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Accounting for Sustainability,

Social and Environmental Transparency

# ISP LINZ | September 14

# TM1 | Disclosing Business Value through Sustainability and ESG Reporting

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TODAY'S SESSION

# What we'll cover

**01** Why sustainability reporting moved from voluntary PR to core accountability infrastructure

**02** Financial materiality vs. impact materiality and why "double" changes the analysis

**03** Whose expectations reporting is actually trying to satisfy

**04** How reporting quality feeds directly into real capital-allocation decisions

# What does Corporate Social Responsibility (CSR) mean?

European Union definition of CSR:

**"The responsibility of enterprises for their impacts on society."**

*(European Commission, 2011)*


**Environmental**
Reducing emissions, waste, and resource use

**Social**
Supporting employees, communities, and human rights

**Governance**
Transparency, accountability, and ethical business practices

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# Accountability

Companies are required to:

- replace the objective of maximising profits for shareholders with **maximising the creation of shared value** for shareholders and other stakeholders
- integrate **social, environmental, ethical, human rights and consumer concerns** into their business operations
- **identify, prevent and mitigate their possible adverse impacts** for society and environment

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# AGENDA 2030



Our Vision

a global community of

e practices in the field.

Our Missi

Integrate sus

Foster collal

Achievement

Successfully integrated sustainability principles, developed digital resources, and established international collaborations, influencing educational paradigms and fostering a mindset of sustainability in accounting professionals worldwide.

# European Green Deal

The European Green Deal is a package of policy initiatives that aims to set the EU on the path to a **green transition**, aiming to reach climate neutrality by 2050.


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Companies are not only urged to adopt sustainable behaviors regarding environmental, social, and governance issues.

Companies must also disclose environmental, social, and governance data to highlight their sustainability activities.

This forces companies to comply with new reporting requirements.

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CONTEXT

# Three forces are converging

### Regulation

EU CSRD / ESRS make double-materiality assessments mandatory, phased in from 2024 - part of the European Green Deal's path to climate neutrality by 2050

### Capital markets

Investors and lenders price climate and transition risk into cost of capital and loan terms

### Stakeholders

Employees, communities, NGOs and unions demand evidence - not narrative

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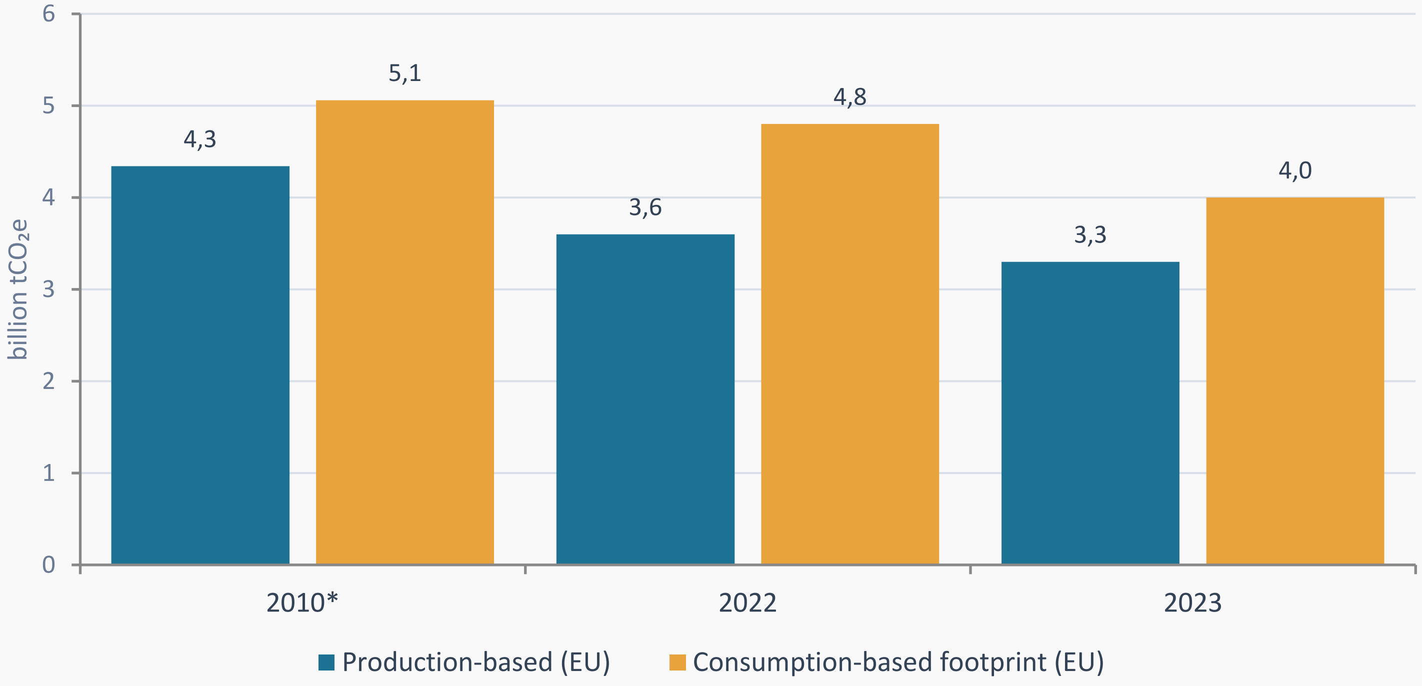
WHY THIS ISN’T ABSTRACT

