

Dealing with ESG Fraud

Legal Trends

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Growth of ESG importance – from advantage to obligation

Advantages

- Comply with stakeholder requests
- Fulfil expectations of investors, consumers, etc. – commercial advantage

Legislation

- 2030 Agenda for Sustainable Development (UN)
- EU Climate Law
- International Treaties regarding Climate Change
- NFRD / CSRD (Corporate Sustainability Reporting Directive)
- The Taxonomy Regulation
- CSDD (Corporate Sustainability Due Diligence Directive)

Standards

- GRI (Global Standards for Sustainability)
- SASB (Sustainability Accounting Standards Board)
- ESRS (European Sustainability Reporting Standards)
- IFRS S1, S2 (International Financial Reporting Standards)
- SEC (Securities and Exchange Commission)

CSRD / CSDD

Affected companies

- 500+ employees average, with a net turnover of more than € 150 million within the last financial year
- 250+ employees average, with a net turnover of more than € 40 million in the last financial year -IF at least 50 percent of this was generated in a high-impact sector. Such high-risk sectors include textiles, clothing, mineral extraction, agriculture, forestry, fishing or metal manufacturing

Obligations

- Conduct Due Diligence to identify and prevent environmental and human rights risk
- Mitigate risk
- Report publicly
- Establish reporting channels

Sanctions

- Turnover based
- Civil responsibility for damages
- Cooperation between EU supervision authorities
- Criminal liability

Fraud Risk and Fraud Mitigation

- ▶ Increasing pressure on ESG compliance that leads to increasing fraud risk
- ▶ Internal Risk / External Risk
- ▶ Enterprise Risk Management Program and high reporting metrics (ethical approach)
- ▶ Fraud risk assessment
- ▶ Control activities / fraud investigation
- ▶ Similar approach as financial fraud

Your Contact Partner



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