



Institute of
Sustainability
Studies

Webinar on ESG Reporting

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CSRD Readiness: *Essential Steps and Best Practices*



Introduction – Dr Seán O’Reilly

- Assistant Professor of Accountancy
- University College Dublin
- PwC
- Executive Education
- International Engagements
- Experience as Founder, Director and INED
- PhD in ‘Entrepreneurial & Green Finance’
- [LinkedIn](#)



Sustainable Finance – EU Green Deal



European Union Green Deal

- The European Union Green Deal – December 2019
- Mobilise at least €1 trillion of sustainable investments and development of an ‘enabling framework’
- Aim - Make Europe carbon neutral by 2050
- As per the Green Deal, the key actions fall under the following headings:
 - Climate
 - Energy
 - Agriculture
 - Environment and Oceans
 - Transport
 - **Finance** and Regional Development
 - Research and Innovation



European Union Green Deal

- Within the sustainable finance component of the Green Deal policy document, key specifications are broken down under the following headings:
 - Sustainable finance and investing
 - EU Taxonomy for sustainable activities
 - European green bond standard
 - Corporate disclosure of climate-related information
 - EU labels for benchmarks (climate, ESG) and benchmarks' ESG disclosures
 - Sustainability-related disclosure in the financial services sector
 - International platform on sustainable finance



European Union Green Deal

Key Areas	
Sustainable finance and investing	Financing / Investing
EU Taxonomy for sustainable activities	Reporting
European green bond standard	Financing
Corporate disclosure of climate-related information	Reporting
EU labels for benchmarks (climate, ESG) and benchmarks' ESG disclosures	Reporting
Sustainability-related disclosure in the financial services sector	Reporting
International platform on sustainable finance	Financing / Investing / Reporting



Introduction – CSRD Readiness

- What is the CSRD?
- What are the ESRS'?
- Key components
- Impact on business
- Outlook



CSRD – Corporate Sustainability Reporting Directive

- The CSRD supports the European Green Deal and is part of the Sustainable Finance package.
- The directive contains specific provisions requiring sustainability information to be subject to assurance.
- The reported sustainability information should form part of the management report.
- Accuracy in all material aspects and well as providing a complete picture.
- Independent assurance service providers or statutory auditors.



CSRD - Purpose



- Transparency and Accountability
- Standardisation of Reporting
- Investor Confidence and Market Integrity
- Integration of Sustainability into Business
- Policy and Economic Alignment
- Risk Management



CSRD - Implementation

Key Dates:

- December 2022: Adoption EU-Directive in member states legislation.
- 1 January 2023: First set of Sustainability Reporting Standards.
- 2025: Reporting of Sustainability Metrics for 2024 and assurance over report.

Scope: All large companies

- > 250 employees and/or
- > €40M Turnover and/or
- > €20M Total Assets
- Listed companies
- Large companies currently incorporates companies not established in the EU that are listed on EU regulated markets and EU subsidiaries of non-EU companies.
- Listed-SMEs to follow in 2026 / Voluntary SMEs in 2028.



CSRD – European Sustainability Reporting Standards (ESRS)

ESRS:

- European Sustainability Reporting Standards
- The European Financial Reporting Advisory Group (EFRAG) published the European Sustainability Reporting Standards (ESRS).



ESRS

- **Cross-Cutting Standards** - intended to be transversal to all sustainability subject matters, including general principles, strategy, governance and materiality assessment of impacts, risks and opportunities.
- **Topical Standards** - disclosure requirements relating to sustainability impacts, risks and opportunities that are deemed to be material for all undertakings,
- **Environmental Standards** - climate change, pollution, water and marine resources, biodiversity, resource use and circular economy.
- **Social Standards** - own workforce, workers in the value chain, affected communities, consumers, and end-users.
- **Governance Standards** - governance, risk management, internal control, and business conduct.
- **Sector-Specific Standards** - the ESRS architecture foresees the preparation of sector-specific standards (at a later date).



