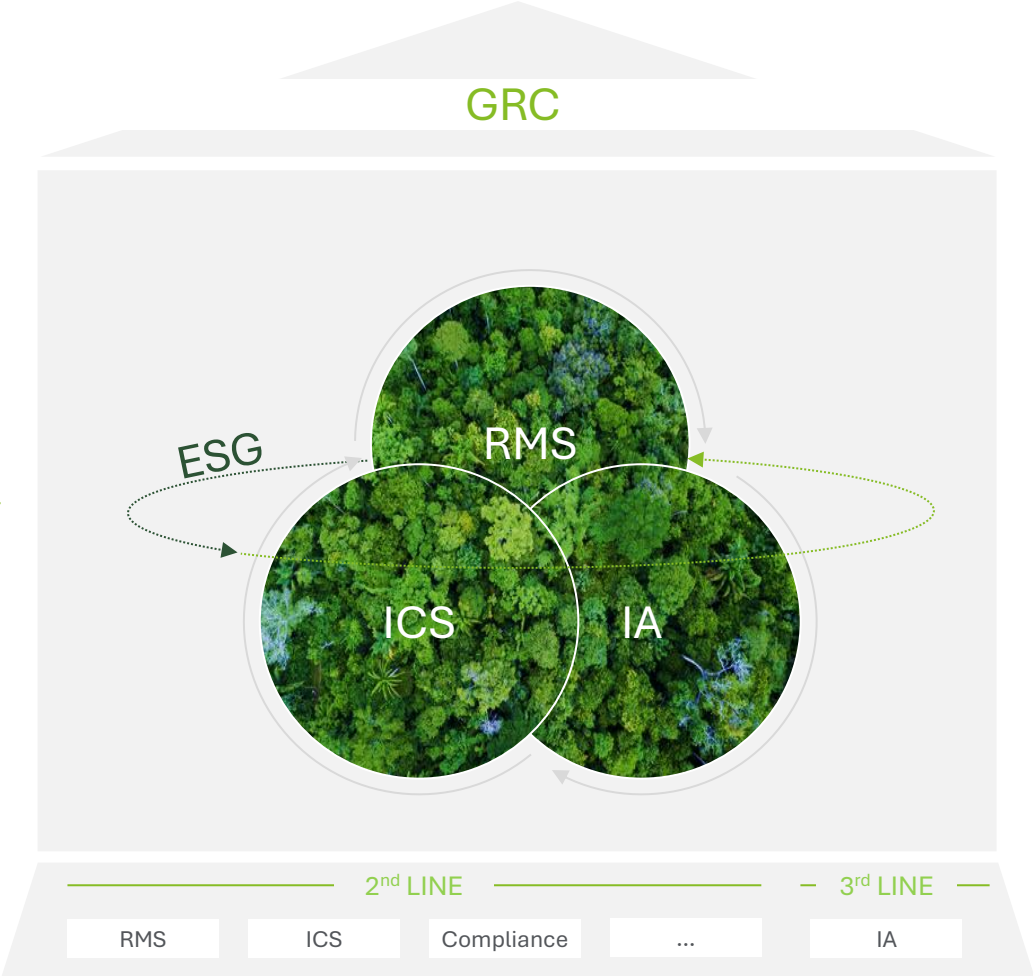
Supports ESG by embedding controls that ensure accurate reporting, regulatory compliance, and prevention of fraud or environmental/social violations.

Risk Management System (RMS)

Helps identify and manage ESG-related risks such as climate impact, human rights issues, and reputational exposure through a structured approach.

Internal Audit (IA)

Provides independent assurance on ESG processes, evaluating the effectiveness of ICS and RMS while highlighting areas for improvement.



CSRD | ESRS 2 – General disclosures

ESRS 2 delineates both cross-cutting and specific sustainability reporting disclosures, including company characteristics, operational insights, and sustainability impact assessments.

ESRS 2 content and scope

The ESRS 2 standard sets out general disclosure requirements that apply to all companies regardless of their sector or activity and are valid for all topical ESRS.



