



SIFM conference

The CSRD Tsunami: How US Insurers can weather the coming wave?

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mazars



Phuong Gomard
Partner, Mazars USA
Mazars Group Sustainable Finance Lead

The CSRD Tsunami

Why does it matter for US insurers?

1

Global reach

2

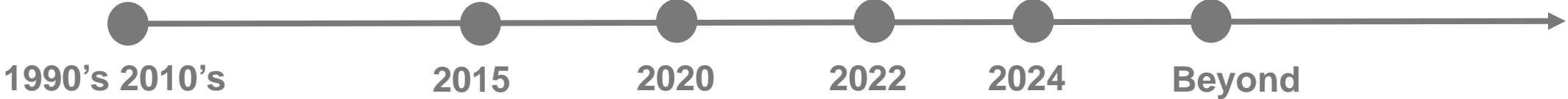
Investor demand

3

Competitive landscape

The CSRD: A wave of transparency

History



Precursors

- Voluntary framework
- Recommendations

Birth of CSRD

- EU Green Deal (2020)
- CSRD adoption (2022)
- First ESRS (2023)
- Large listed companies impacted by CSRD (2024)

Future

- Gradual implementation



Difference between CSRD and ESRS

CSRD	ESRS
European Directive	Technical standards
Legal framework and obligation for companies to report on their environmental, social, and governance (ESG) performance	Specific data points companies need to disclose and guidelines
Final version	Work in progress – release gradually

Who needs to comply with the CSRD?



Location

- **Large companies based in EU**
- **Non-EU companies with substantial business in EU**
 - ✓ Own a subsidiary considered a large undertaking in the EU.
 - ✓ Own a subsidiary with debt or equity securities listed on an EU-regulated exchange.
 - ✓ Own a significant EU branch with net turnover exceeding €40 million.



Size

- **Large companies: Defined as exceeding two of the following in consecutive balance sheet dates:**
 - ✓ Net turnover: More than €50 million.
 - ✓ Balance sheet total (assets): More than €25 million.
 - ✓ Average number of employees: At least **250**.



Listing status

- **All listed companies in the EU, regardless of size.**

Zoom on the extra-territorial aspect

The CSRD is stretching across borders



EU subsidiary



Size: Large companies

- Defined as exceeding two of the following in consecutive balance sheet dates:

- ✓ Net turnover: + €50 million.
- ✓ Balance sheet total (assets): + €25 million.
- ✓ Average number of employees: **At least 250.**

What does it mean for non-EU companies?

Group level reporting

Exemption option

Phase implementation

The CSRD

Concerns and opportunities

Increased burden

Enhanced transparency

Competitive disadvantage

Level playing field

How many US companies are we talking about?



US companies eligible to CSRD



- No definitive answer to the exact number of US companies potentially subject to the CSRD.
- **Estimating the number presents significant challenges** due to several factors
 - Complex scope**
 - Unclear eligibility**
 - Gradual implementation**



- **US companies with any significant operations or subsidiaries in the EU should carefully evaluate their potential exposure to the CSRD**

What are the key datapoints that insurers will need to report on?

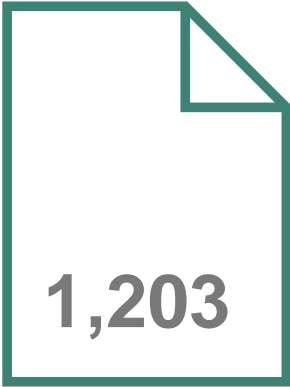
Data points will depend on:

Unreleased standards

Sub-elements and aggregation

Variability by company and sector

Focus on materiality



Financial reporting vs ESRS



Feature	Financial Reporting	ESRS
Focus	Past financial performance	Sustainability impact and future risks
Data Type	Primarily historical and quantitative	Quantitative, qualitative, and forward-looking
Materiality	Primarily financially material	Financially and sustainability material
Data Point Definition	Well-defined metrics	May require interpretation and judgment
Comparison	Can be directly compared	Difficult to directly compare due to different purposes and principles

