

The EU's ESRS reporting standards: What do they mean for IR?

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01 ESG100 results

02 What the ESRS means for IR

03 Q&A

Position Green[•]

ESG100 Report 2023

Investment-grade disclosures:
Are Scandinavian companies
prepared for the ESRS?



ESG100
POSITION GREEN | 2023

What is the ESG100 report?

- 100 largest listed companies in Denmark, Sweden, and Norway, respectively
- Examines ESG reporting, not performance
- Published since 2017 in Oslo, this year marks the sixth edition

● Does the company provide accurate, clear and relevant ESG data and information?



About Position Green



Position Green is a pure play sustainability partner with the technology and expertise to drive positive impact.

Employees

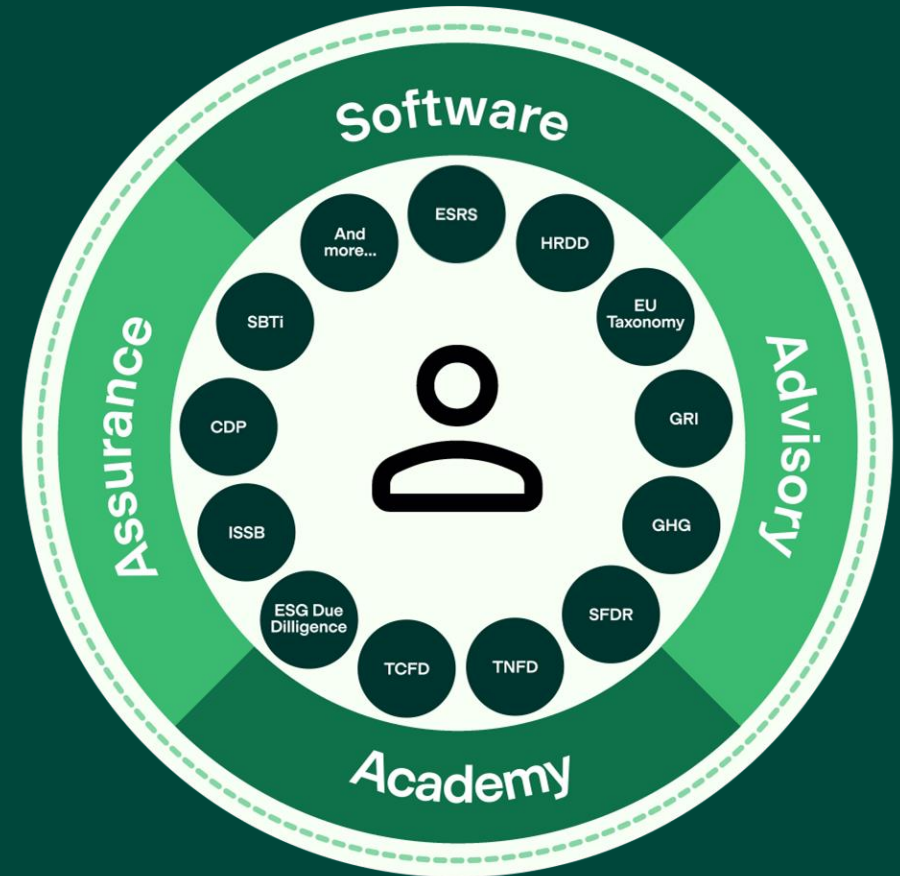
300+

Clients worldwide

500+

Locations across the Nordics, UK, Benelux and US

10



ESG100 methodology

- ❖ All data from **publicly available reports**
- ❖ ESRS readiness: **68 disclosures** from ESRS
- ❖ ESG100 rankings: **85 disclosures** from ESRS and best practice reporting criteria
- ❖ Methodology **quality assured by Columbia University** & KLP
- ❖ **Independent analysis** by Sustainergies in Sweden

General

ESRS 2

Climate
change

ESRS E1

Bio-
diversity

ESRS E4

Own
workforce

ESRS S1

Business
conduct

ESRS G1

Highlights

- **Danish companies are least prepared for the ESRS, on average**
- **More companies are linking executive pay to ESG targets**
- **Most companies have committed to net-zero, but few have robust plans**
- **Few companies provide data on their gender pay gap or CEO pay ratio**
- **Denmark leads the way on responsible tax commitments**

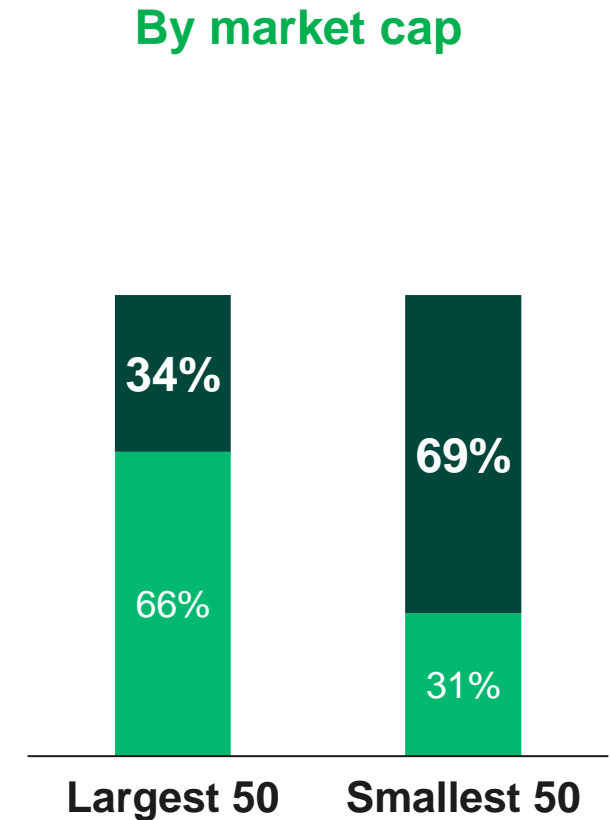
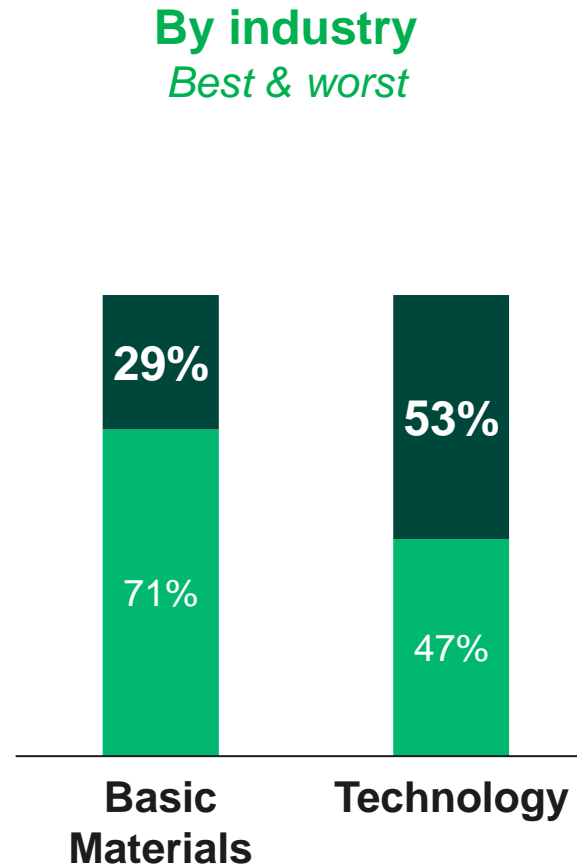
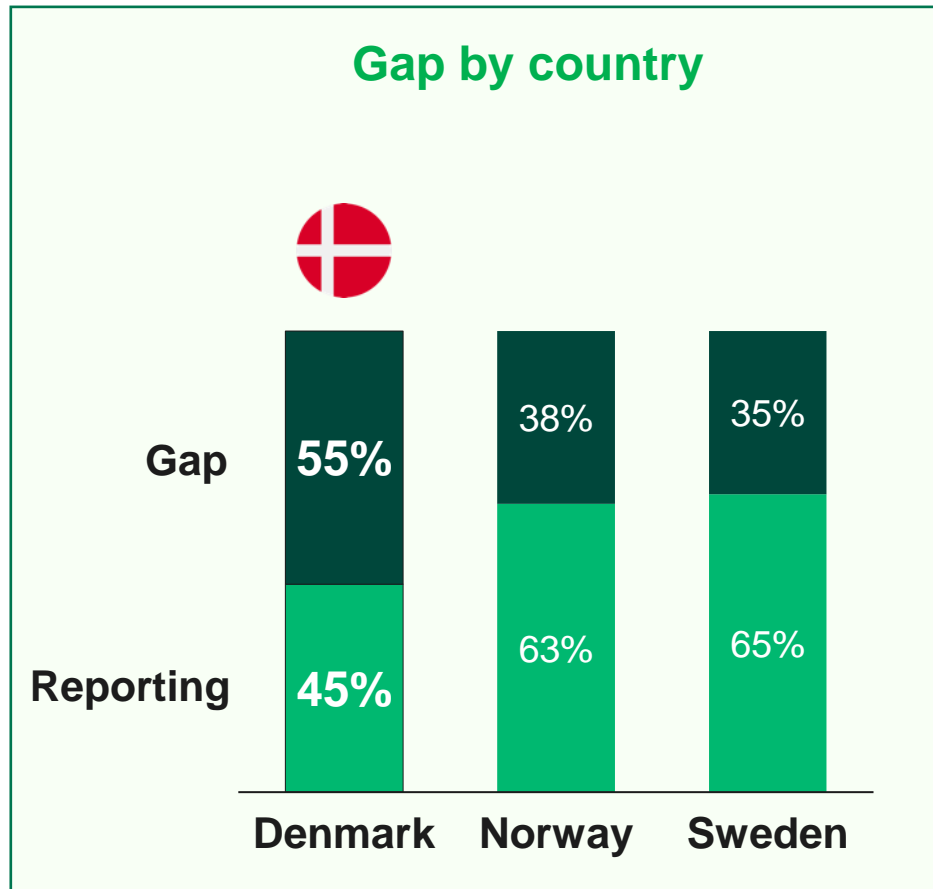


