

**WEBINAR**

**12th February @ 10.00am GMT | 11:00am CET**

# **How to make CSRD reporting pay for itself**



**Peter Jones**



**Jonathan Otter**

## Our agenda today

Webinar will run for approx. 30 minutes plus Q&A for 15 minutes

Session is being recorded and will be available on demand afterwards along with the slides

Q&A is available on your screens, and will either be answered live in webinar or later by email if time restricts

- 1. Introductions**
- 2. CSRD overview**
- 3. Making CSRD pay for itself**
  - Business value as a by-product of compliance
  - Business value from leveraging CSRD data
- 4. How to frame your budget submission**
- 5. About Ikano Insight**
- 6. Q&A**

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# CSRD eligibility

Criteria	Large enterprises	Medium-sized enterprises	Small enterprises	Micro-enterprise
Balance sheet total (EUR)	>€25M	€5M – €25M	€450,000 – €5M	Max. €450,000
Net turnover (EUR)	>€50M	€10M – €50M	€900,000 – €10M	Max. €900,000
Employees (annual average)	>250	Max. 250	Max. 50	Max. 10

2025	2026	2027	2029
EU firms subject to NFRD	EU large enterprises	EU listed SMEs	Non-EU over £150m in EU

\* Any two of the above

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# The BIG IDEA

**A by-product of transparent CSRD reporting means that a business can focus on the right things to drive sustainability performance, increase revenue, bring down short and long-term costs and increase trust in the brand**

## Day 1 returns

These are savings that businesses can realise immediately upon CSRD implementation and disclosure. Day 1 value is realised once CSRD is completed and disclosed

## Day 2 returns

These are returns realised through data-driven decisions and process optimisation over time

# ROI example: company scenario

- Annual turnover: €500M
- Net profit margin: 6% (€30M net profit per year)
- Headcount: 1200 employees
- Staff turnover: 8% per year
- Industry: Manufacturing (B2B)



# ROI worked example – Day 1

These are returns that businesses can realise **immediately** upon CSRD implementation

# Regulatory compliance and risk avoidance

## Key impact areas :

- Avoidance of fines, legal disputes, and compliance breaches
- Reduced costs of regulatory audits
- Lower litigation risk from environmental or labour violations

## Business calculation:

- Potential conservative compliance risk for a mid-sized manufacturer: €1.5M to €5M in fines and legal costs per year

Scenario	Risk Avoided	Savings Calculation	Savings (€M)
Low	Minor legal costs avoided	€1.5M	€1.5M
Medium	Moderate compliance risk	€2.5M	€2.5M
High	Major regulatory fines avoided	€5M	€5M


The overall cost of non-compliance is estimated to cost business \$14 million as per a 'Static' Whitepaper: <https://static.fortra.com/globalscape/pdfs/guides/gs-true-cost-of-compliance-data-protection-regulations-gd.pdf>

## CSRD sections influencing savings:

- Governance (G1): Companies must disclose governance frameworks, including the management of ESG risks. Transparent ESG governance minimises the likelihood of facing non-compliance fines or legal battles
- Compliance with Laws (G1): CSRD mandates that businesses disclose their adherence to environmental regulations. Strong compliance practices can avoid costly penalties

## Real world impacts:

- ✗ Toyota Motor Company paid \$180 Million in settlement for decade-long noncompliance with Clean Air Act reporting requirements
- ✗ Goldman Sachs were fined \$4 million for failing to follow ESG investment policies and misleading its customers

 **Total annual savings (medium scenario): €2.5M**

# Tax benefits and incentives

## Key impact areas :

- Access to carbon tax credits and deductions
- Eligibility for sustainability-linked grants
- Lower corporate taxes through green investment incentives

## Business calculation:

- Renewable energy incentives: €500K–€2M per year

Scenario	Incentives Received	Savings Calculation	Savings (€M)
Low	€500K in tax benefits	€500k	€500k
Medium	€1M in tax benefits	€1M	€1M
High	€2M in tax benefits	€2M	€2M