EFRAG

European Financial Reporting Advisory Group

ESRS - Overview

General	Environment	Social	Governance
ESRS 1 General requirements	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Business conduct
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and eco systems	ESRS S4 Consumers and end-users	
	ESRS E5 Resource use and circular economy		



ESRS

- What exactly is required? What are the data points?
- EFRAG
- ESRS Details and Data Points

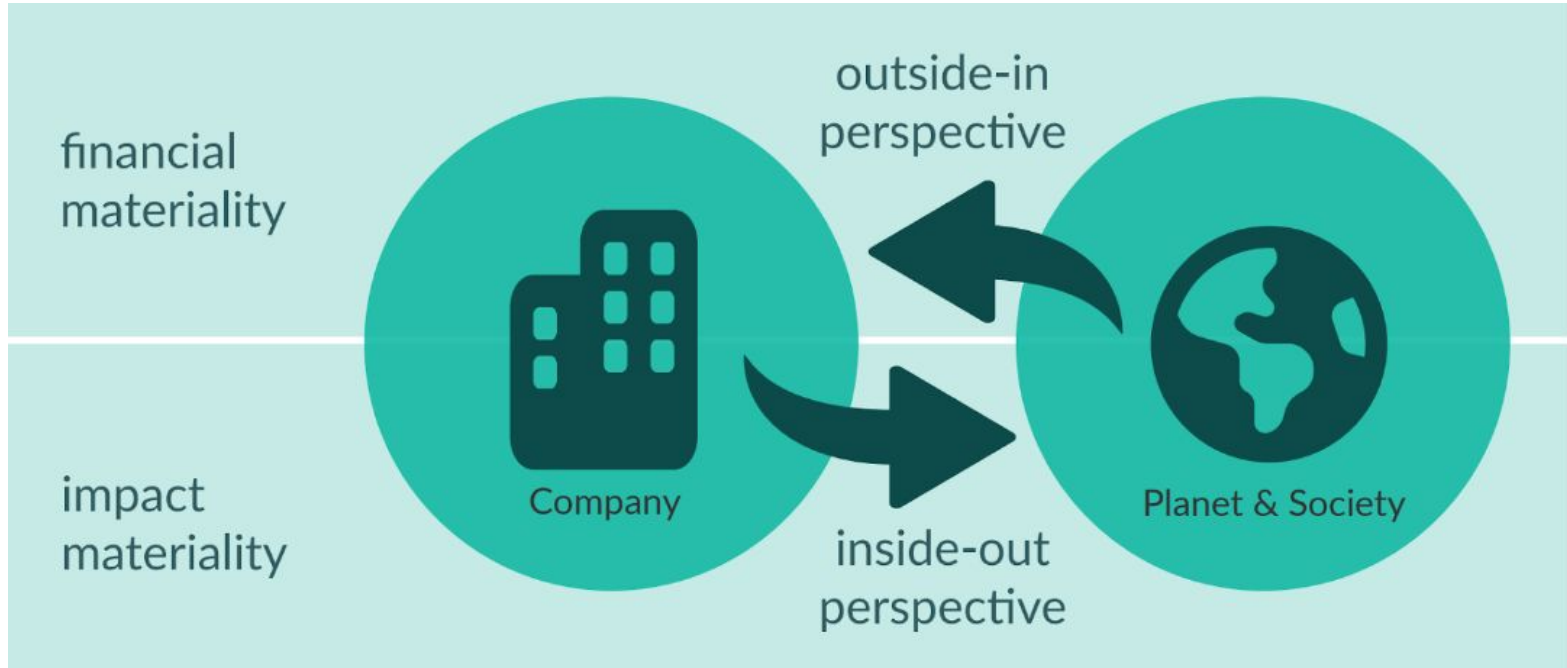


ESRS and Materiality

- Double Materiality
- Double materiality is a concept which provides criteria for the determination of whether a sustainability matter must be included in a company's sustainability report. The principle of double materiality drives companies to approach sustainability from two different perspectives:
- Outside-in perspective ("Financial Materiality")
- Inside-out perspective ("Impact Materiality")



ESRS and Materiality



ESRS and SMEs

- Requirements from big suppliers?
- The trickle-down effect?
- ESRS S2 – Workers in the value chain?

22/01/2024 - EFRAG'S PUBLIC CONSULTATION ON TWO EXPOSURE DRAFTS ON SUSTAINABILITY REPORTING STANDARDS FOR SMES

- Sustainable Finance Platform ESRS LSME ED and VSME ED



ESRS and SMEs

VSME KEY FEATURES



➤ **Not legally binding** – outside CSRD- but to fulfill market needs.