Key findings

ESRS readiness

ESRS readiness

Danish companies are least prepared on average: results skewed by smallest 50 companies



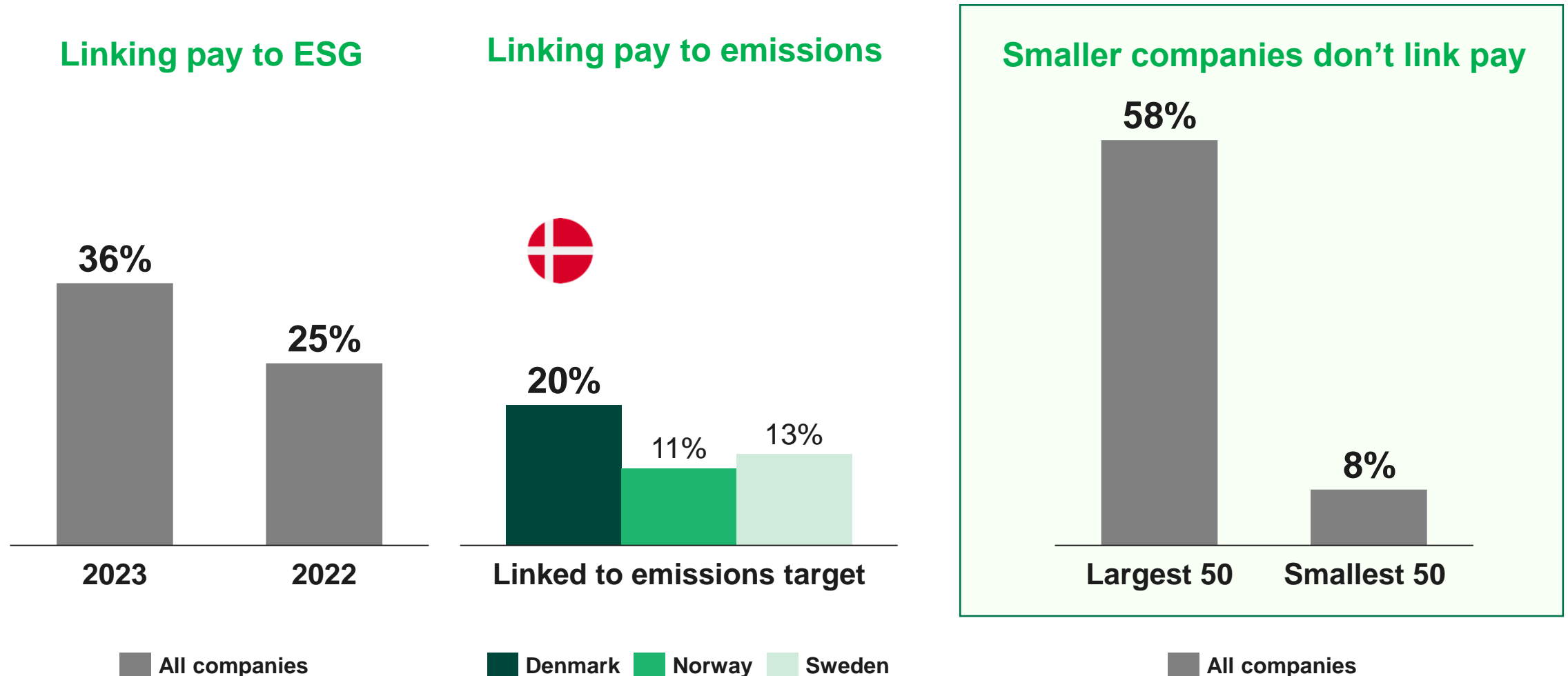


Key findings

General disclosures

More companies are linking executive pay to ESG targets

Danish companies more likely to link pay to emissions targets