## CSRD sections influencing savings:

- Government Policy & Incentives (E3): CSRD requires disclosure of how companies contribute to government sustainability targets and access green incentives like carbon tax credits and subsidies
- Environmental Impact (E1): This section drives businesses to disclose their emissions and renewable energy usage, qualifying them for government tax breaks and green grants

## Real world impacts:

- ✓ General Motors (GM) were awarded \$1 billion in incentives for electric car production by the state of Michigan
- ✓ The "Superbonus" in Italy is a government tax credit program that allows businesses to deduct a significant percentage (originally 110%) of the cost of energy efficiency renovations on their properties

✓ **Total annual savings (medium scenario): €1M**

# Lower cost of capital


## Key impact areas :

- Access to sustainability-linked loans with lower interest rates
- Attracting ESG-focused investors

## Business calculation:

- Company's estimated debt financing: €100M.
- Interest rate reduction based on ESG scores: 0.5% - 1%

Scenario	Interest Rate Reduction	Savings Calculation	Savings (€M)
Low	0.5% reduction	0.5% on €100M debt	€500k
Medium	0.75% reduction	0.75% on €100M debt	€750k
High	1% reduction	1% on €100M debt	€1M

 **Total annual savings (medium scenario): €750k**

## CSRD sections influencing savings:

- Finance & financial performance (G1): Companies must report sustainable investment strategies and green financing efforts. This makes it easier for businesses to access sustainability-linked loans at a reduced cost of capital
- Environmental risks & opportunities (E1): CSRD disclosures on environmental opportunities (e.g. renewable energy investment) help businesses qualify for green bonds and other forms of eco-friendly financing

## Real world impacts:

-  Danone secured a €2 billion sustainability-linked credit facility with lower interest rates due to ESG performance, achieved with improved reporting practices
-  Enel raised €3.5 billion in sustainability-linked bonds, with rates tied to its environmental impact, achieved largely through improved ESG disclosures

# Insurance saving


## Key impact areas :

- Lower insurance premiums for ESG-compliant businesses
- Reduced risk exposure from environmental hazards
- Stronger governance leads to fewer liability claims

## Business calculation:

- Estimated insurance cost for this company: ~1% of turnover
- Total annual insurance cost:  $1\% \times \text{€}500\text{M} = \text{€}5\text{M}$
- Premium reduction range: 5%–15%


Scenario	Premium Reduction	Savings Calculation	Savings (€M)
Low	5% reduction	5% of €5M	€250k
Medium	10% reduction	10% of €5M	€500k
High	15% reduction	15% of €5M	€750k

 **Total annual savings (medium scenario): €500k**

## CSRD sections influencing savings:

- Climate risks & opportunities (E1): Requires companies to disclose the impact of climate change and carbon emissions, which insurers consider when setting premiums
- Risk management (G1): CSRD mandates that businesses manage environmental and social risks, leading to lower premiums from insurers that recognise a proactive approach

## Real world impacts:

 AXA XL to provide lower insurance premiums for companies with strong ESG compliance and policies

# Brand value and reputational risk mitigation

## Key impact areas :

- Avoiding brand damage costs from ESG-related scandals
- Protecting revenue from customer loss due to sustainability concerns
- Strengthened investor and public perception

## Business calculation:

### Risk mitigation:

- Potential revenue loss from ESG-related scandals: 1-5% of turnover.  
Conservative estimate (1%):  $1\% \times \text{€}500\text{M} = \text{€}5\text{M}$
- Impact mitigation by strong ESG compliance (low risk scenario): 10-30% risk avoidance

### Brand value increase:


- Brand value increase Low-High Scenario: 1-3%.  $1\% \times \text{€}500\text{M} = \text{€}5\text{m}$
- Net profit on new revenue:  $6\% \times \text{€}5\text{m} = \text{€} 300\text{k}$


