ASSET

Accounting for Sustainability,
Social and Environmental Transparency

TEACHING MODULE 1
Disclosing business value through sustainability and ESG Reporting

OVERVIEW

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Context

2023 was the hottest year on record in Europe. Climate change is causing extreme events such as floods and droughts. Climate change and environmental degradation seriously threaten Europe and the world.

The European Green Deal will ensure that the EU (https://commission.europa.eu)

- no net greenhouse gas emissions by 2050;
- decouple economic growth from resource use;
- leave no person or place behind.

Companies are urged to adopt sustainable environmental, social, and governance behavior.

Companies must also disclose environmental, social, and governance data to highlight their sustainability activities and keep shareholders and stakeholders properly informed.

The EU requires large companies and listed companies to disclose sustainability information, environmental and social risks and opportunities, and the impact of their activities on people and the environment. The Corporate Social Responsibility Directive came into force on 5 January 2023. It requires information on the impact of companies' activities on people and the environment.

The European Banking Authority will support the banking sector's transition to a more sustainable economy (https://www.eba.europa.eu/about-us/sustainable-eba). This means encouraging banks to promote sustainable finance. It aims to integrate environmental, social, and governance (ESG) criteria into financial services and support sustainable economic growth.

For these reasons, sustainability reporting will become increasingly important for large and small companies.

Students' tasks

Task 1: Familiarizing with sustainability reporting directives.

The first task introduces students to the European regulation on sustainability disclosure by comparing the Non-Financial Reporting Directive (NFRD) and the Corporate Sustainability Reporting Directive (CSRD). Students are engaged in understanding the main objectives of the NFRD and CSRD, what information companies have to disclose, what sustainability reporting standards companies have to follow to ensure accurate and comparable reporting, and what benefits arise from such reporting.

Task 2: Evaluating and using sustainability reports.

The second task aims to help students develop skills useful for analyzing and assessing companies' sustainability reports. The students are divided into groups representing the team responsible for corporate lending within the Bank-Lab. The student's task is to evaluate the sustainability reports of three companies in light of the new guidelines communicated by the Bank. These guidelines represent a significant change in the evaluation criteria, emphasizing the importance of sustainability and responsible business practices in grant funding.