



FREE ONLINE WEBINAR ON ENVIRONMENTAL SUSTAINABILITY

THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS - ESRS

February 20, 2024 - 6:00 p.m. CET



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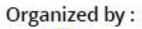
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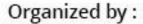






Corporate Sustainability Reporting Directive

How reporting on the ESG impacts on European companies

























Timeline

1.21 April 2021

1. Legislative proposal: Proposal for a Corporate Sustainability Reporting Directive (CSRD) to amend the reporting requirements of the NFRD.

2.22 June 2022

1. Legislation: Political agreement by the European Parliament and the Council on the Corporate Sustainability Reporting Directive (CSRD).

3.14 December 2022

1. Legislation: Publication of the Corporate Sustainability Reporting Directive (CSRD) in the Official Journal.

4.9 June 2023

1. Legislation: Opening of feedback process for draft sustainability reporting standards for companies.

5.31 July 2023

1. Legislation: Adoption of the European Sustainability Reporting Standards (ESRS).

6.17 October 2023

1. Legislative proposal: 2024 Commission work program proposal regarding adoption time limits for sustainability reporting standards.

7.22 December 2023

1. Legislation: Publication of the European Sustainability Reporting Standards (ESRS) in the Official Journal.

8.8 February 2024

1. Legislation: Political agreement between the European Parliament and the Council on postponing adoption deadlines for certain European Sustainability Reporting Standards (ESRS).

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What is the Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (CSRD) is an EU regulatory framework aimed at advancing corporate transparency and accountability regarding sustainability issues among companies operating within the EU.

Key points include:

- Enhanced Disclosure Requirements
- Standardization and Harmonization
 - Quality Assurance
 - Digitalization
- Integration with Financial Reporting

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Enhanced Disclosure Requirements

- •Explanation: The Corporate Sustainability Reporting Directive (CSRD) expands upon the Non-Financial Reporting Directive (NFRD) to introduce more robust reporting requirements.
- •Target Audience: Large and listed companies, as well as certain SMEs operating within the European Union.
- •Impact: Companies must disclose comprehensive sustainability information, including environmental, social, and governance (ESG) factors, providing stakeholders with a clearer understanding of their sustainability performance.

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Standardization and Harmonization

- •Explanation: CSRD aims to standardize sustainability reporting practices across the EU.
- •Importance: Standardization facilitates comparability and consistency in sustainability reporting, enabling investors, stakeholders, and regulators to assess corporate sustainability performance more effectively.
- •Benefits: Harmonization streamlines reporting processes, reduces compliance burdens, and enhances transparency and accountability in corporate sustainability practices.

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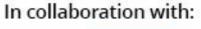




Quality Assurance

- •Explanation: CSRD introduces requirements for external assurance of reported sustainability information.
- •Purpose: External assurance enhances the reliability and credibility of disclosed sustainability data.
- •Assurance Providers: Independent auditors or assurance providers validate the accuracy and completeness of sustainability reports, instilling confidence in stakeholders and investors.

























Digitalization

- •Explanation: CSRD encourages the use of digital reporting formats for sustainability data.
- •Advantages: Digital formats improve accessibility, comparability, and machine-readability of sustainability information.
- •Tools and Platforms: Companies can leverage digital tools and platforms to streamline data collection, analysis, and reporting processes, enhancing efficiency and transparency in sustainability reporting.

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Integration with Financial Reporting

- •Explanation: CSRD aims to integrate sustainability reporting with financial reporting.
- •Rationale: Recognizing the interconnectedness of financial and non-financial performance, integration enables stakeholders to gain a comprehensive view of a company's overall value creation and risk management strategies.
- •Alignment with Global Standards: Integration with financial reporting aligns with global sustainability reporting frameworks, such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), promoting consistency and comparability in corporate reporting practices.

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Rules introduced by the Non-Financial Reporting Directive

The rules introduced by the **Non-Financial Reporting Directive (NFRD)** remain in force until companies must apply the new rules of the **CSRD**.