Scenario	PR Risk Reduction	Savings Calculation	Savings (€M)
Low	10% risk avoidance +1% increase in brand	$(10\% \times \text{€}5\text{M}) + (6\% \times \text{€}5\text{M})$	€800k
Medium	15% risk avoidance +2% increase in brand	$(15\% \times \text{€}5\text{M}) + (6\% \times \text{€}10\text{M})$	€1.35M
High	30% risk avoidance +3% increase in brand	$(30\% \times \text{€}5\text{M}) + (6\% \times \text{€}15\text{M})$	€2.4M

## CSRD sections influencing savings:

- Reputation & transparency (G1): This section mandates transparency on corporate governance, ethical practices, and ESG issues, which directly impacts brand perception and consumer trust - this reduces the costs of a PR crisis
- Stakeholder engagement (S1-4): CSRD requires companies to disclose how they engage with stakeholders, fostering loyalty and mitigating the risk of reputation damage

## Real world impacts:

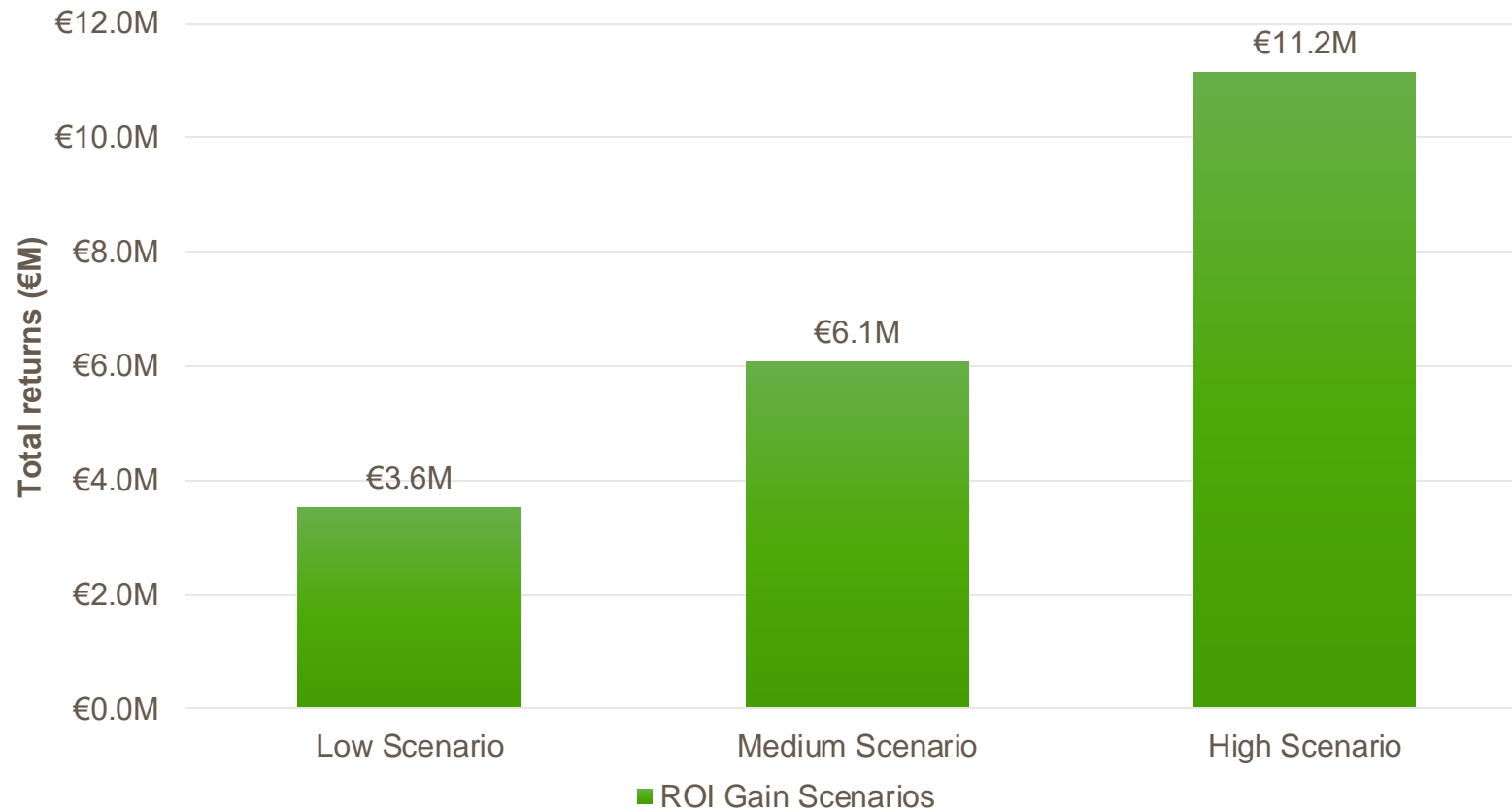
 Boohoo saw its listing on the London Stock Exchange fall by 23% wiping 1.1bn from Boohoo's value