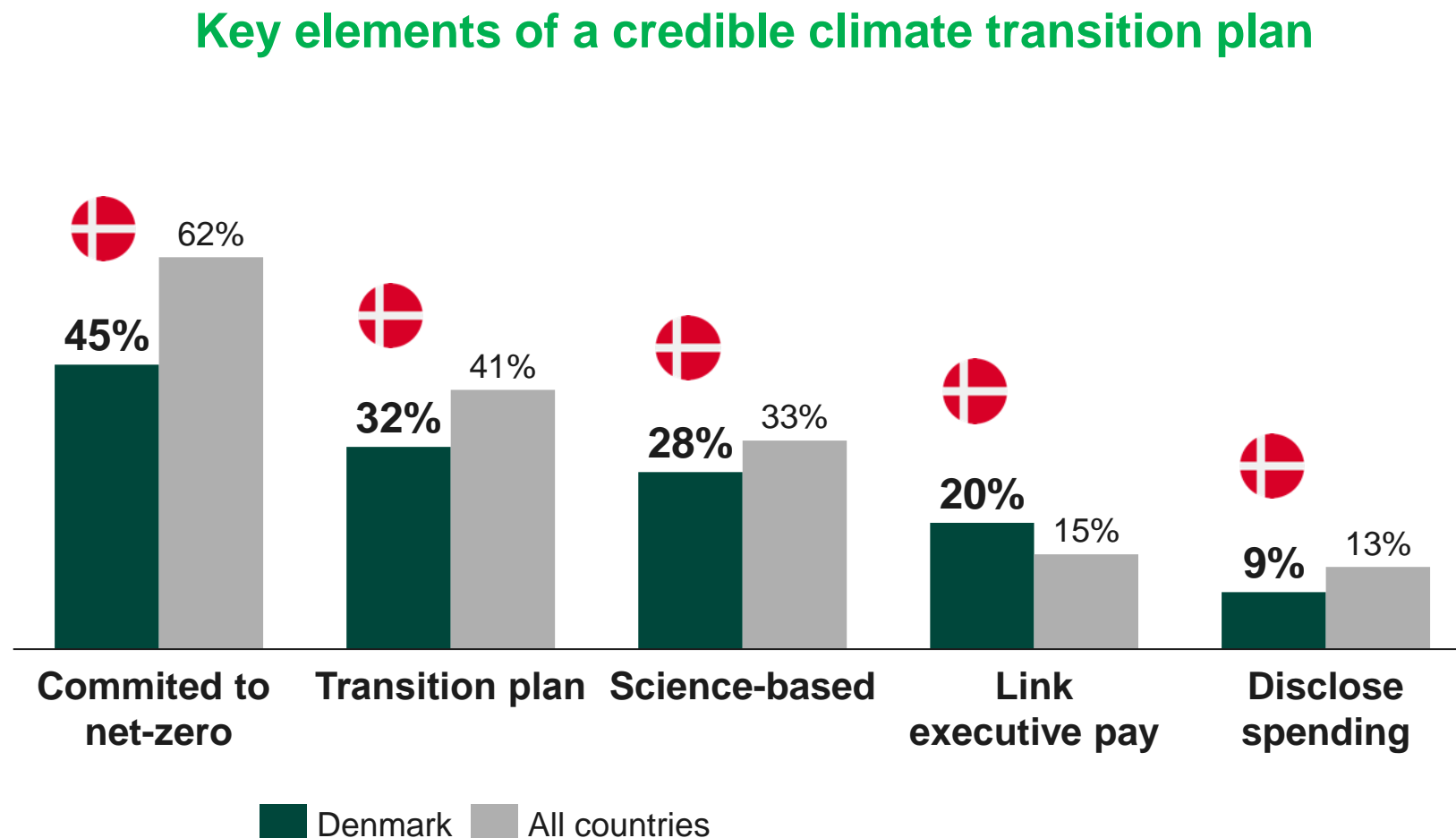
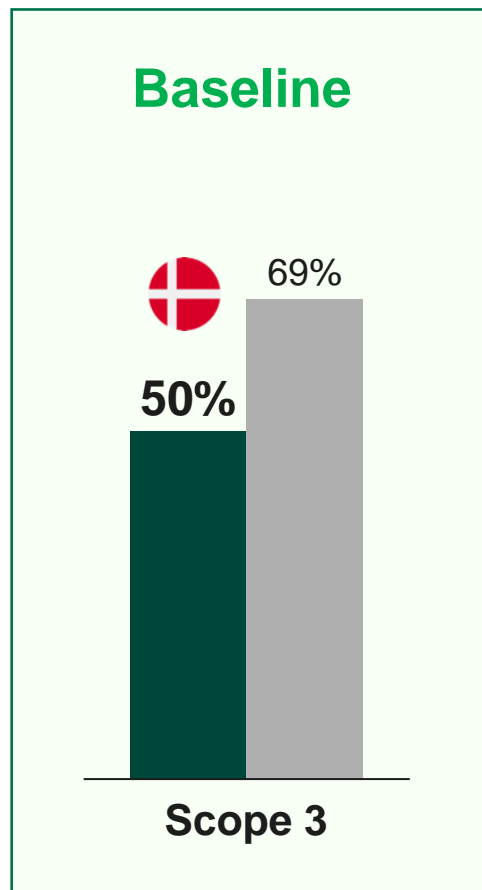


Key findings

Environment

Most companies have committed to net-zero emissions

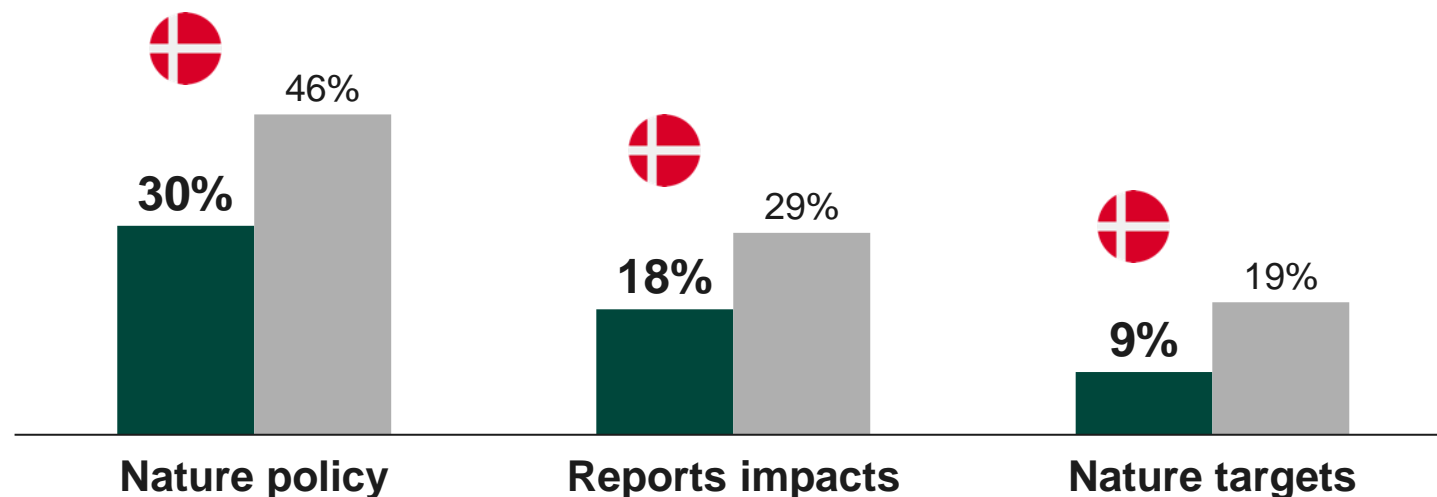
But only 41% have a climate transition plan in place to achieve it