Under the NFRD, large companies must publish information related to:

- environmental matters
- social matters and treatment of employees
- respect for human rights
- anti-corruption and bribery
- diversity on company boards (in terms of age, gender, educational and professional background)

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Applicability

These reporting rules apply to large public-interest companies with more than 500 employees. This covers approximately 11 700 large companies and groups across the EU, including:

- listed companies
- banks
- insurance companies
- other companies designated by national authorities as public-interest entities

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From NFRD to CSRD

- In 2021, the European Parliament's Research Service (EPRS) identified shortcomings in the Non-Financial Reporting Directive (NFRD), including inconsistent and incomparable data.
- Lack of consistent data hindered sustainability investments and led to increased data-related costs for stakeholders.

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Improvements with CSRD Implementation

- The Corporate Sustainability Reporting Directive (CSRD) enhances the disclosure process compared to NFRD.
- CSRD provides investors and consumers with a simpler and more coherent way to understand and compare environmental, social, and governance (ESG) impacts.
- This improvement enables more informed decision-making based on comprehensive sustainability data.

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Long-Term Objectives of CSRD

- The overarching long-term objectives of CSRD include reducing climate risk and enhancing the overall sustainability of the EU.
- Aligned with the European goal of climate neutrality by 2050 and the European Green Deal, CSRD aims to foster a globally competitive and resilient industry.
- CSRD contributes to advancements such as high-energy-efficient buildings, cleaner energy, and cutting-edge clean technological innovation.

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Implications for Non-CRSD Companies

- Companies not directly subject to the Corporate Sustainability Reporting Directive (CSRD) may still need to develop sustainability reporting.
- Participation in tenders by entities regulated under the CSRD often necessitates adherence to sustainability practices.

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Benefits of Proactive Adoption (Part 1)

- To remain competitive and eligible for opportunities, non-CRSD companies may need to align with sustainability reporting standards akin to those mandated by the CSRD.
- Proactive adoption of sustainability reporting enhances credibility, trust, and alignment with evolving market expectations regarding environmental, social, and governance (ESG) criteria.

























Benefits of Proactive Adoption (Part 2)

- Enhanced credibility: Non-CRSD companies that proactively adopt sustainability reporting demonstrate transparency and accountability, building trust with stakeholders and investors.
- Competitive advantage: Aligning with sustainability reporting standards increases the company's competitiveness in the market, as it positions itself as a responsible and forward-thinking organization.

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Benefits of Proactive Adoption (Part 3)

- Improved risk management: By integrating sustainability practices into their operations, non-CRSD companies can better identify and mitigate environmental, social, and governance (ESG) risks.
- Access to new opportunities: Proactive adoption of sustainability reporting opens doors to new business opportunities, partnerships, and markets, as it aligns with the growing demand for sustainable solutions and practices.

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Risk management - the cornerstone

- Effective risk management is a cornerstone of both the Non-Financial Reporting Directive (NFRD) and its successor, the Corporate Sustainability Reporting Directive (CSRD).
- By incorporating robust risk management practices, companies not only fulfill regulatory requirements but also provide stakeholders with a critical guarantee of their long-term sustainability and resilience.

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Risk management - practically

- At its core, risk management within the NFRD and CSRD frameworks involves the identification, assessment, and mitigation of environmental, social, and governance (ESG) risks that could impact the company's operations, performance, and reputation.
- These risks encompass a wide range of factors, including climate change impacts, supply chain disruptions, labor practices, and ethical conduct.

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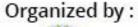






Risk Management as a Guarantee for Stakeholders

- Overview: Risk management is fundamental within the Non-Financial Reporting Directive (NFRD) and Corporate Sustainability Reporting Directive (CSRD), ensuring the identification, assessment, and mitigation of environmental, social, and governance (ESG) risks.
- Importance: Effective risk management provides stakeholders with assurance of the company's long-term sustainability and resilience.

























