

Corporate Sustainability Reporting Directive and its impact on Health, Safety and Wellbeing

27 August 2024



Building a better working world

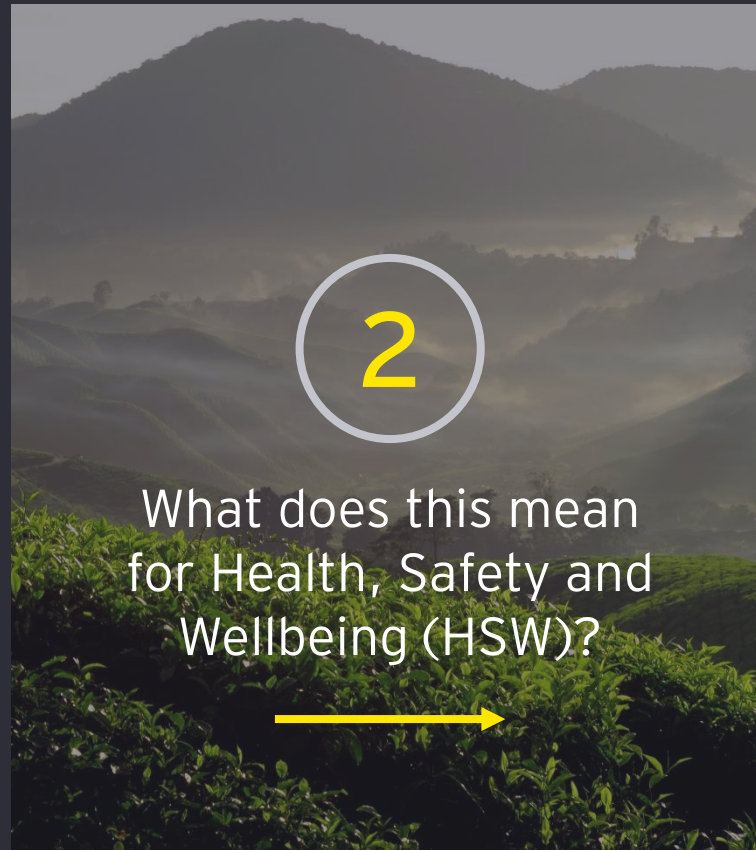
Contents



1

Corporate Sustainability Reporting Directive (CSRD) and its impacts in AU/NZ.

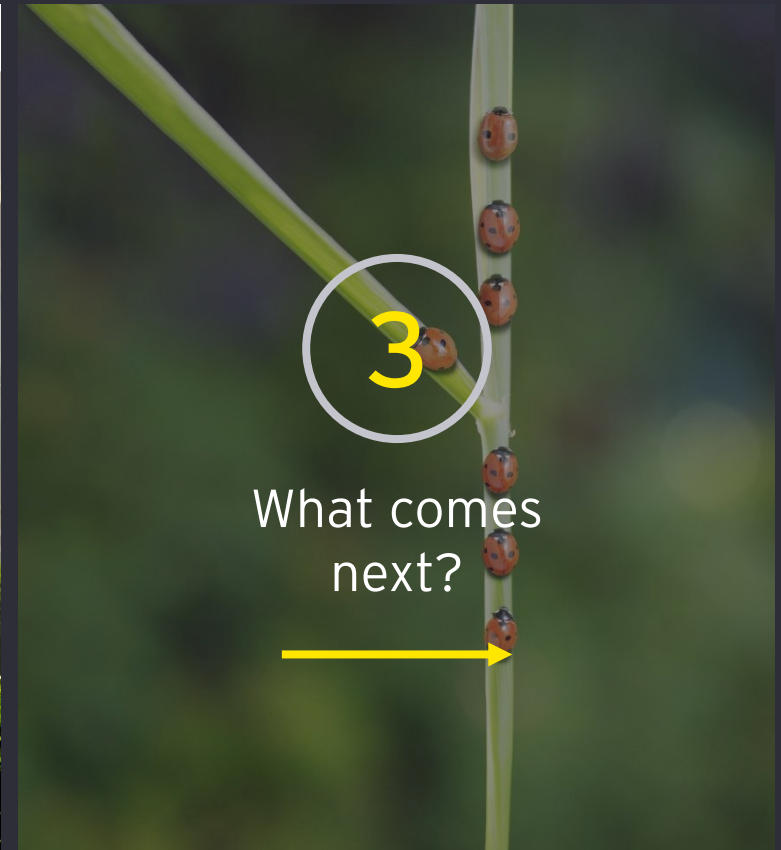
→



2

What does this mean for Health, Safety and Wellbeing (HSW)?

→



3

What comes next?

→

Presenters:



Matthew Cowie

Partner, Climate Change and Sustainability Services, Ernst & Young, New Zealand



Samantha Thomas

Senior Manager, Environment, Health & Safety, Ernst & Young, New Zealand



1

CSRD and its impacts on NZ / AU

The context of CSRD

The CSRD is a new framework in the EU that aims to improve and standardise the approach to sustainability reporting. In-scope companies are required to disclose in their management report information necessary to understand how sustainability matters affect the companies' development, performance and position. This includes organisational impacts on the following sustainability matters:



Reporting must be done in accordance with the European Sustainability Reporting Standards (ESRS) comprising ESRS 1 and ESRS 2, and the topical standards E1-E5, S1-S4, and G1 (depending on which topics are determined to be material following a double materiality assessment), as well as the EU taxonomy.

One of the key changes for organisations will be that they are required to report beyond their own operations and look at their value chains.

These new requirements will be introduced in a phased approach for financial years starting on or after 1 January 2024, with the first reports published in 2025.