# The scale of the challenge




Source: Eurostat, "What is the EU’s greenhouse gas footprint per capita?", 19 February 2026

SINCE 2010

**-24%**

EU production-based emissions

**-21%**

EU consumption-based footprint

*Both are falling, but the footprint still sits well above what the EU produces at home.*

Both lines are falling, but the consumption footprint stays well above production every year shown - that gap is the emissions embedded in imported goods. Tackling it drives business value through sustainable sourcing, low-carbon products, and upstream reductions: CSR is not just ethical; it supports strategic growth.

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EVOLUTION

# From footnote to core disclosure

**1987**
Brundtland Report defines "sustainable development"

**1997**
GRI founded - first sustainability reporting guidelines

**2000s**
Voluntary ESG reporting spreads; SASB and CDP emerge

**2014**
EU Non-Financial Reporting Directive (NFRD)

**2017**
TCFD recommendations on climate-related financial disclosure

**2023**
ESRS adopted; CSRD reporting begins (phased from FY2024)

**2026**
"Omnibus" simplification - fewer datapoints, same double-materiality core

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# Not one standard but a landscape

## GRI

**Global · voluntary**

Stakeholder-inclusive; rooted in impact materiality. The original sustainability reporting standard, since 1997.

## ESRS / CSRD

**European Union · mandatory**

Double materiality required by law for in-scope companies. Subject to external assurance.

## ISSB / IFRS S1–S2

**Global · investor-focused**

A financial-materiality baseline aimed at capital markets, not the full double-materiality test.

*The companies in this afternoon's case - A2A, Eni and Iberdrola - all report under CSRD / ESRS.*

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THE EU’S OWN EVOLUTION

# NFRD → CSRD → VSME, side by side

| | NFRD (2014/95/EU) | CSRD (2022/2464/EU) | VSME (EFRAG, voluntary) |
|---|---|---|---|
| **Scope** | Large public-interest entities, >500 employees | All large companies + listed SMEs (+ some non-EU firms) | Non-listed SMEs (voluntary) |
| **Basis** | Single materiality; narrative disclosure | Double materiality; assured; digitally tagged (ESRS) | Proportional effort; Basic & Comprehensive modules |
| **Timeline** | In force since 2018; being replaced | Formal 2022; phased in from 2024; non-EU firms from 2028 | Exposure drafts from EFRAG, 2023–24 |

*Keep this map in mind: the companies you analyze this afternoon report under the CSRD / ESRS column.*

# Whose interests count?

### Shareholder primacy

*Friedman, 1970*

The firm’s responsibility is to maximize shareholder value, within the law.

### Stakeholder theory

*Freeman, 1984*

The firm creates and depends on value for every group it affects or is affected by: investors, employees, customers, suppliers, and communities.

***Sustainability reporting is the accounting infrastructure for stakeholders.***

# STAKEHOLDERS

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STAKEHOLDER EXPECTATIONS

# Who wants what from the report

| | |
|---|---|
| **Investors & lenders** | Risk-adjusted returns, credit risk, transition exposure |
| **Regulators** | Compliance, comparability, independent assurance |
| **Employees & unions** | Just transition, job security, workplace safety |
| **Communities & NGOs** | Real-world impact, biodiversity, accountability |
| **Commercial customers** | Reliability of supply, long-term capacity |

*Sound familiar? This afternoon you'll represent six of these voices.*

# Where it starts: materiality

Information is material if omitting or misstating it could reasonably influence the decisions of the people who use the report.

