



Sustainability and non-financial information have become a central concern among business leaders, investors, consumers and regulators. Capital market participants are increasingly prioritizing the importance of non-financial information. Investors, regulators and banks are looking for more standardization to drive accountability and include non-financial drivers in ratings, regulations and covenants. Increasing global focus relating to climate change, diversity and inclusion and the covid-19 crisis have only accelerated this momentum.

ESG Reporting

Non-financial information is often defined as Environmental, Social, and Corporate Governance (ESG) information, referring to the three central components in measuring the sustainability and societal impact of a company.

Environmental Component:

How a company is exposed to and manages risks and opportunities related to climate, natural resource scarcity, pollution, waste, and other environmental factors and the impact that a company has on the environment and climate.

Social Component:

Information about the company's values and business relationships. For example, social topics include labor and supply-chain standards, employee health and safety, product quality and safety, privacy and data security, and diversity and inclusion policies and efforts.

Governance Component:

Information about a company's corporate governance. This could include information on the structure and diversity of the board of directors; executive compensation; critical event responsiveness; corporate resiliency; and policies on lobbying, political contributions, and bribery and corruption.

Reporting on ESG is a process of gathering and disclosing data on the above-mentioned components and allows businesses to be transparent in communicating on the non-financial aspects of their management and performance.

Benefits of good non-financial information disclosures for the client:

- Increase transparency and strengthen trust relationship with stakeholders (employees, customers, suppliers, general public, regulators and banks...)
- Attract, retain and maintain satisfied workforce, improve efficiency and process management
- Improve business reputation, differentiate from competitors
- Generate positive publicity and exposure in media

Current legal and regulatory focus

The Directive (2014/95/EU) is transposed and effective in all the EU member states. In Belgium, the current legislation is applicable to large companies with a public interest with more than 500 employees and balance total exceeding 17 Mio EUR or turnover exceeding 34 Mio EUR.

Besides disclosing a brief description of the company's business model, disclosures are required on:

- Environmental matters
- Social matters
- Employee matters
- Respect for human rights
- Anti-corruption and bribery matters

Adopters may rely on European or international frameworks (GRI, SDG, SASB..) to prepare non-financial information.

Looking ahead

The European Commission committed to review the current directive as part of the strategy to strengthen the foundations for sustainable investment, launching a public consultation in 2020. Some of the key messages were a strong support for stricter audit requirements and for expanding the scope which means that large non-listed companies and/or public interest companies regardless of size might come in scope.

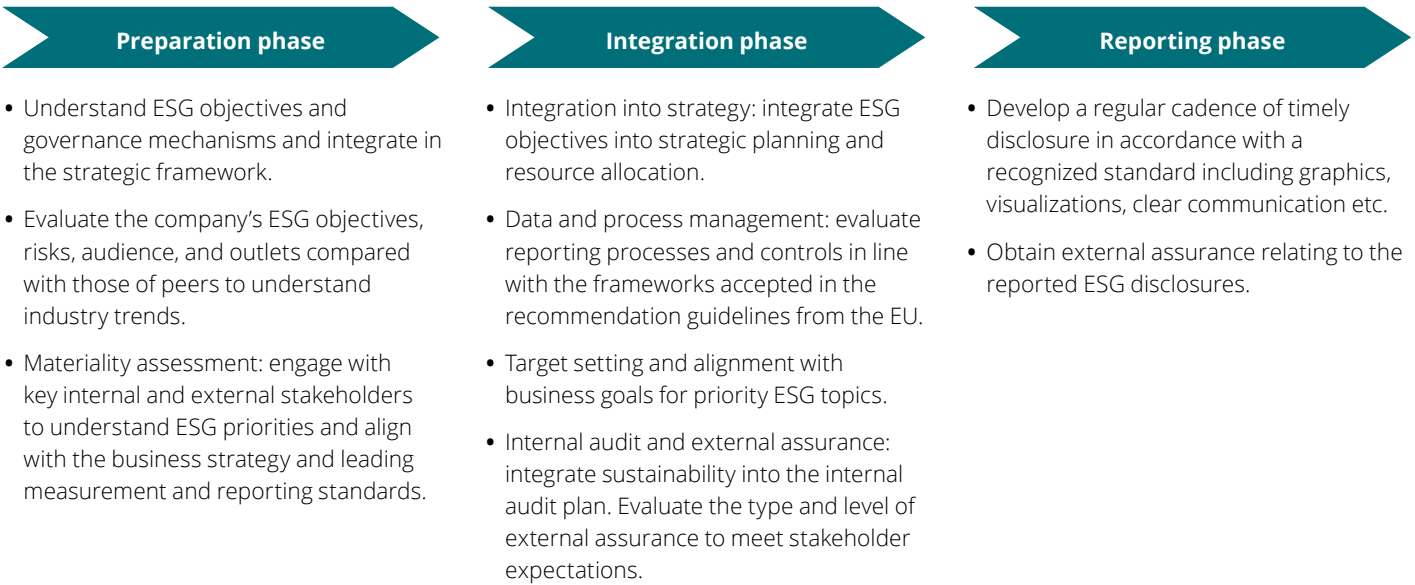
Furthermore, progress is being made towards a comprehensive corporate reporting system, from the leading sustainability and integrated reporting organizations, facilitated by the Impact Management Project, World Economic Forum and accounting standard setters (IFRS Foundation).

Together with the increased expectations from various stakeholders, ESG reporting will take a pervasive role in the coming years.



ESG integration and high-quality disclosure – key steps

For the client, the sustainability reporting journey can be divided in the following key steps.



How can Deloitte assist you in this journey?

<p>ESG reporting readiness check</p> <ul style="list-style-type: none"> • Assessment ESG reporting policies, processes and governance • Data management, processes and controls evaluation • Recommendations for process improvements based on business assessment • Assist and/or review disclosures to ensure alignment with the current requirements and international standards • Crosscheck on non-financial disclosure requirements, ESG domains and indicators reported on with the new expected directive
<p>ESG Assurance</p> <ul style="list-style-type: none"> • We can provide assurance on non-financial information.

Key questions:

- Are you aware of the stakeholders expectations in terms of ESG reporting?
- How accurate and how complete is your non-financial information?
- Are you aware what regulators are expecting in terms of non-financial information?
- Do you, as individual directors and collectively as a board, have sufficient knowledge and awareness of climate change to make informed decisions?
- How does your company measure the success of their sustainability strategy?
- What is your current approach on measuring, validating, monitoring and reporting on sustainability information? Did you use any good practice tools, benchmarks or frameworks to help your current approach?
- Does your reporting provide investors with sufficient transparency around climate risk exposure and approach to managing climate risks and opportunities?

The team

Driven from Risk Advisory and Audit & Assurance, the team will collaborate with the other service lines depending on the client needs. Do not hesitate to contact one of the team members below to start your conversation on non-financial reporting.



Vanrobaeys Charlotte
 Partner | Audit & Assurance
 D: +32 9 398 76 22
 M: +32 496 57 84 34
 cvanrobaeys@deloitte.com



Milad Sofian
 Director | Audit & Assurance
 D: +32 2 800 24 09
 M: +32 479 43 07 70
 smilad@deloitte.com



Vercauteren Bart
 Director | Sustainability
 D: + 32 2 800 24 57
 M: + 32 476 28 63 42
 bvercauteren@deloitte.com



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