Chapters		
Basis for Preparation	BP-1 to BP-2	Provides an overview of how and on what information basis the information was created.
Governance	GOV-1 to GOV-5	Reports on governance processes, particularly as they relate to sustainability issues.
Strategy	SBM-1 to SBM-3	Describes sustainability strategy and creates an overview of stakeholder interests.
Impact, risk and opportunity mgt.	IRO-1 to IRO-2, MDR-P, MDR-A	Describes the processes of materiality analysis and the analysis of the results.
Metrics & targets	MDR-M, MDR-T	Represents the list of data points for sector-agnostic standards.

Today's focus

Source: [European Sustainability Reporting Standard](#)

ESG GRC coverage

GRC integrates all ESG matters, ensures compliance, and transforms them into actionable, measurable, and auditable business practices



GRC enables comprehensive coverage and support across all ESG topics

1) [Corporate Sustainability Reporting Directive](#), 2) [Carbon border Adjustment mechanism](#) 3) [GHG protocol](#), 4) [Supply Chain Due Dilligence Act](#), 5) [Circular economy action plan](#), 6) [EU Battery regulation](#), 7) [Climate Transition Plan](#), 8) [Task Force on Climate-Related Financial Disclosures](#), 9) [Taskforce on Nature-related Financial Disclosures](#),

02 || Deep Dive – Internal Audit

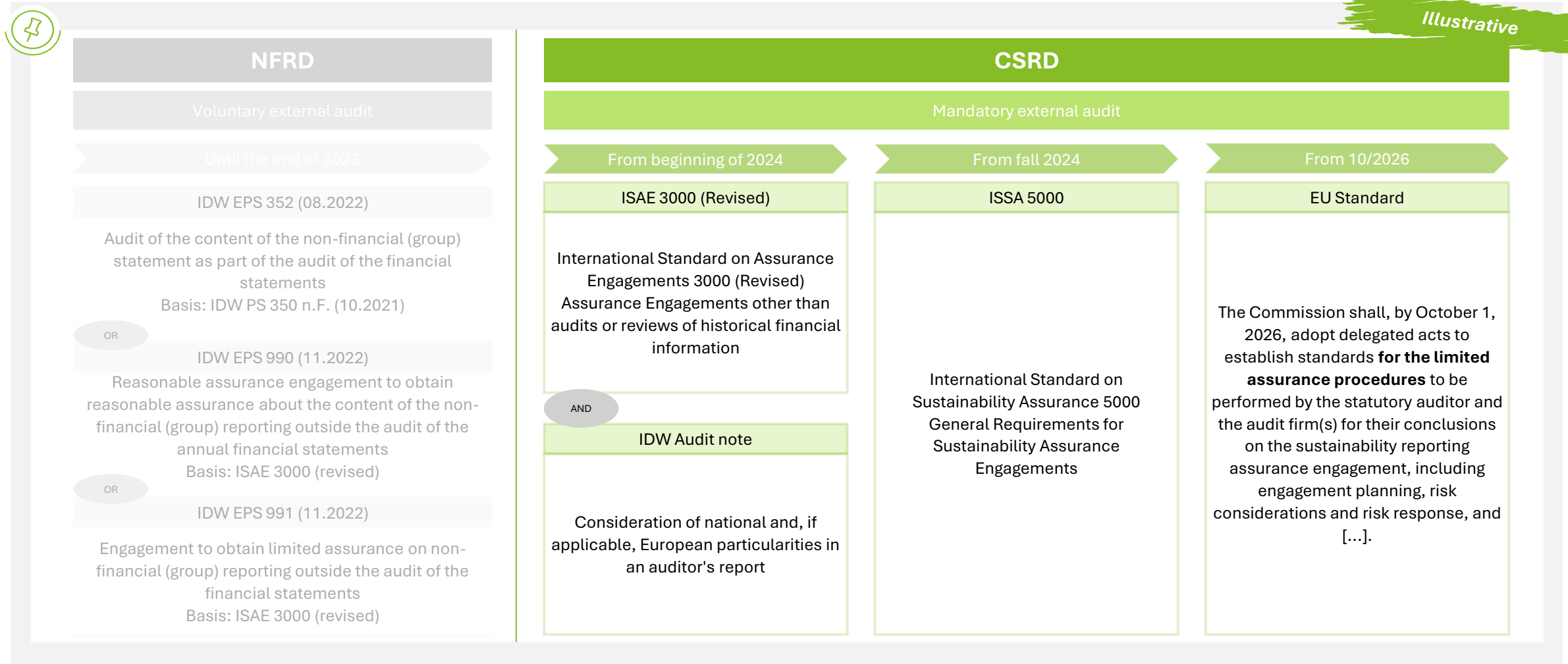


Standards for the audit of sustainability statement

ISAE 3000 (Revised) and ISSA 5000 applies to sustainability statements within the corporates management report.