The impact of CSRD in NZ & AU

- -----● NZ/AU organisations that operate in the EU or with EU partners
- -----● Changes in global expectations
- -----● Supply chain requirements
- -----● Investor pressures
- -----● Employee demands
- -----● Influence that CSRD may have on future NZ/AU regulations



What does this mean for HSW?

How CSRD links to HSW

HSW is included under the following ESRS:

- ▶ ESRS S1: Own workforce
- ▶ ESRS S2: Workers in the value chain
- ▶ ESRS S4: Consumers and end-users
- ▶ ESRS E1: Climate change
- ▶ ESRS E2: Pollution

Note: Any organisation required to report under the CSRD requirements must also report on its sustainability performance against the EU Taxonomy.

Example of HSW metrics that will need to be reported include:

- ▶ The percentage of total employees covered by the HSW management system.
- ▶ The number of fatalities as a result of work-related injuries and work-related ill health.
- ▶ The number and rate of recordable work-related accidents.
- ▶ The number of cases of recordable work-related ill health.
- ▶ The number of days lost to work-related injuries and fatalities.

The organisational and HSW response to CSRD reporting requirements

Identification of impacts, risks and opportunities (IROs)

- ▶ Cataloguing all HSW IROs associated with organisational operations, products and services (including throughout the value chain)
- ▶ Assessing the significance of identified IROs in terms of their scale, scope, and potential effects on the organisation and stakeholders

Double materiality assessment (DMA)

- ▶ Assessing the effects of organisational activities on the environment and stakeholder health, to understand whether these activities are material to the organisation and value chain
- ▶ Documenting how HSW policies, practices, and KPIs contribute to achieving sustainability goals

Data and technology current state assessment

- ▶ Identifying and evaluating existing HSW data systems and technologies in place
- ▶ Determining if current technologies and systems have the capability to meet CSRD reporting demands

Pre-assurance

- ▶ Implementing and conducting pre-assurance activities to validate HSW data and relevant reporting processes
- ▶ Identifying and addressing any issues which may impact data reliability

Process mapping for metrics

- ▶ Mapping environmental metrics (such as emissions and waste management) and social metrics (such as HSW and human rights outcomes) to CSRD indicators
- ▶ Establishing clear processes for data collection and reporting in relation to metrics

Process and controls

- ▶ Outlining the processes and controls that have been implemented which support the consistent and accurate collection of HSW data
- ▶ Regularly reviewing and updating these processes to adapt to regulatory updates

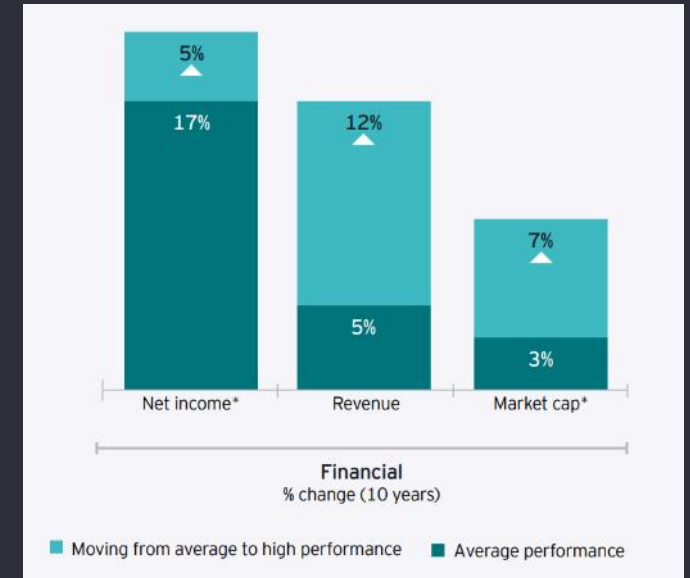
Last mile reporting / disclosure management

- ▶ Outlining the approach that will be utilised for the analysis, compilation, and disclosure of HSW data in CSRD reports, to ensure accurate and timely reporting

The link between reporting and HSW maturity

Transparent HSW reporting, in alignment with appropriate metrics and outcomes, is considered an indicator of good HSW performance and maturity. This was demonstrated in the recent *Global HSW Maturity Study: How can investment in HSW drive corporate success?* It showed that growth in HSW maturity goes beyond assisting organisations in meeting important regulatory requirements as it is also clearly linked to business performance.

Access the *Global HSW Maturity Study: How can investment in HSW drive corporate success?* here:



Global HSW Maturity Study: How can investment in HSW drive corporate success? (p. 9)

“

Moving from average to high HSW performance can bring financial benefits such as increased revenue and net income. It can also foster social advantages, with lower employee turnover rates, and a potential reduction in the risk of legal and reputational issues by minimising the frequency of controversies.

Global HSW Maturity Study: How can investment in HSW drive corporate success? (p. 9)



What comes next?



What comes next?

- ▶ Complementing the CSRD which is focused solely on reporting, the CS3D will further raise the bar on HSW accountability. It will require in-scope EU / non-EU companies to conduct human rights and environmental due diligence and report on compliance.
- ▶ The scope of the required due diligence will cover the operations of in-scope companies and potentially their upstream and downstream business partners.
- ▶ For in-scope companies, implementing the requirements of the CS3D will potentially require considerable transformation including in relation to HSW.
- ▶ Compliance and reporting on the CS3D will be introduced in a phased-in approach beginning in 2027 depending on specified financial and employee thresholds.

These new requirements will impact HSW reporting by improving:

- ▶ Transparency
- ▶ Accountability
- ▶ Benchmarking and sharing of best practices

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2024 Ernst & Young, New Zealand.
All Rights Reserved.

EYSCORE 007312-24-AUNZ
ED None

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.

ey.com