Nature is rising on the corporate ESG agenda

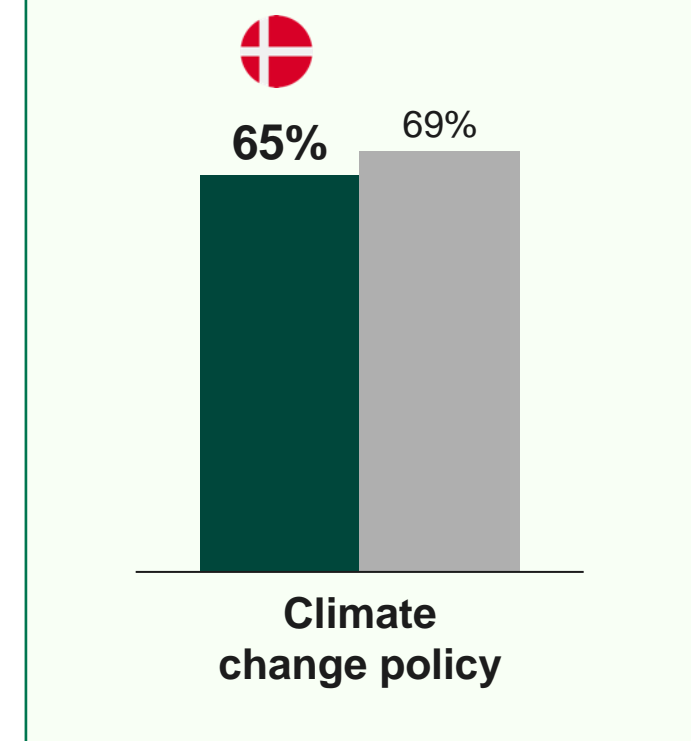
But scope and ambition of pledges vary, reflecting early stage of reporting requirements

Fewer Danish companies have nature commitments



Denmark All countries

Have climate policy

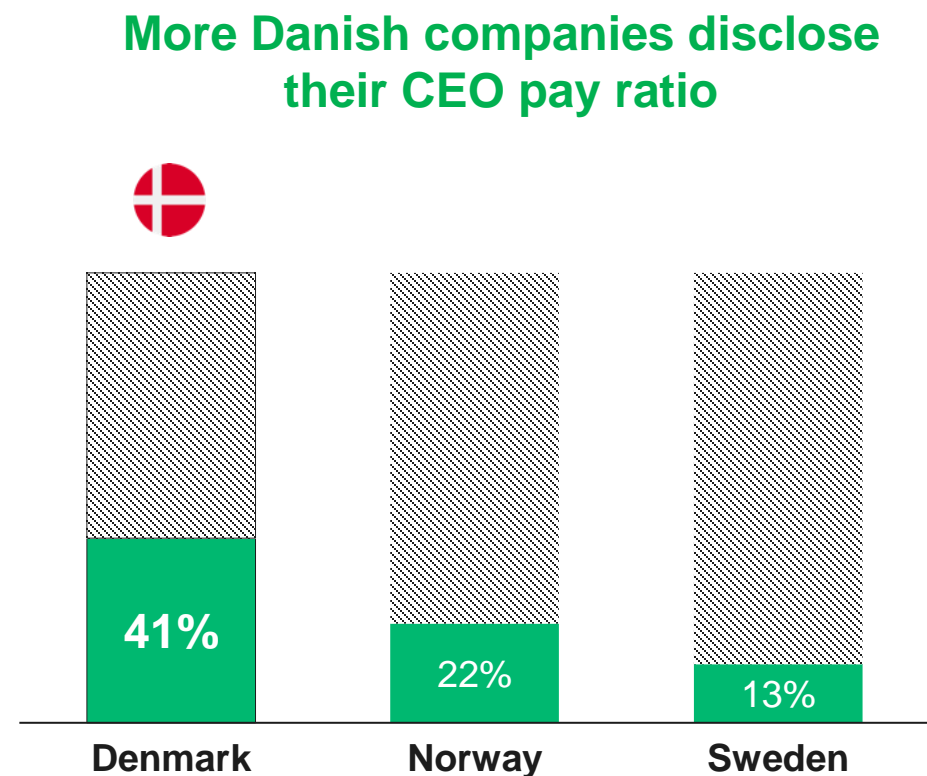
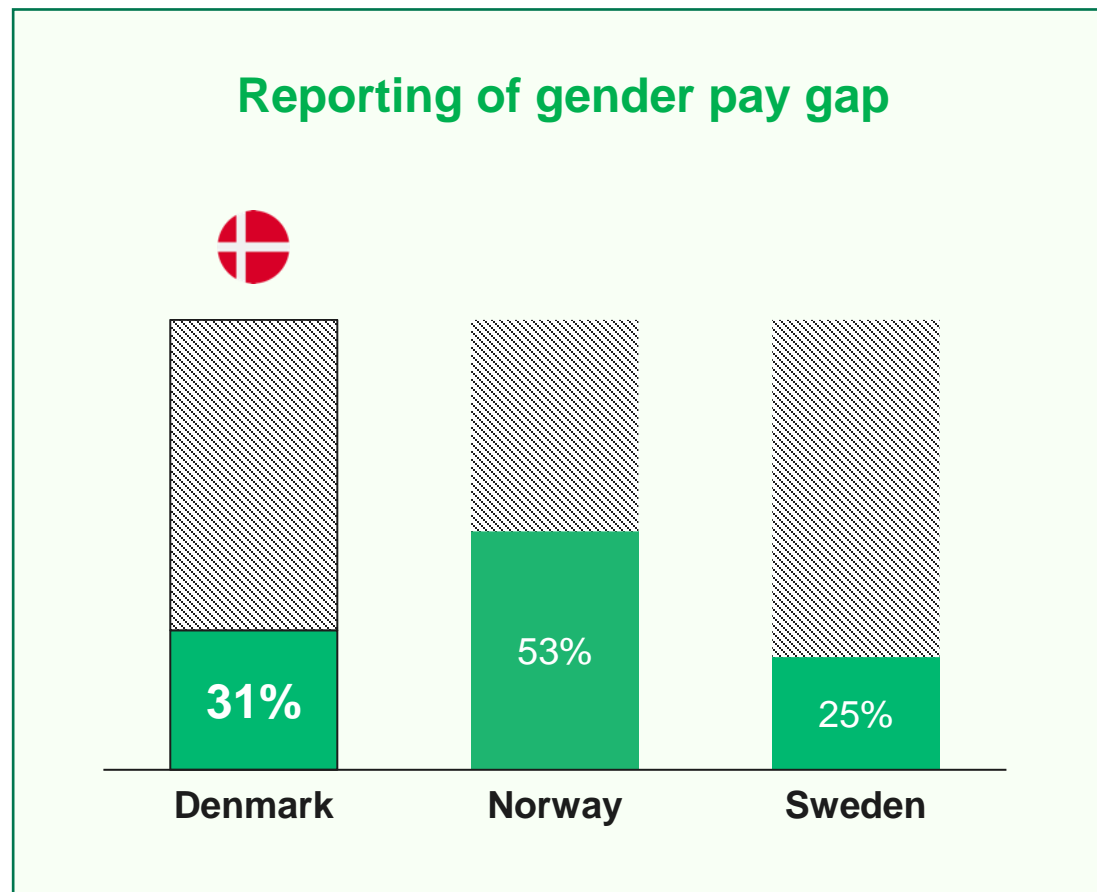