Illustrative



Source: [ISAE 3000 Revised - for IAASB.pdf \(ifac.org\)](#)
[ISSA 5000 | IAASB](#)

DEEP DIVE | ESG audit scoping

ESG Audit scoping should be performed based on non-financial information derived from the sustainability statement, reported datapoints, strategic KPIs and double materiality assessment.



ESG AUDIT SCOPING EXAMPLE

1. Step KPI/ datapoints scoping

KPI/ datapoint (DP) overview

KPI/ DP Mapping (e.g., DMA, target timeline, etc.)



- High priority target
- Medium priority target
- Low priority target

EXAMPLE

2. Step entity scoping

Entity overview

Quantitative (e.g., Scope1, etc.) and qualitative mapping (e.g., media allegations, etc.)



- High priority entity
- Medium priority entity
- Low priority entity

TAKE AWAY

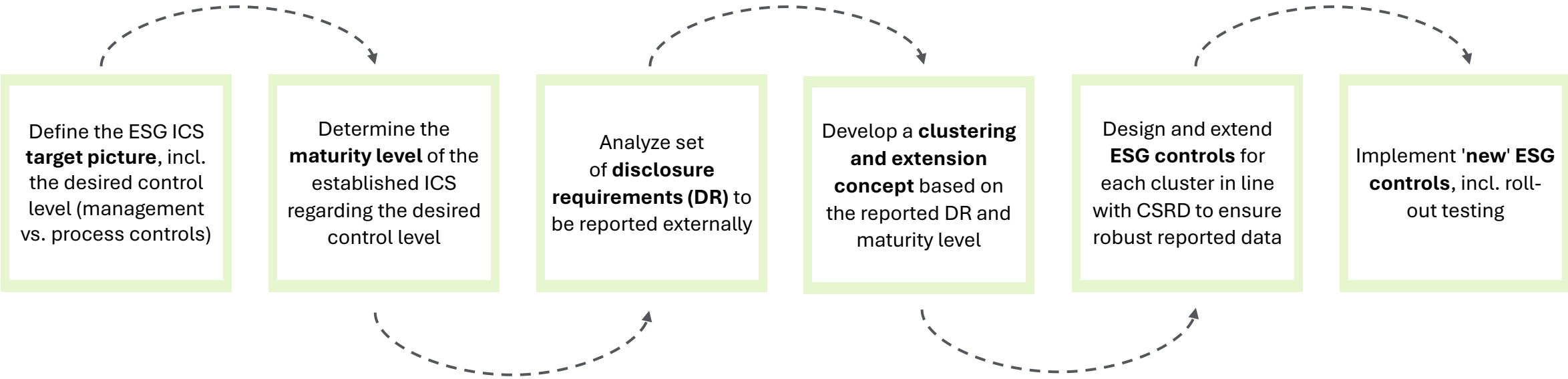
- **Evaluation** of the strategic objectives and targets incl. actions and status
- **Definition** of relevant targets and disclosure requirements
- **Identification** of relevant entities in scope
- **Definition** of relevant entities
- **Analysis and prioritization** of high, medium and low targets/ datapoints and entities

02 || Deep Dive – Internal Control System



Potential approach on updating the internal control system in line with CSRD requirements

A six-step approach facilitates to translate ESG disclosure requirements into internal controls.



GOAL - IMPROVEMENT OF THE ESG ICS TO ENSURE CSRD REPORTING RELIABILITY

DEEP DIVE I Potential CSRD ICS approaches

On a way towards a reliable CSRD reporting, the selection of a CSRD ICS approach is essential.

