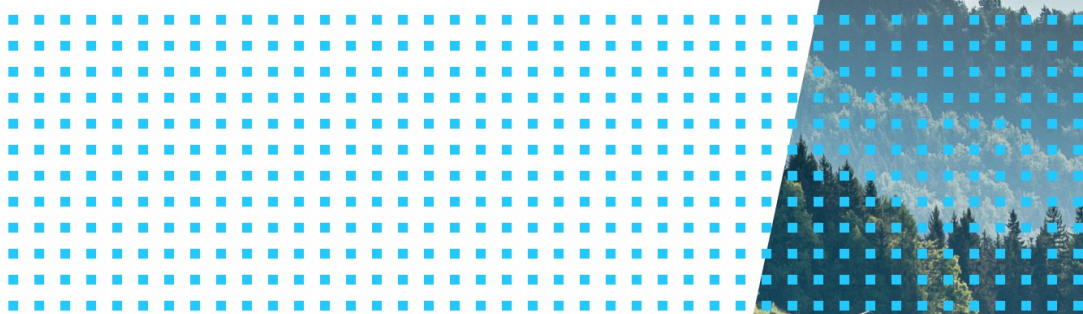


STEP-BY-STEP GUIDE

European Sustainability Reporting Standards

**What to expect
& How to comply**



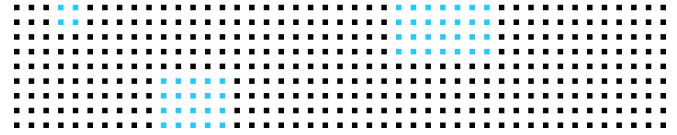


Introduction

The Corporate Sustainability Reporting Directive (CSRD) has introduced new ESG reporting requirements for companies in Europe. This guide aims to help organizations understand these requirements and showcase how Daato's 360-degree ESG Software can simplify compliance while supporting Europe's sustainability leadership.

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Understanding the CSRD and its Scope

The Corporate Sustainability Reporting Directive (CSRD) proposal was initially presented by the European Commission in April 2021. It was then changed, and the final draft was adopted by the EU in November 2022, reforming the Non-Financial Reporting Directive (CSRD). The CSRD is part of the sustainable finance package aimed at encouraging private investment to transition to a climate-neutral economy.

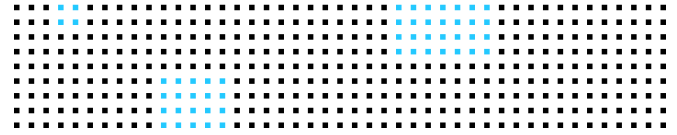
The CSRD applies to the following entities:

- All listed companies, excluding micro-enterprises
- Listed SMEs, with a grace period until January 1, 2026, and an opt-out clause until 2028
- Large non-listed companies that exceed at least two of the following criteria:
 - A net turnover of 40 million euros
 - A balance sheet total of 20 million euros
 - 250 employees on average during the fiscal year
- Insurance companies and credit institutions, regardless of their legal form
- Third-country companies with a net turnover above 150 million in the EU, if they have at least one subsidiary or branch in the EU exceeding certain thresholds.

The CSRD introduces legally binding, concrete standards for sustainability reporting. It draws from widely used voluntary frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-Related Financial Disclosure (TCFD). However, it also differs from them, requiring adaptation to new criteria and issues.

Large companies will need to start collecting data according to the new standards as of January 2024 and publish their reports at the beginning of 2025. SMEs will begin reporting in fiscal 2026, with data collection starting in January 2026 and reports submitted at the beginning of fiscal 2027. A separate, easier-to-use standard is being developed for SMEs.





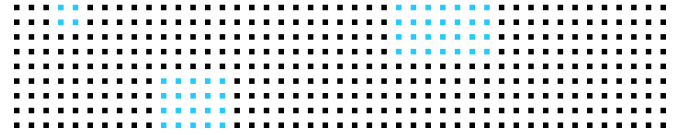
Double Materiality Concepts

At its core, double materiality is quite a simple concept. The idea is that an ESG aspect can impact a company's financial bottom line or operational performance and that the company can have an impact on that same aspect. Nothing revolutionary there, but important for understanding and assessing materiality.

In the ESRS, double materiality forms the basis for sustainability disclosures, as it should. However, the ESRS uses a slightly more complex understanding of double materiality. In the ESRS' definition, double materiality is impact materiality and financial materiality combined.

This means that only issues that are found to have an impact and that influence financial performance should be included. The ESRS is very intentional about establishing a link between financial and non-financial information, an area critically lacking in the current state of corporate sustainability reporting practices, hence their definition of materiality. In its definition, the ESRS draws a clear distinction between impact materiality and financial materiality.