 LEGO gained over \$300 million in brand value by committing to sustainability initiatives and improving its CSR communications

 **Total annual savings (medium scenario): €1.35M**

# Annual summary - Day 1 ROI returns

## Annual Day 1 ROI returns (€M)



### Day 1 scenario savings through:

1. Regulatory compliance and risk avoidance
2. Tax benefits and incentives
3. Lower cost of capital
4. Insurance saving
5. Brand and reputational risk mitigation

# ROI working example - Day 2

These are long-term returns realised through **data-driven decisions and process optimisation** over time



# Energy and resource efficiency


## Key impact areas :

- Lower electricity and fuel consumption through smart energy management
- Reduced raw material waste via process optimisation
- Transition to renewable energy to cut long-term costs

## Business calculation:

- Manufacturing firms' energy and resource costs: ~15% of revenue
- Company's estimated energy/material cost:  $15\% \times \text{€}500\text{M} = \text{€}75\text{M}$
- Potential efficiency gain scenarios:



Scenario	Efficiency Gain	Savings Calculation	Savings (€M)
Low	5% reduction	5% of €75M	€3.75M
Medium	8% reduction	8% of €75M	€6M
High	12% reduction	12% of €75M	€9M

 **Total annual savings (medium scenario): €6M**

## CSRD sections influencing savings:

- Environmental impact (E1): Covers the company's climate change-related disclosures, including energy consumption and carbon emissions. These regulations motivate businesses to adopt energy-saving technologies and reduce resource consumption
- Circular economy (E5): Companies need to disclose efforts on waste management, material use, and the circularity of their operations - this encourages reducing waste and optimising resource use

## Real world impacts:

-  Walmart installed energy-efficient lighting in stores, saving \$200 million per year on electricity, using existing infrastructure for retrofits
-  Siemens saved €20 million annually by increasing energy efficiency in its manufacturing plants through small process improvements and employee engagement programs

# Supply chain cost optimisation


## Key impact areas :

- Reduced transportation and logistics costs
- Improved supplier contracts through sustainable sourcing

## Business calculation:

- Manufacturers' supply chain costs: ~50% of revenue (€250M)



Scenario	Efficiency Gain	Savings Calculation	Savings (€M)
Low	0.5% efficiency	0.5% of €250M	€1.25M
Medium	1% efficiency	1% of €250M	€2.5M
High	2% efficiency	2% of €250M	€5M

 **Total annual savings (medium scenario): €2.5M**

## CSRD sections influencing savings:

- Supply chain (S2): This section focuses on responsible supply chain management and human rights, encouraging businesses to disclose supply chain risks and focus on sustainability. Efficient supply chain management results in cost savings
- Environmental impact (E5): This section requires companies to report on waste management and resource use in the supply chain, leading to cost-effective practices like material recycling and waste reduction

## Real world impacts:

-  Walmart saved \$27 million by shortening the length of its receipts and making small changes to its plastic bags
-  Intel used predictive analysis to manufacturing decisions with an ROI of \$208 million within 5 years

# Talent attraction and retention


## Key impact areas :

- Lower recruitment and training costs due to reduced staff turnover
- Higher employee engagement leads to increased productivity
- Enhanced employer brand attracts top talent

