



Global Compact
Network Norway

CSRD/ESRS Peer Exchange

Hosted by Nortura and UN Global Compact Norway

17 Nov 2023

NOTES

Attendees: Aker ASA, Aker Carbon Capture, Aker Solutions, Asplan Viak, Elopak, Equinor, Gjensidige, GK Gruppen, Hoegh Autoliners, Hurtigruten Group, Kongsberg Gruppen, Nortura, PGS, Posten Bring, Tomra, Wilhelmsen, Yara International

Data collection, processes and systems

- **Systems used to gather data are important, but the quality of the gathered data is more important.** Many ESG platform providers are calling us and their systems look nice, but more importantly we need the data. Systems are the end of the work, not the beginning and they will not solve everything. We need to understand the data points we need and then discuss it internally, with IT, for example. If we see gaps, we can go to the different ESG platform suppliers and tell them our needs.
- **Building internal awareness, competency and connection across the organization:** The sustainability department is like a spider - need contact across departments. So that we get good data from different people, we need to ensure that all who have responsibility to report on material themes are equipped to do so. Need to work on competency building and ensuring they understand how important it is to report under CSRD.
- **Set up responsibility and accountability.** Set governance. Place responsibility for reporting at the top level - so it's very clear. Put in people's job descriptions that they need to help.
- **Build competency and understanding at the top level.** Many of us got consultants to do the DMA. We could also ask them to do a course and explain how we report to the top level in the organization. We also had the top level at the presentation of the offers too, so they understood what was involved.
- **Plans and policies are important.** Some of us have good reporting systems (GRI standards), understand that this will enable a good transition to CSRD. We see on data that this may be correct, but we need to have policies on each theme and plan how we will work with it. And we need goals (and results).
- **Learning by doing:** Some of us have to start in 2024 for 2025. Not everything will be in place. There will be a lot of testing and believe it may not be so strict this first year. We have to learn how to report. If we don't have data, then can't report. Will need to work on explaining why and make a plan to get data.
- **Getting everyone on board.** When talking about data, the transition is not so hard from GRI to ESRS. But having the whole process in place e.g., transition plans, etc. is another level. It is quite important to get the whole company on board. To integrate and get them to understand even more. So that we can get to ESRS.

- **Focus on getting better.** Our main purpose is to report, but it is also going to help us reach our goals. Going to help us being better.

Double Materiality

- Different levels in the room - some starting, some recently completing and anchored at board, some light touch and building. Good starting point to share experiences. “Sharing with pleasure”.
- **Setting risk thresholds.** How to properly set relevant thresholds for evaluating risk. There are no clear guidelines in the ESRS. Companies need to find their own method. Many consultants recommend pegging the DMA to existing risk management systems. If you have a very mature ERM, it can make a lot of sense to build this type of risk assessment for new topics into the process, because you already have this risk assessment in place.
- **Granularity in DMA** - topics, sub-topics, sub-sub-topics. Not clear to all of us what level of granularity one should apply in order to understand materiality. Feedback that was constructive, was to have a conversation with your auditor. We will all be subject to auditing. Close dialogue can be valuable (keeping in mind this is also new for many auditors). Discuss practicalities and data granularity with them.
- **Handling non material topics:** Some had feedback from auditors: important to go further in describing why some topics are NOT material.
- **Value chain approach:** Discussed the importance and value of taking a value chain approach, where you can go into each step of the value chain and assess risk, impacts, and opportunities and how material they are. Can be a big challenge to define how deep we should go.
- **Company governance, how should we organize sustainability reporting.** Clearly emerging trend of combining sustainability and finance. Many appreciate the increasing collaboration there. Clearly ownership must be shared. It lies in different places. Formal ownership can be company dependent, but collaboration across departments is key.