Benefits for Stakeholders

- Transparency and Accountability: Companies that manage ESG risks transparently foster trust and credibility among stakeholders.
- Long-Term Value Protection: Effective risk management safeguards the company's value, including financial performance and reputation, over the long term.
- Resilience and Adaptability: Stakeholders are assured that the company can anticipate and address emerging risks, positioning itself for sustainable growth.

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Additional Benefits and Impact

- Alignment with Sustainable Development Goals (SDGs): Effective risk management contributes to the achievement of SDGs by mitigating negative impacts on the environment, society, and governance practices.
- Enhanced Decision-Making: Stakeholders can make more informed decisions with visibility into the company's risk management practices, aligning with their values and objectives.

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Conclusions: Advancing Corporate Sustainability Reporting

- Overview: The Corporate Sustainability Reporting Directive (CSRD) represents a significant step forward in advancing corporate transparency, accountability, and sustainability practices within the European Union.
- Key Achievements: CSRD expands reporting requirements, enhances standardization and quality assurance, promotes digitalization, and integrates sustainability reporting with financial reporting.
- Impact: The directive aims to reduce climate risk, improve overall sustainability, and align with global sustainability initiatives such as the European Green Deal and climate neutrality goals.

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Conclusions: Key Takeaways

- **Embracing Sustainability**: CSRD encourages companies to embrace sustainability as a core business principle, aligning their operations with environmental, social, and governance (ESG) considerations.
- Stakeholder Confidence: Proactive adoption of CSRD enhances stakeholder confidence by providing transparency, accountability, and reliable sustainability information.
- Market Leadership: Companies that lead in sustainability reporting not only comply with regulatory requirements but also differentiate themselves in the market, attracting investors, customers, and partners.

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Conclusions: Looking Ahead

- Continuous Improvement: As companies implement CSRD requirements, continuous improvement in sustainability reporting practices is essential to meet evolving stakeholder expectations and address emerging sustainability challenges.
- Global Impact: CSRD sets a precedent for global sustainability reporting standards, influencing international efforts to promote corporate transparency, accountability, and sustainability.
- Collaboration and Innovation: Collaboration between policymakers, businesses, investors, and civil society is crucial to drive innovation, accelerate sustainability transitions, and achieve long-term sustainable development goals.

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Relevant legislation - A

Corporate Sustainability Reporting Directive (CSRD) - 2022/2464/EU

Basic information

Text of the CSRD (2022/2464/EU)

Delegated and implementing acts

Delegated and implementing acts to the CSRD

Legislative history

- Original legislative proposal for the CSRD
- Impact assessment accompanying the legislative proposal for the CSRD
- Executive summary of the impact assessment accompanying the legislative proposal for the CSRD
- More on the legislative proposal for the CSRD
- Legislative initiative on corporate sustainability reporting

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Relevant legislation - B

Non-Financial Reporting Directive (NFRD) - 2014/95/EU

Basic information

- Text of the NFRD (2014/95/EU)
- Summary of the legislation: Disclosure of non-financial and diversity information by large companies and groups

Transposition by EU Member States

- The NFRD was transposed by all EU Member states into their national law.
- <u>Transposition history of the NFRD by EU Member States</u>

Legislative history

- Original legislative proposal for the NFRD
- Impact assessment accompanying the legislative proposal for the NFRD
- Executive summary of the impact assessment accompanying the legislative proposal for the NFRD

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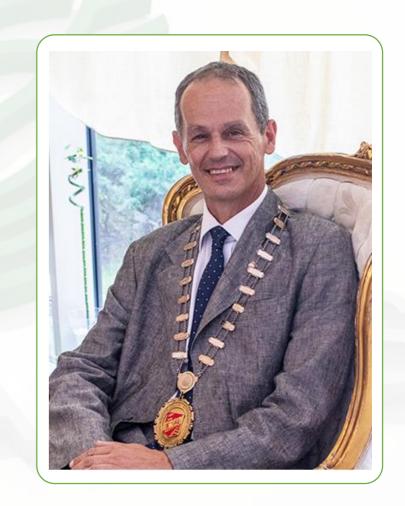






Thanks for your attention

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