Financial materiality is prioritized by the likelihood that an issue may occur and the magnitude of its financial impact. By contrast, impact materiality is focused on those aspects related to company impacts on or from the environment/social spheres.



Supporting Europe's Sustainability Leadership

The European Union (EU) has been at the forefront of sustainability efforts, enacting ambitious policies and regulations to foster a more sustainable and environmentally responsible future. As a European organization, your company can play a significant role in supporting the EU's sustainability leadership by adhering to and exceeding the reporting requirements set forth by the Corporate Sustainability Reporting Directive (CSRD) and other relevant regulations. Here are some ways to contribute to Europe's sustainability leadership:

- **Embrace transparency and accountability:**

By diligently following the CSRD and other sustainability reporting requirements, your company demonstrates a commitment to transparency and accountability. Open and honest reporting on environmental, social, and governance (ESG) issues not only showcases your company's sustainability efforts but also provides you with a clear overview of the areas where improvements can be made.

- **Continuously improve sustainability performance:**

To support the EU's sustainability goals, European organizations should strive for continuous improvements in their sustainability performance. This includes setting ambitious targets, monitoring progress, and adjusting strategies as needed. By doing so, your company contributes to the EU's overall objectives, such as achieving climate neutrality by 2050 and promoting a circular economy.

- **Engage with stakeholders and share best practices:**

Collaboration is key to driving sustainability efforts across industries and regions. Engage with various stakeholders, including customers, suppliers, employees, investors, and regulators, to address ESG challenges and share best practices. By fostering dialogue and learning from one another, European organizations can collectively advance sustainability.

- **Advocate for stronger sustainability policies:**

Support the EU's sustainability leadership by advocating for stronger policies and regulations at the national and international levels. Encourage policymakers to develop and implement more ambitious sustainability goals and initiatives that drive positive change across industries and regions.

- **Promote sustainable innovation:**

Invest in research and development (R&D) to create innovative products, services, and business models that promote sustainability. By driving sustainable innovation, European organizations can contribute to the EU's transition to a climate-neutral, resource-efficient economy and inspire other regions to follow suit.

By embracing these strategies, your company can support the EU's sustainability leadership and contribute to the region's overall progress in achieving a more sustainable future. By actively participating in this movement, European organizations can set an example for the global community and inspire other regions to adopt similar sustainability standards and practices.

Transform your ESRS Reporting with Daato's Comprehensive Solution

Experience a game-changing approach to ESRS reporting with Daato's cutting-edge 360-degree ESG Software. Designed to make compliance with the new CSRD standards a breeze, our software offers a powerful suite of features that will walk you from the beginning until end of your ESRS reporting process. Discover what is there for your organization:



| Gap Analysis

Unlock your company's current status with Daato's insightful gap analysis,, which – while not being required by law - provides valuable insights to improve your company’s reporting. This feature helps businesses to identify missing disclosures, or areas where they need to improve their transparency. By offering this service separately and for free on our website, Daato encourages organizations to assess their current ESG reporting status against the requirements provided by the ESRS and understand the percentage of compliance with the new standards.

| Double Materiality Assessment

Master your company’s double materiality assessment, a crucial component of ESG reporting, with Daato's software. Daato streamlines this complicated process by supporting your company in determining material topics on a case-by-case basis. It involves identifying topics that are most relevant to your company's operations and stakeholders. Daato also allows users to bring in external consultants for additional guidance and offers a four-step assessment process:

How Daato Helps with the Double Materiality Assessment:

- 1** Daato simplifies the understanding of context by helping you analyze impacts and relevant stakeholders across your company's value chain, ensuring a holistic approach.



2 The software facilitates the identification of actual and potential impacts by enabling efficient stakeholder engagement and the gathering of scientific and analytical research on sustainability matters.

3 Daato assists in assessing the materiality of actual and potential impacts by providing a robust scoring methodology and tools to consider both quantitative and qualitative factors.

4 The platform aids in determining material matters by helping you prioritize sustainability matters most significant to your operations and stakeholders.

| Data Collection and Integration

Seamlessly collect data from all relevant subsidiaries and both internal and external stakeholders with Daato's data collection and integration feature. The data collection tool includes automated reminders and recurrent data collection, reducing manual effort. Once the data is collected, it will be in the review panel for you to "Accept," ensuring the right quality of data flows for your reporting. Additionally, Daato's data mapping feature automatically collects overlapping data from other Daato modules if you are using them, such as supply chain sustainability data.

With Daato, you can collect data from internal and external stakeholders, integrate and manage your ESG data, choose from a range of ESG frameworks, train your employees, and customize dashboards to meet your sustainability reporting requirements effectively and efficiently.