ESRS: boundaries/scope, how to get started, and how to implement the regulations

- **DMA and new competencies being built.** Auditors are also in the same place. One approach, is to bring auditors in early and they can observe the process and learn. Alternative is that we shape the methodology ourselves and don't let them in too early.
- **Working with consultants.** The organizations we represent have some solid ideas of what the material topics are for us. Consultants come from more of a clean slate. Working with consultants helped with documenting and aligning on that. Consultants can also provide new input and topics that add to our hypotheses.
- **Internal set-up.** How to set up in organisations with smaller units – as a “sanity-check”, make sure top management and organizations know what we are going to do. Many approaches can be taken, e.g., value chain. What is considered part of the value chain? Or consolidate at group level. Stepways approach. Align at each level, ensure aligned then move forward.
- **How dealing with the DMA and which topics are material?** Heard there are some that consider all topics to be material and can't limit. In this group, we felt that it should be possible to limit and discussed the challenges of limiting. Some may want to limit, because not ready with data. But we agreed, we need to report on what comes out, not based on whether ready or not.

Around societal topics that influence stakeholder justice, we may get feedback that we haven't reported on them enough.

- **Non material topics** Important to have good understanding of why topics are not material.
- **Step-wise approach: it will not be perfect the first year.** Make a best estimate and be open on the assumptions you make during the analysis. **Learning as we go.** Try to set up a robust methodology, be pragmatic, do best we can, and learn as we go.
- **Stakeholder engagement.** Importance of using already established channels to gather data and engage with stakeholders. But it might be necessary to explore new ways to engage with stakeholders, so not set up long interview lists with 1000s of stakeholders. Finding a good way to manage that will be important going forward.
- **Pros and cons of value chain approach.** In different units, one can have different approaches. It is easier maybe to evaluate own operations, particularly upstream. But downstream can be more challenging. Need to define what we are really evaluating.
- **Reporting boundaries.** Organizational limits, particularly around joint ventures or GHG emission reporting. It's a more advanced topic that some have delved into and considered a lot, but many may not have reflected too much on it yet. The ramifications e.g., An organization's GHG emissions, might be different under different standards.
- **Transparency around our boundary setting.** Need to be transparent in the way we are interpreting boundaries. By being transparent we open up for what we have and haven't considered. Specifically mention entities that are part of scope, then be clear what is being reported.
- A lot of learning going forward.

Opened the floor:

Question: **DMA – include as much as possible?**

- If material, but may be able to omit metrics that are not material. Reason why careful on what choosing. But metrics are a small fraction of what needs to be reported.
- ESRS has appendix.

Question: **If omit KPI, do you have to show why?**

- You have to have an argument why it is not material. In your report you have to justify.
- By doing value chain and analysis. When have all impacts, then you can link to different standards. Then clearly see. If have not linked to a standard, then probably that's ok.
- We are also doing SBTs. First year we have to report everything. Our approach is to include everything in beginning, and we will quickly realise where to drive action. E.g. if something is below a threshold, then we decide to drop it. We can prove it has a small impact.
- This approach might get hassle from auditor for not working out the significant areas.
- When look at the financial impacts, you could perhaps take away some of the topics. "The best guidance for us was working with financial people and working out which issues really have a financial impact."
- One of our challenges could be to focus on what the auditors will think and lose sight on what on the long-term risks and opportunities the business will focus on. We use auditors internally.

- Agree. Can be used to think about investment in companies, which will survive.

Next steps:

- Sharing emails with each other. Leonie to email to inform group members and request that you notify her if you do not wish this to happen.
- Leonie presented ideas for next steps. Plan to run more peer exchanges in 2024. Please suggest suggestions for content.
- General preference in the group was for shorter (e.g. 1 hour), digital, focused sessions dealing with very specific issues/challenges. Perhaps one or two case studies, then discussion.
- Could occasionally meet physically to exchange with peers.
- Some future topic ideas:
 - How to approach and manage stakeholders in this process?
 - Internal control. Who is going to have due diligence responsibility over this process?
 - How to combine CSRD reporting requirements when facing a global landscape?