Illustration – ESRS data point for an insurer

Category	Data Points
Governance and Strategy	<ul style="list-style-type: none"> • Board-level oversight of sustainability • Sustainability policies and commitments • Risk management
Impact on People	<ul style="list-style-type: none"> • Diversity and inclusion • Employee training and development • Community engagement
Impact on Environment	<ul style="list-style-type: none"> • Greenhouse gas emissions • Climate change risk and adaptation • Environmental footprint
Underwriting and Investment	<ul style="list-style-type: none"> • Sustainability considerations in underwriting • Sustainable investments • Engagement with investee companies
Financial Impacts	<ul style="list-style-type: none"> • Financial impacts of sustainability risks and opportunities • Costs and benefits of sustainability initiatives • Financial instruments used to manage sustainability risks
Assurance	<ul style="list-style-type: none"> • Independent audit for large companies

Navigating the wave: challenge and opportunities



Challenges

- **Data collection and management**
- **Internal alignment**
- **Increased costs**



Opportunities

- **Enhanced risk management**
- **Improved brand reputation**
- **Innovation and differentiation**

Preparing for the impact: A roadmap for US insurers

01

Conducting a gap analysis

Assess current ESG reporting practices and identify areas requiring improvement to meet the CSRD's requirements.

02

Developing an implementation plan

Define a clear roadmap with timelines and resources allocated for data collection, reporting processes, and internal alignment.

03

Engaging with stakeholders

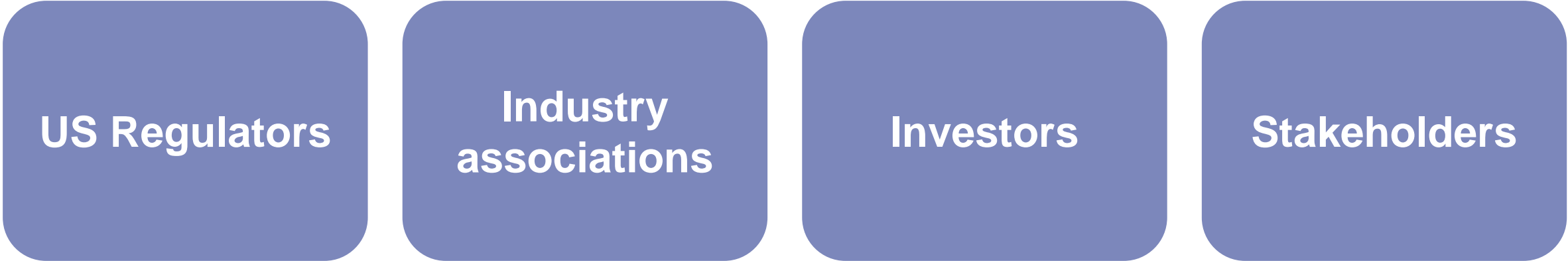
Collaborate with investors, regulators, and other stakeholders to understand their expectations and concerns regarding ESG reporting.

04

Leveraging technology

Utilize technology solutions to streamline data collection, analysis, and reporting processes, ensuring efficiency and accuracy.

Collaboration is key: a shared responsibility



Key takeaways



1

Early preparation is crucial

2

Collaboration is key

3

Investing in technology

4

Leveraging the opportunity



Soma Sinha

Director, Mazars USA

Leader – US Audit and Assurance & Global Sustainability Assurance Standards

Assurance standard landscape

Assurance standard landscape



- Undergoing sustainability-specific standard setting process
- ISSA 5000 to be finalized September 2024
- Also expected at the same time – implementation guidance and other education materials
- More standards on specific matters forthcoming

- ESG specific standard setting not started yet – will be mostly same as the IAASB standard.
- At present, we can use existing US attestation standards
- US CPAs cannot provide a standalone opinion on IAASB standard, has to be combined with AICPA standard

Assurance preconditions

How do you prepare?

What will the auditor look for?

- Management Has Reasonable Basis**

The auditor will assess whether management has a sound foundation for preparing the sustainability information. This means having documented procedures, methodologies, and data collection processes in place.
- Management Report First**

The assurance engagement follows the issuance of the sustainability report by management. The auditor is not verifying the achievability of future targets but the accuracy of reported information.
- Subject Matter of Assurance**

The focus of the assurance is the company's sustainability report itself, not the company's ability to achieve specific sustainability goals.
- Criteria for Presentation**

Transparency is key. The auditor will want to understand the criteria and models used by management, particularly for estimations within the report.
- Systems, Processes & Internal Controls**

A critical aspect is ensuring the information is auditable. This involves having robust systems, processes, and internal controls in place for data collection, management, and reporting

DMA, documented policies, KPIs, and metrics used to measure sustainability performance.

Contact

Mazars

135 West 50th Street

New York New York 10020-1299

United States

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