## Business calculation:

- Current staff turnover: 8% of 1,200 employees = 96 employees leave per year with cost per new hire: €5,000 (average)
- Total hiring cost per year:  $96 \times €5,000 = €480,000$
- Productivity losses per new hire: ~50% of salary for 3 months
- Average salary: €50,000 → Lost productivity per hire: €6,250
- Total productivity loss:  $96 \times €6,250 = €600,000$
- Total staff turnover cost = €1.08M per year



Scenario	Turnover Reduction	Savings Calculation	Savings (€M)
Low	1% turnover decrease	Turnover Cost at 7%	€135k
Medium	2% turnover decrease	Turnover Cost at 6%	€270k
High	3% turnover decrease	Turnover Cost at 5%	€405k

 **Total annual savings (medium scenario): €270K**

## CSRD sections influencing savings:

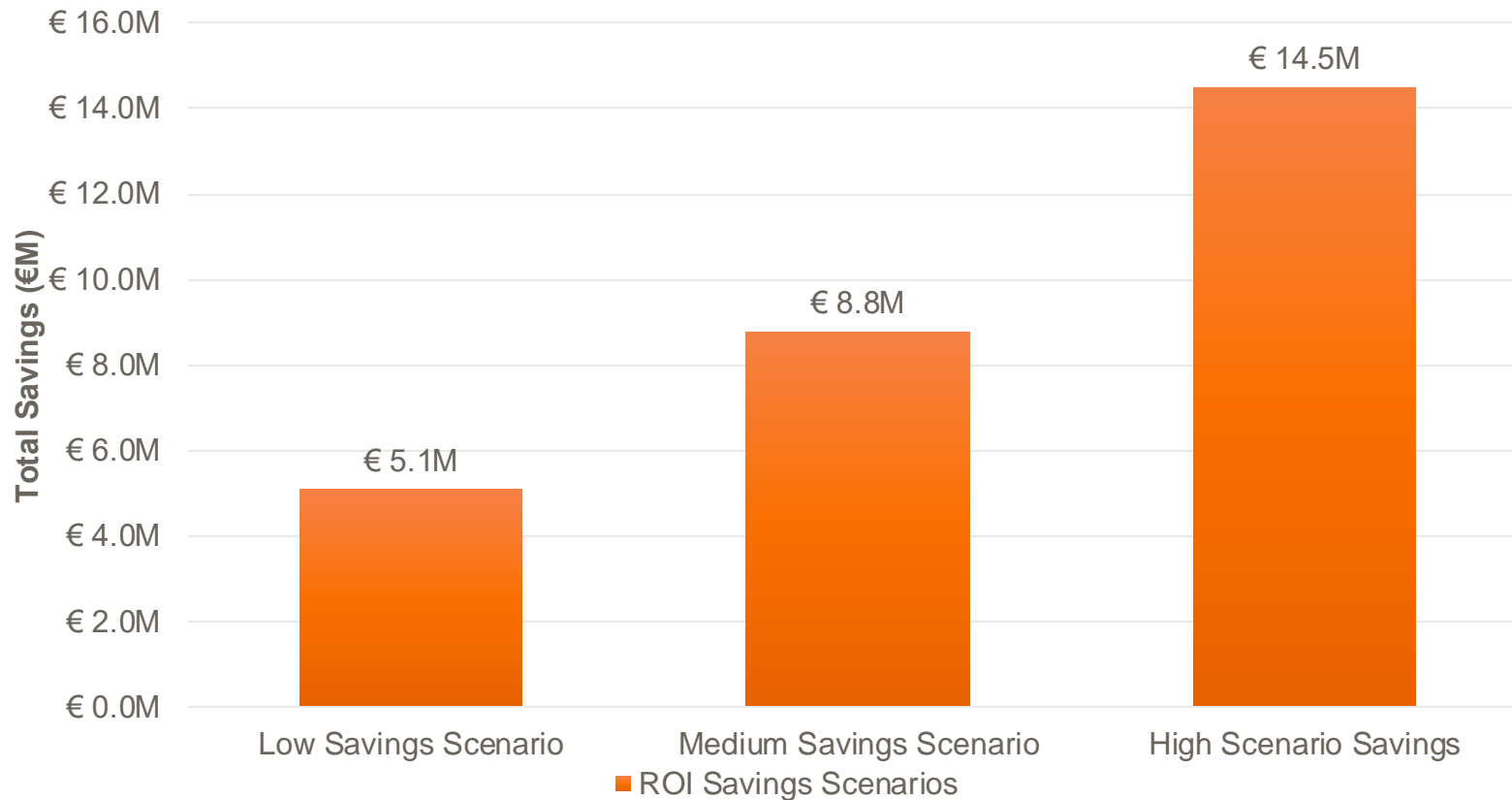
- Employee wellbeing (S1): CSRD requires companies to disclose labor practices, health & safety, and employee engagement. A focus on employee satisfaction and well-being leads to better retention rates, reducing hiring costs
- Diversity & Inclusion (S1): Transparent reporting on diversity initiatives attracts top talent and ensures a more stable, productive workforce