Key findings **Social**

Scandinavian egalitarianism does not extend to pay gaps

Few companies provide data on their gender pay gap or CEO pay ratio



Did not report Reports

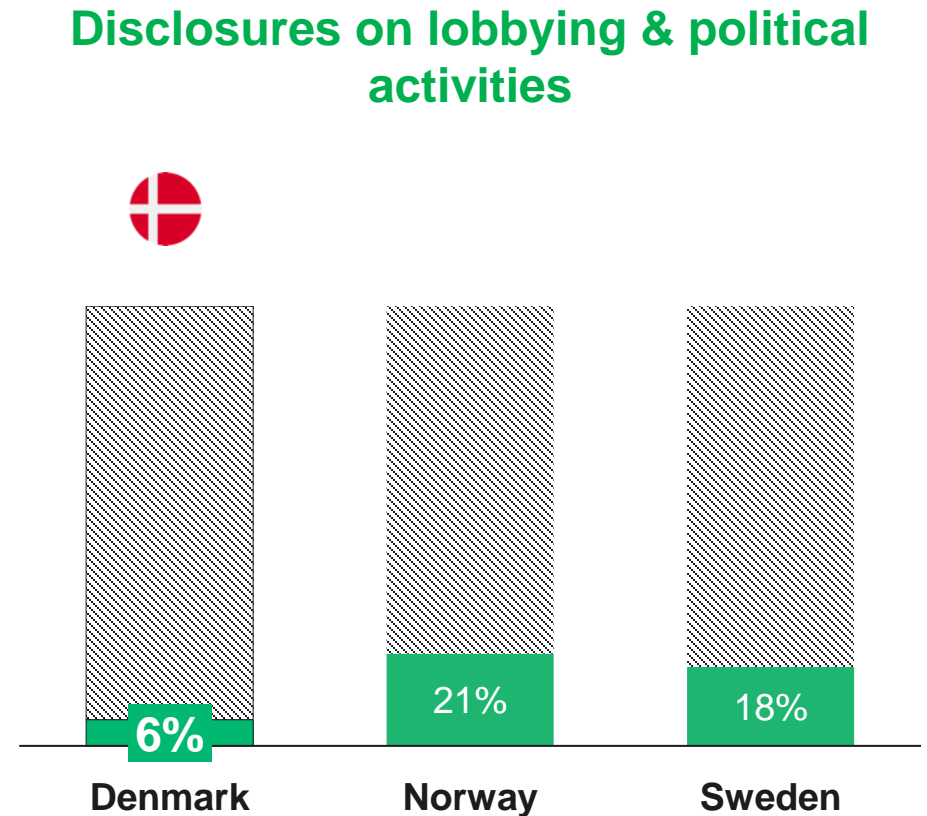
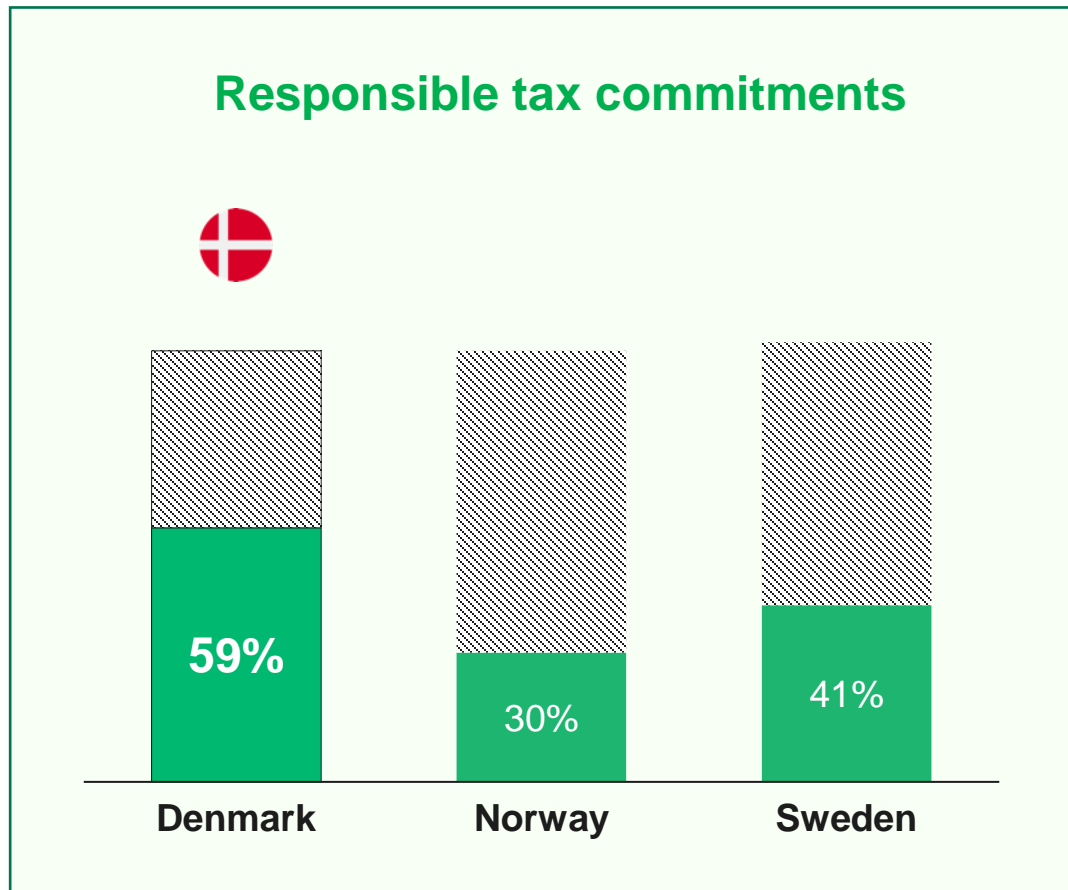


Key findings

Governance

Denmark leads the way on responsible tax commitments

Investors should seek greater transparency on lobbying & political activities



Did not report Reported

A decorative graphic consisting of a cluster of green dots of varying sizes, arranged in a roughly circular pattern with some dots extending outwards.

Company rankings

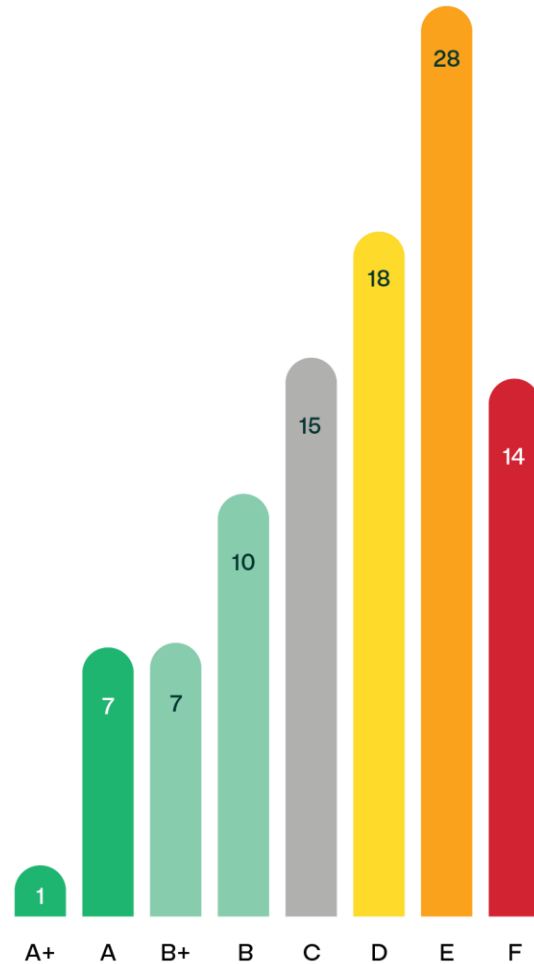
What do the ESG100 grades mean?