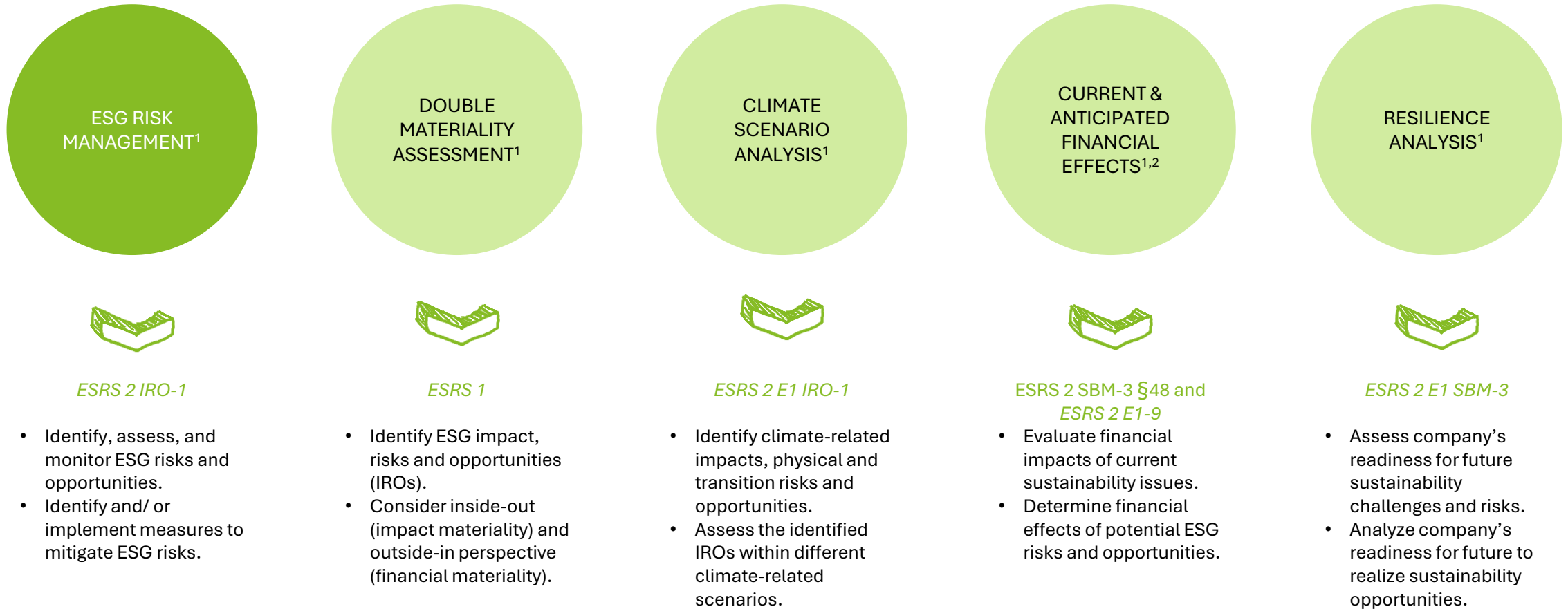
APPROACH OPTIONS		CONTROL FOCUS	ADVANTAGES	DISADVANTAGES
I.	No CSRD ICS	No CSRD ICS	+ Initially less effort	<ul style="list-style-type: none"> - Uncovered risks/ white spots within the CSRD reporting process - No reliability on the non-financial reporting process
II.	High-Level CSRD ICS on central level	Focus on management level controls and selected risk-based process level controls	<ul style="list-style-type: none"> + Creation of a central CSRD control set + Initially less CSRD controls to design and implement (focus on central level) 	<ul style="list-style-type: none"> - Uncovered risks within the CSRD reporting process on local/ entity level - Communication effort to the control performer
III.	Full CSRD ICS on central and decentral level	Management and Process level controls	<ul style="list-style-type: none"> + Creation of a companywide CSRD control set + Initial full ESG ICS concept 	<ul style="list-style-type: none"> - High effort within the design and implementation of process controls on central/ decentral level - High communication effort to the local control performer

02 || Deep Dive – Risk Management System



ESG risks management – an overview

Analyzing synergies among the core concepts while consolidating impacts, risks, and opportunities in an overall ESG risk management.



1) CSRD-required activity and/or disclosure.

2) This slide focuses on the current and anticipated financial effects related to the 'E1 Climate' guidelines under the CSRD. There are also potential current and anticipated financial effects for other CSRD standards, such as E4.