## Real world impacts:

-  Balfour Beatty saved €70 million and 441,000 hours saved by implementing an employee engagement strategy that took employee ideas submitted and implementing them
-  Salesforce achieved a 25% reduction in employee turnover after implementing strong ESG initiatives

# Annual summary - Day 2 ROI returns

## Annual Day 2 ROI returns (€M)

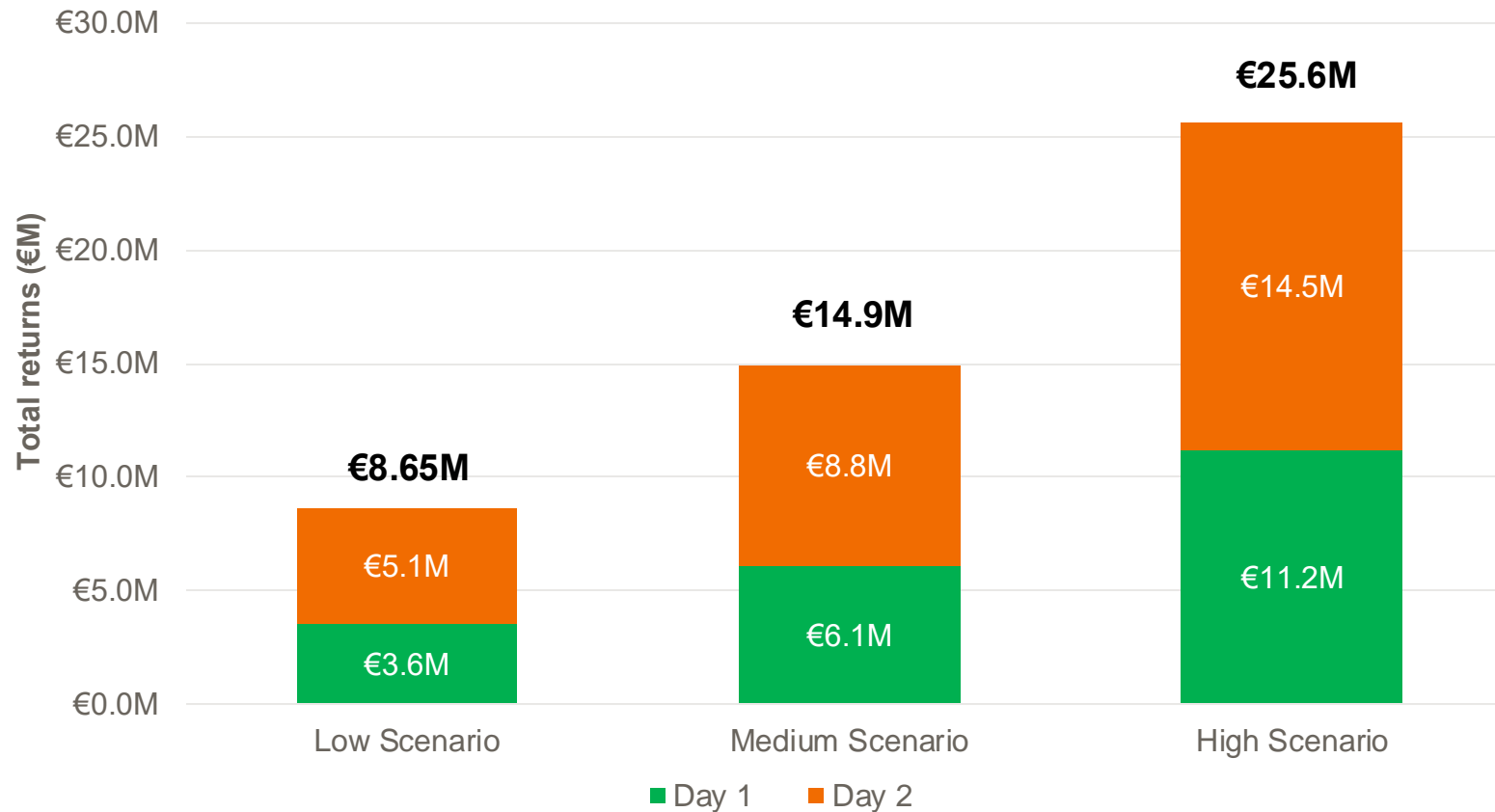


### Day 2 scenario savings through:

1. Energy and resource efficiency
2. Supply chain cost optimisation
3. Talent attraction and retention

# Total annual Day 1 + Day 2 returns

## Annual Day 1 + Day 2 ROI returns (€M)



## Overall scenario savings through:

1. Regulatory compliance and risk avoidance
2. Tax benefits and incentives
3. Lower cost of capital
4. Insurance saving
5. Brand and reputational risk mitigation
6. Energy and resource efficiency.
7. Supply chain cost optimisation
8. Talent attraction and retention

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# Key elements in your business case

- **Specify & estimate quantitative merits**
  - Day 1 returns (compliance reporting)
  - Day 2 returns (sustainability improvement)
- **Qualitative improvements count too**
  - Management information to make better-informed decision making
  - Appreciation of risk and ability to assess against risk appetite
- **Ask for extensible software to address Day 2 requirements**
  - Don't get locked-in to only Day 1 compliance reporting ....
  - .... ensure you budget for Day 2 sustainability improvement modules too