Companies scored on 85 questions from ESRS & best-practice ESG reporting

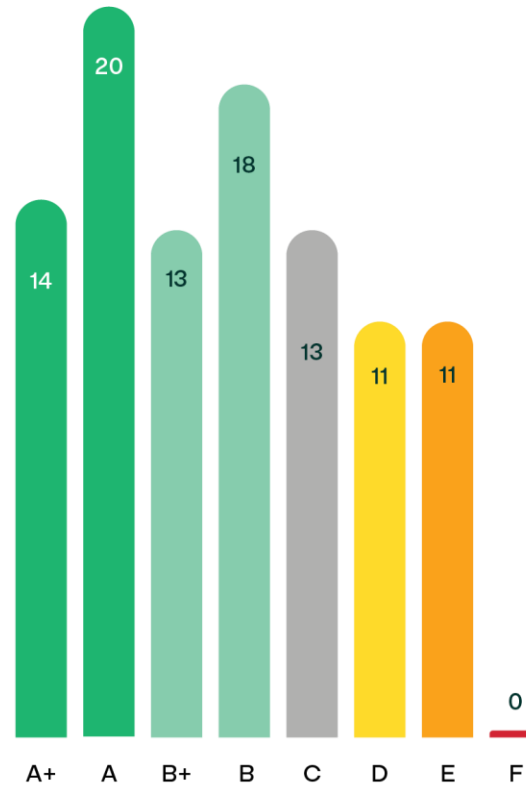
A+		A		B+		B		C		D		E		F					
Top 5%		Top 20%		Top 35%		Top 50%		Bottom 50%		Bottom 35%		Bottom 20%		Bottom 5%					
Excellent reporting				Good reporting				Basic reporting				Incomplete reporting							
Most prepared				ESRS readiness												Least prepared			

Overall rankings by country

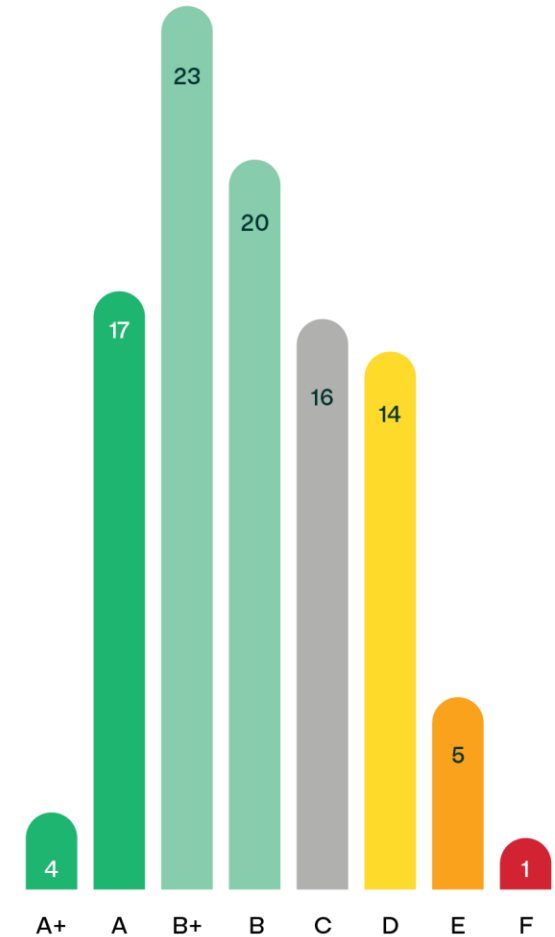
Danish results are lower overall, skewed by small companies



Denmark



Norway



Sweden

Ratings: Denmark

Vestas Wind Systems	A+
Mærsk	A
Carlsberg	A
Ørsted	A
DSV	A
Pandora	A
Danske Bank	A
Coloplast	A
Novozymes	B+
FLSmidth & Co.	B+
DFDS	B+
NKT	B+
ISS	B+
TORM	B+
GN Store Nord	B+
Nilfisk Holding	B
H+H International	B
Norden	B
ALK-Abelló	B
Novo Nordisk	B

Rockwool	B
Tryg	B
Solar	B
MT Højgaard Holding	B
Chr. Hansen Holding	B
Ambu	C
Matas	C
HusCompagniet	C
Topdanmark	C
Össur hf.	C
Demant	C
SimCorp	C
Genmab	C
Sydbank	C
Bavarian Nordic	C
Spar Nord Bank	C
NTG Nordic Transport Group	C
Københavns Lufthavn	C
Royal Unibrew	C
Scandinavian Tobacco Group	C

NNIT	D
Jeudan	D
SP Group	D
Bang & Olufsen	D
Ringkjøbing Landbobank	D
Gabriel Holding	D
Aquaporin	D
Per Aarsleff Holding	D
Flügger Group	D
Harboes Bryggeri	D
Netcompany Group	D
Jyske Bank	D
Tivoli	D
Columbus	D
RTX	D
Brødrene Hartmann	D
Trifork Holding	D
Schouw & Co.	D
Grønlandsbanken	E
Skjern Bank	E

cBrain	E
Alm. Brand	E
Djurslands Bank	E
FirstFarms	E
Brødrene A & O Johansen	E
TCM Group	E
Penneo	E
Gyldendal	E
Roblon	E
BankNordik	E
Zealand Pharma	E
Kreditbanken	E
SKAKO	E
Sparekassen Sjælland-Fyn	E
Lollands Bank	E
North Media	E
Green Hydrogen Systems	E
Parken Sport & Entertainment	E
Lån & Spar Bank	E
Copenhagen Capital	E