03 || Moving regulatory landscape



Omnibus package on sustainability | Key takeaways

The European Commission has adopted the first Omnibus Packages to reduce administrative burdens, including proposals to simplify the CSRD among other sustainability regulations.

Adopted changes

- **Approval of the “Stop-the-clock” Directive by the Council of the European Union and the European Parliament¹:**
 - **Postpone** the implementation of reporting requirements for large companies and listed SMEs (**waves 2 and 3**) **by two years**.
 - The EU member states have **until 31 December 2025 to transpose** the EU directive into national law.
 - In Germany, the transposition is pending on the general transposition of the CSRD into national law.

Proposed changes

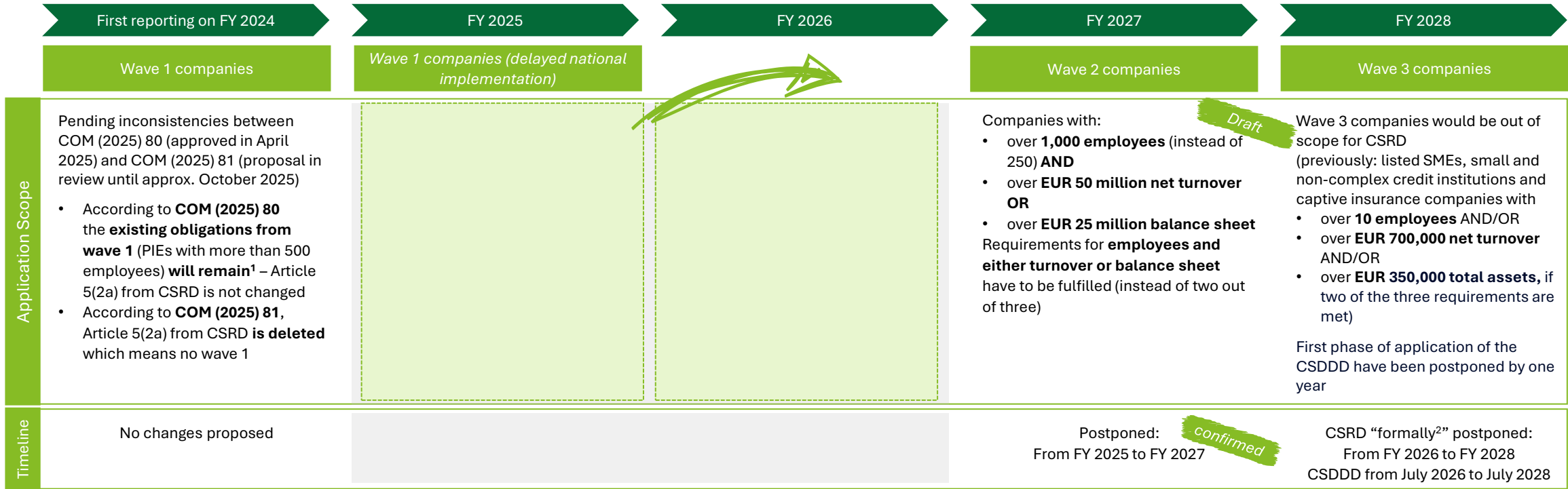
- **Announcement of a “Quick Fix” Delegated Act²**
 - Removal of **phase-in reporting requirements** for wave 1 companies preparing their second ESRS sustainability statement in FY2025
- Reporting requirements to **only apply** to large undertakings with **>1000 employees** and either a **turnover > €50m** or a **balance sheet total > €25m³**
- Commitment to **revise ESRS** in order to reduce number of data points:
 - A stronger focus on quantitative datapoints is to be expected³
 - The delivery of the technical advice regarding the amendment of the ESRS Set 1 to the European Commission by the EFRAG is planned until the 31st of October 2025⁴
- **No adoption of sector-specific reporting standards³**
- **No future introduction of reasonable assurance requirement³**
- **Limitation on information that can be requested from the value chain** (from companies <1000 employees)³



The goal is **to achieve at least 25% reduction** in administrative burdens, with a special focus on **SMEs where the reduction target is 35%**. The proposal is expected to result in annual administrative **cost savings** of approximately **EUR 6.3 billion and mobilise an additional EUR 50 billion** in public and private investment capacity to support policy priorities.⁵