  - Note: using software, you'll gain time & cost savings and agility
    - e.g. CSRD reporting in Year 2 and reporting to other frameworks e.g. CDP
- **What you'll need for CSRD**
  - CSRD Readiness software tools & advisory services – for DMA, IRO, GA, EU taxonomy
  - CSRD software & technical implementation services (ensure software is a good fit for your organisation's size & complexity)
  - CSRD software reporting strategy – optimising reporting
  - Climate transition plans
- **Payback period should be 18-24 months**

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OUR MISSION

**We simplify your  
route to sustainability**

**IKANO**  
Insight

# Who we are



- **Sustainability heritage**
  - The in-house sustainability team of Ikano IKEA
- **Location**
  - HQ in London
  - Team in London & Malmö
- **The biggest Envizi experience**
  - Delivered one of the first & largest Envizi CSRD solutions globally
- **Vertical experience**
  - Manufacturing, retail, banking, finance, insurance, construction, real estate, hospitality etc
- **Capability & skills**
  - IBM Envizi ESG software and implementation
  - ESG tool strategy advisory services
  - CSRD readiness software & advisory services – DMA, IRO, GA, EU taxonomy

# Next steps?

- Discovery & insights meeting
- Reporting & business case workshop
- Demonstration

**Q&A**

# Thank-you!

If you have any questions or would like to schedule a consultation, please email [info@insight.ikano](mailto:info@insight.ikano) or contact Peter or Jonathan directly



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