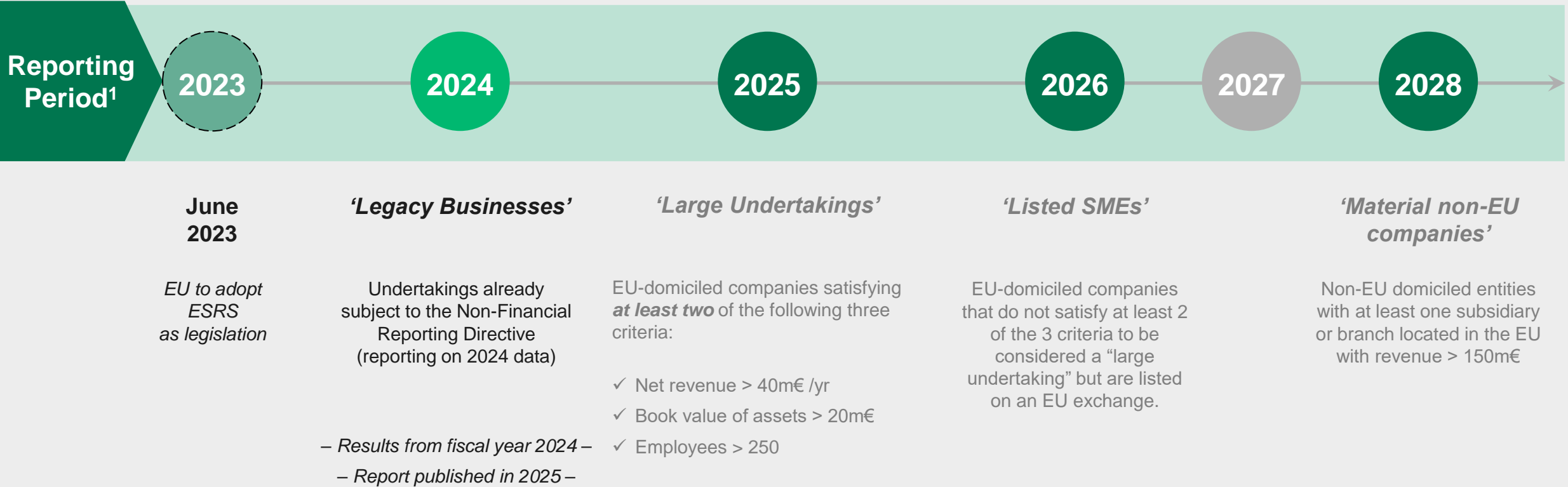
Danske Andelskassers Bank	E
Fast Ejendom Danmark	E
BioPorto	E
Nordfyns Bank	E
ChemoMetec	E
Vestjysk Bank	E
Brd. Klee	F
Brøndby IF	F
Prime Office	F
Møns Bank	F
UIE	F
AGF	F
German High Street Properties	F
Totalbanken	F
Relesys	F
Ennogie Solar Group	F
Park Street	F
Luxor	F
Strategic Investments	F
Agat Ejendomme	F



What the ESRS means for IR

ESRS will apply to over 50,000 companies in the EU

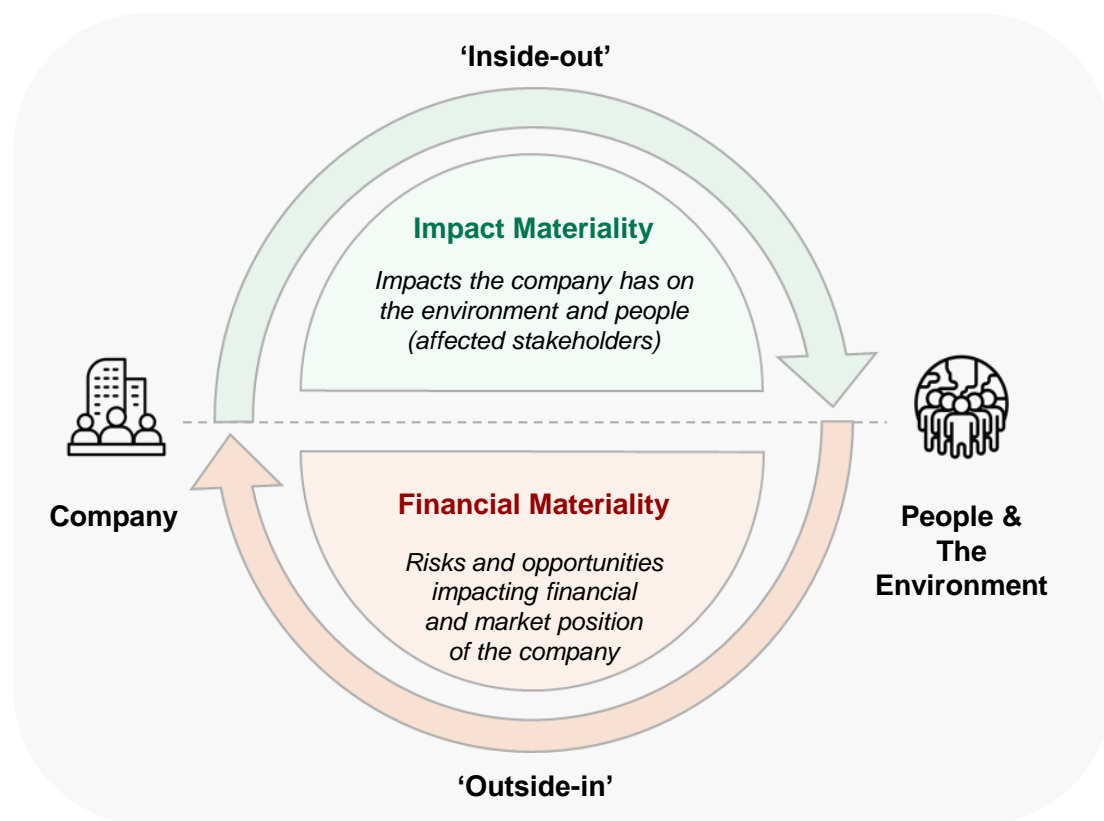
Also captures approx. 10,000 companies in UK, US and elsewhere



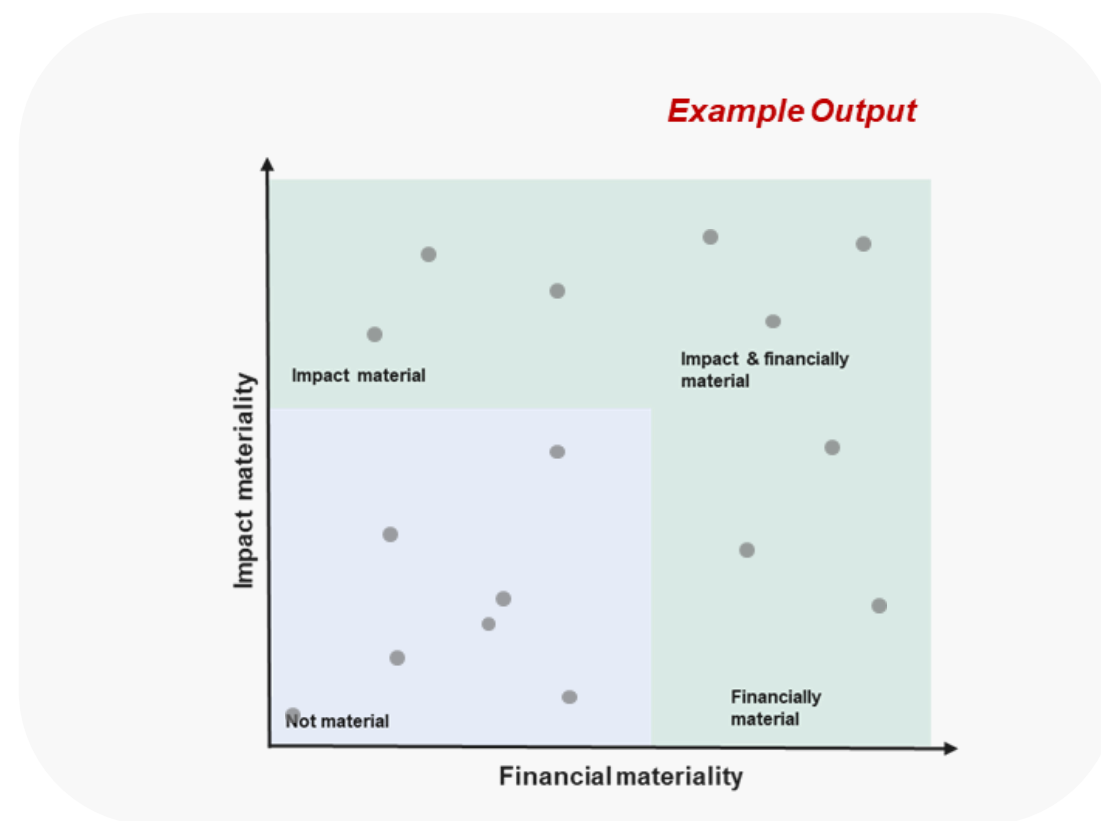
⁽¹⁾ Note that reporting year indicates the year from which the results and data are realized. Publication of the report will typically occur in the calendar year after the reporting year.