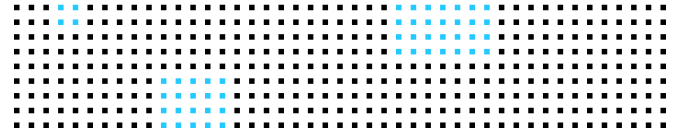
| Report Readiness

Maximize efficiency with Daato's streamlined reporting flow, complete with up-to-date questions and guidance for each data point. The software facilitates data collection by allowing users to request, review, and collaborate on data inputs. It also features multiple dashboards that help users understand their reporting progress and performance analytics to track improvements over time, including a "One Click" report download option.

| Audit Readiness

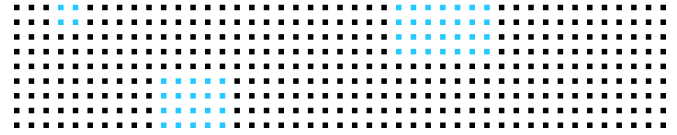
Auditing is about ensuring the quality of reports. Sustainability reporting will be audited in the form of "limited assurance," requiring the submission of evidence to allow conclusions about the credibility and plausibility of the reported facts. The goal is to expand this to "reasonable assurance" once auditing standards for sustainability information become available.

Save time and reduce costs with Daato's innovative audit readiness feature. It allows certified CSRD auditors to directly access the tool, streamlining collaboration and reducing the time required for auditing services. An audit log for each datapoint ensures transparency and traceability in the reporting process.



In summary, Daato's 360-degree ESG Software simplifies the ESG reporting process for companies by offering a comprehensive suite of tools and features that address key aspects of the new ESRS reporting requirements. By leveraging Daato's gap analysis feature, the double materiality assessment, data collection and integration, reporting readiness, and audit readiness, companies can efficiently navigate through the ESRS reporting process and comply with the CSRD requirements.





Taking the Next Steps

Now that you understand the importance of sustainability reporting and how Daato's 360-degree ESG Software can help streamline the process, it's time to take the next steps towards supporting Europe's sustainability leadership and meeting your company's ESG requirements. Here's a suggested roadmap for getting started:

- **Assess your current sustainability performance:**

Begin by evaluating your organization's current ESG performance and reporting practices. Identify any gaps or areas where improvements can be made and determine which regulations and standards your company needs to comply with.

- **Choose the right ESG software solution:**

Select an ESG software solution, like Daato, that best fits your organization's needs and requirements. Daato offers a comprehensive suite of features, including the ESRS gap analysis, double-materiality assessment, data mapping, reporting flow, and audit workflow, to help simplify and streamline your sustainability reporting process.

- **Implement the software and onboard your team:**

Once you've chosen the right ESG software solution, implement it within your organization and onboard your team members. Ensure that they are familiar with the software's features and functionalities and provide any necessary training or support.

- **Set sustainability goals and targets:**

Establish clear and ambitious sustainability goals and targets for your organization. These should be aligned with the EU's sustainability objectives, as well as any industry-specific standards and benchmarks.

- **Monitor progress and adjust strategies as needed:**

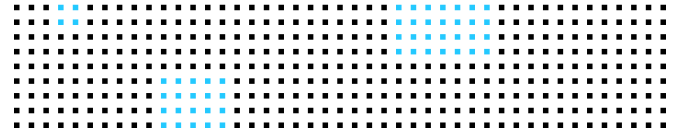
Regularly track your organization's progress towards achieving its sustainability goals and targets. Use the insights gained from the ESG software to identify areas where improvements can be made and adjust your strategies accordingly.

- **Engage with stakeholders and share your progress:**

Communicate your sustainability efforts and progress with stakeholders, including customers, suppliers, employees, investors, and regulators. Foster collaboration and dialogue to address ESG challenges and share best practices.

- **Continuously improve your sustainability performance:**

Commit to continuous improvement in your organization's sustainability performance. Stay informed about new regulations, standards, and best practices, and adapt your strategies as needed to ensure ongoing compliance and progress towards your sustainability goals. By following these steps and leveraging Daato's 360-degree ESG Software, your organization can effectively navigate the complexities of sustainability reporting, support the EU's sustainability leadership, and contribute to a more sustainable future.



| How Daato Can Help

Daato has developed a software solution in collaboration with experts from large, medium-sized, and small companies experienced in sustainability reporting. Daato's software helps in the following ways:

- Simplifies data collection internally and along the supply chain
- Increases efficiency and reduces effort
- Enables meeting customers' information requests while protecting business-critical information
- Explains new standards understandably and assists with calculations
- Facilitates data exchange with suppliers
- All documentation is found in one place, including the results of the Double Materiality Assessment
- Auditor's access to review
- Helps create reports in the correct format after data entry

With the new EU standards as provided by the CSRD, companies will need to adapt to more comprehensive, complex, and detailed reporting requirements. Daato's software solution eases this transition and helps organizations comply with sustainability reporting obligations. Reach out today and take action on your sustainability performance and reporting!