Proposed changes to European Sustainability Reporting

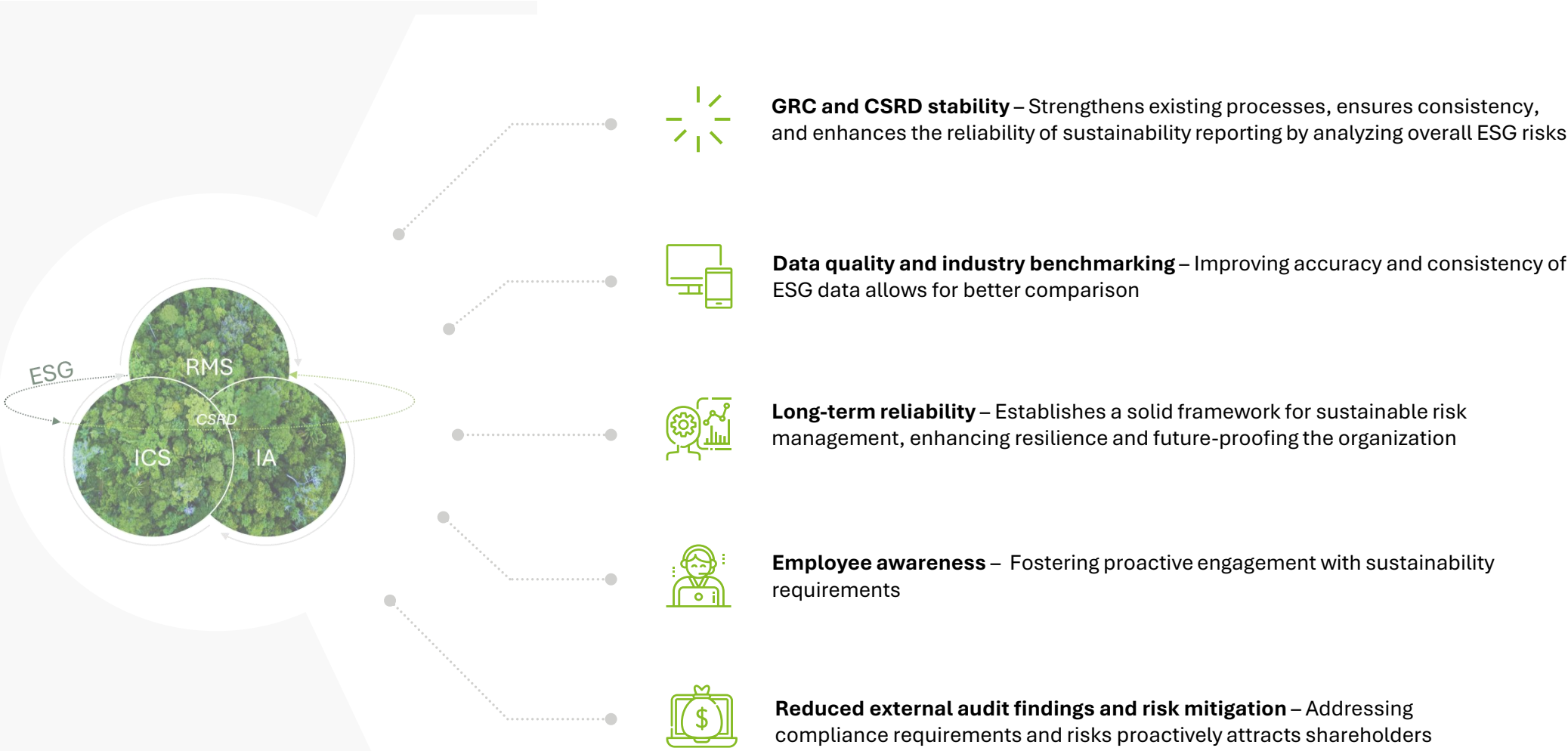
Overview of implications for companies.



¹ Large public-interest companies with over 500 employees that are already subject to the Non-Financial Reporting Directive (NFRD)
² Postponed for two years, but wave 3 companies would be out of scope of CSRD

Moving regulatory landscape requires us to react flexible to changes

Key Benefits of GRC for companies by incorporating ESG in ICS, RMS and IA.



04 || Q&A



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