➤ **Proportionality** = simplified language + modularity + overall ESRS consistency

➤ Scope: Non-listed Micro and SMEs in EU

99.8% of total
EU companies

➤ **Why a voluntary standard for SMEs?**

- i. [EC Q&A Delegated Acts ESRS in July 2023](#): “EFRAG is developing simpler, voluntary standards for use by non-listed SMEs [...] **to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.**”
- ii. [EC SME Relief Package of September 2023](#) refers to **VSME as a measure to support SMEs in accessing sustainable finance.**

➤ **Commitment of market participants** (larger corporates and banks) essential for the success of the standard



ESRS and SMEs

- **VSME Objectives:** To provide a simple reporting tool, that can credibly replace a substantial part of the questionnaires used by business partners (lenders, investors and corporate clients – supply chain dimension) in requesting ESG data from SMEs and that can support SMEs in monitoring their sustainability performance.
- While the exposure draft has been built mainly on the basis of questionnaires from business partners, the resulting information is expected to also benefit SMEs by improving their management of sustainability issues and, in this way, contribute to a more sustainable and inclusive economy.
- Purpose is to standardise the existing and expected business partners data requests (considering the fast-evolving developments in sustainability).



ESRS and SMEs

- Aim is that the VSME is not an additional burden but a tool to reduce burden due to multiple requests.
- Base Case Scenario according to EFRAG:
 - There is market acceptance of the VSME
 - VSME is a tool to support SMEs in better access to finance and to be more competitive as suppliers
 - VSME is a tool to reduce administrative burden on SMEs due to uncoordinated data requests
- Link to proposed requirements: [Sustainable Finance Platform ESRS LSME ED and VSME ED](#)



CSRD and Assurance

- The role of the auditor in sustainability reporting has sparked debate.
- The CSRD makes it mandatory for companies to have an audit of the sustainability information that they report.
- Demand for confidence in ESG disclosures is growing.
- Currently, most requirements of auditing of non-financial information is on a limited assurance basis.
- **Limited assurance** engagements involved less evidence accumulation and less extensive procedures than for a standard audit and are designed to provide limited assurance related to a certain financial statement or subject matter, such as sustainability information.



SUSTAINABILITY ASSURANCE

CSRD and Assurance

- It is anticipated that auditors will provide reasonable assurance on sustainability information soon.
- **Reasonable assurance** in auditing is a level of assurance that there are no material misstatements in the financial statements. Auditors use evidence gathered during the audit process to provide reasonable assurance that the financial statements present a fair view of a company's financial position.
- The role of the International Auditing and Assurance Standards Board (IAASB) is of critical importance when providing clear advice on the role of the auditor.
- The IAASB launched Sustainability Assurance which provides advice on ESG matters.
- IAASB Website
- ISSA 5000 - Exposure Draft



SUSTAINABILITY ASSURANCE

Essential Steps



Essential Steps

- Data Capturing Tools and Systems
 - *Evaluate existing IT infrastructure for data management*
 - *Explore specialised sustainability reporting software*
- Data Verification Processes:
 - *Outline methods for ensuring data accuracy and reliability*
 - *Prepare for internal and external data verification*
- Reporting Framework Alignment:
 - *Align with ESRS / EU Green Taxonomy*
- Legal and Regulatory Considerations:
 - *Ensure legal compliance in all reported sustainability activities*



Best Practices



Outlook



Outlook

- Anticipation of Expanding Regulatory Requirements:
 - *Prepare for continuous evolution and tightening of sustainability reporting standards*
 - *Stay informed about global trends influencing future CSRD updates*
- Incremental Implementation and Improvement:
 - *Recognise the learning curve in early stages of implementation*
 - *Expect gradual progress towards comprehensive and integrated reporting*
- Evolving Role of Assurance Providers
 - *Auditors to expand capabilities to include sustainability assurance services*
 - *Greater emphasis on assurance of non-financial information*



Outlook

- Enhanced Role of Financial Professionals:
 - *Accountants and consultants to increasingly engage in sustainability data measurement and interpretation.*
 - *Development of specialised expertise in ESG accounting and consulting services*

- Integration of Technology in Reporting:
 - *Leverage advanced data analytics and AI for more efficient sustainability data processing*
 - *Invest in technology solutions to enhance the accuracy and timeliness of CSRD reports*



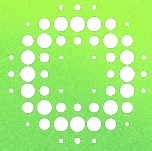
Conclusion

- Huge Challenges
- Increased Pressure on SMEs
- Strategic Advantage in Sustainability...
- Education and Capacity Building
- Transparency and Integrity



Questions





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Thank you for your time!