The principle of **double materiality** underpins the ESRS

Examining sustainability matters in two dimensions of materiality:



Classifying each sustainability matter against these two dimensions



Stakeholder engagement is mandatory

Process should have IR perspective on users of sustainability statements

The ESRS defines two types of stakeholders: IR is the gatekeeper to group 2

1

Affected stakeholders

- Employees
- Suppliers
- Affected communities
- Consumers / End-users

Engagement is central to the DMA → identifying and assessing impacts

2

Users of sustainability statements

- Owners / investors
- Banks / Lenders
- Regulators
- Insurers

Optional to the assessment → Provide input and feedback to impacts, risks and opportunities

Select

Activate internal SMEs and networks.
Consider the stakeholders themselves, representatives, experts or studies.

Interview

Identify impacts/ risks / opportunities

Follow-on Survey

Assess identified impacts, risks, opportunities

Assessing **financial** materiality

Company risk and opportunity stemming from environmental, social and governance matters.

Evaluated on the basis of:

- Likelihood of occurrence
- The size of the potential financial effects



Considerations

- Risks and opportunities shall be considered in **short, medium and long-term time-horizons**
- **Align methodology and thresholds with Enterprise Risk Management (ERM) processes** if possible
- A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the company's
 - **cash flows**
 - **development**
 - **performance**
 - **position**
 - **cost of capital**
 - **access to finance**

Example: Assessing the Scope 1 GHG emissions from a manufacturing company

Impact

- Impact on climate change due to high Scope 1 emissions from company's operations based on assessment of scale, scope, irremediability and likelihood
 - Scale: High gravity of impact from heavy emitting business operations
 - Scope: Wide scope as climate change has a global impact
 - Irremediability: Currently highly costly to remove GHG emissions once in the atmosphere
 - Likelihood: Effectively 100% since the impact is an actual ongoing impact

Financial effect

- Financial risk of carbon pricing identified based on assessment of likelihood and size of financial effect
 - High likelihood of rising price of carbon in EU
 - Medium magnitude of size of potential financial effects due to increased cost
- Assessed as material risk and classified as a 'major' risk within the company's ERM thresholds

Impact of the ESRS on the annual report

Non-binding illustration from ESRS 1; company with E1, S1 and G1 material topics

Management report

Analysis of the development and performance of the undertaking's business and its position

The undertaking's likely future developments

Description of the principal risks and uncertainties

Corporate governance statement

Sustainability statement

GENERAL INFORMATION

ESRS 2 General disclosures

- Specific topical DR from topical ESRS
- Incl. DMA process
- Additional DR from sector specific ESRS

Plus mandatory:

- Due diligence table
- Full list of DRs
- PAI table (other EU regulations)

ENVIRONMENTAL INFORMATION

Taxonomy disclosures

ESRS E1 Climate change

- IRO management and metrics and targets DR from ESRS E1 Additional
- DR from sector specific ESRS
- Potential additional entity specific information

SOCIAL INFORMATION

ESRS S1 Own workforce

- IRO management and Metrics and targets DR from ESRS S1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

GOVERNANCE INFORMATION

ESRS G1 Business conduct

- IRO management and metrics and targets
- DR from ESRS G1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

Deconstructing an ESRS disclosure requirement

Example: S1-13 Training and skills development metrics

Disclosure title	<i>Disclosure Requirement S1-13 – Training and skills development metrics</i>
Requirement	81. The undertaking shall disclose the extent to which training and skills development is provided to its employees.
Objective	82. The objective of this Disclosure Requirement is to enable an understanding of the training and skills development -related activities that have been offered to employees , within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.
Datapoints What the disclosure shall cover	<div><div>83. The disclosure required by paragraph 81 shall include:<div><div>(a) the percentage of employees that participated in regular performance and career development reviews; such information shall be broken down by gender;</div><div>(b) the average number of training hours per employee and by gender.</div></div></div><div>84. The undertaking may disclose breakdowns by employee category for the percentage of employees that participated in regular performance and career development and for the average number of training hours per employee.</div><div>85. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.</div></div>

Providing strategic context to the disclosure requirement

Example: S-13 Training and skills development metrics for a shipping company

Connecting ESRS disclosures to the equity story

1

Narrative link to strategy



Developing our people is **essential to maintaining our strong operating and safety performance and to realising SHIPCO’s decarbonisation strategy**, which relies on introducing new vessels and technologies that personnel must be trained on to operate.

2

Narrative description



Education and training are a regular part of everyday life on board our ships. New employees are equipped with courses before they embark on their first offshore rotation. We continually train our people in relation to the type of ship and job to be performed. Personal development and training for the next natural position is an ongoing process at SHIPCO and entails special skills, courses, and training for new vessels and technologies entering our fleet.

3

Data (compliance)



Disclosure title	Disclosure Requirement S1-13 – Training and skills development metrics
Requirement	81. The undertaking shall disclose the extent to which training and skills development is provided to its employees.
Objective	82. The objective of this Disclosure Requirement is to enable an understanding of the training and skills development-related activities that have been offered to employees, within the context of continuous professional growth, to upgrade employees’ skills and facilitate continued employability.
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% of employees participating in regular performance and career development reviews	100%
- Male	100%
- Female	100%
Average number of training hours per employee	37.5
- Male	45
- Female	30
+ Additional training data beyond the disclosure requirement that supports SHIPCO’s strategic narrative	

Datapoints derived from other EU legislation (SFDR)

ESRS 1 and ESRS 2, Disclosure requirement IRO-2

- Companies must also provide an extensive table for PAIs
- It is required to include a table of all datapoints derived from other EU legislation (ESRS 2, Appendix B) indicating:
 - Where they can be found in the sustainability statement
 - Including which have been assessed as “not material” and stating that this is the case

This supports compliance of financial market participants, benchmarks administrators and financial institutions with their own SFDR disclosures



Appendix B: List of datapoints in cross-cutting and topical standards that derive from other EU legislation

This appendix is an integral part of the ESRS 2. The table below illustrates the datapoints in ESRS 2 and topical ESRS that derive from other EU legislation.

Disclosure Requirement and related datapoint	SFDR ²³ reference	Pillar 3 ²⁴ reference	Benchmark Regulation ²⁵ reference	EU Climate Law ²⁶ reference
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 ²⁷ , Annex II	
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1			
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 ²⁸ Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 ²⁹ , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to cultivation			Delegated Regulation (EU) 2020/1818, Article 12(1)	

Key takeaways for IR

- IR plays a vital role in **preparing the company** for ESRS
- Gatekeeper to **users of sustainability statements**
- **Annual reporting** must incorporate the sustainability statement
- ESRS is not just a compliance exercise, but an opportunity to develop sustainable business models and **advance the equity story**

Turn data into actionable insights with the Position Green **ESG100 Benchmark**



Compare your results against
your peers and the market to keep
track of how they are evolving



Understand your company's ESG
performance



Scan to learn more