## Traditional (financial) materiality — "outside-in"

Does this sustainability issue affect the company’s own financial position, performance or cash flows?

*Example: a rising carbon price raises an energy company’s own operating costs.*

THE CORE CONCEPT

# Double materiality: two directions at once

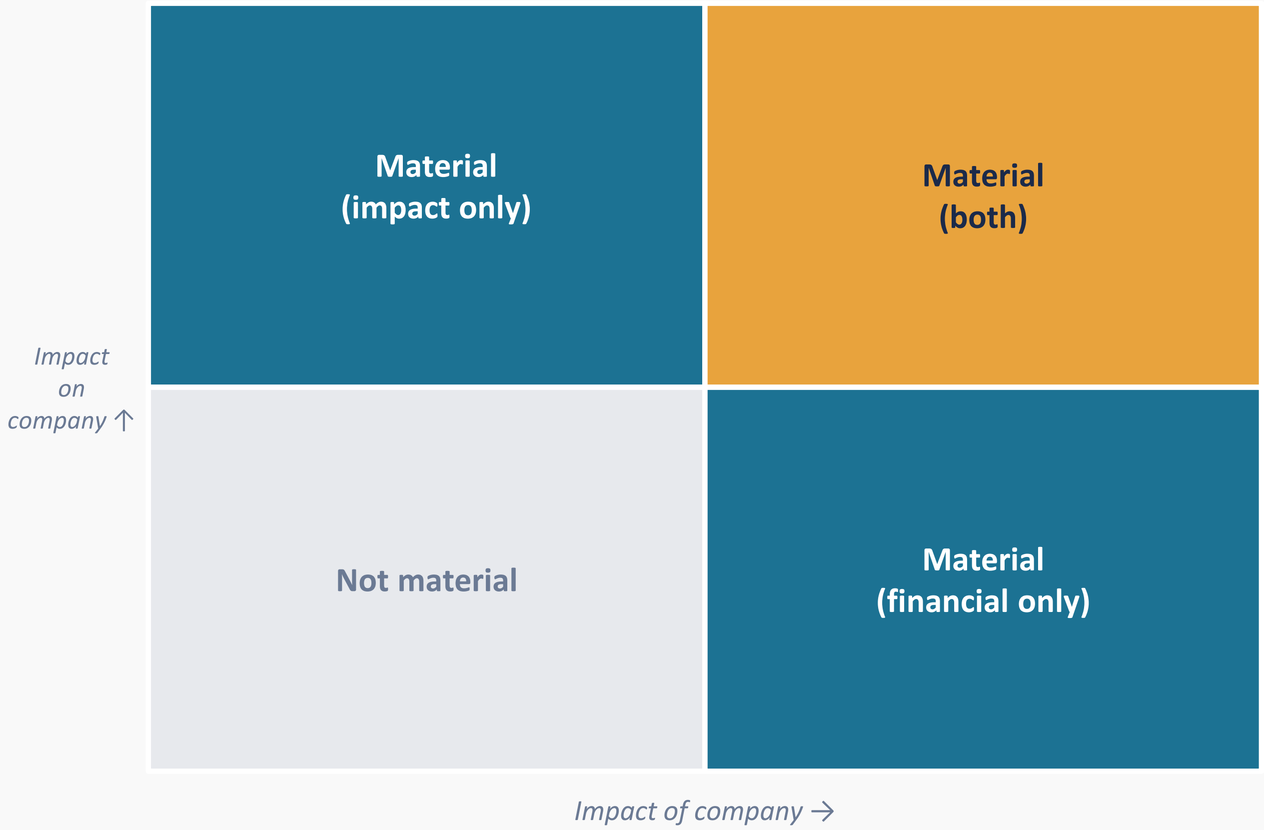
**Financial materiality** (outside-in)

How sustainability issues affect the company's own value and performance.

**Impact materiality** (inside-out)

How the company's activities affect people and the environment.

A topic is material if it meets ***either*** test.

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METHOD

# How companies actually do this

**1**

**Understand context**

Business model, stakeholders, value chain

**2**

**Identify**

Impacts, risks & opportunities, positive and negative

**3**

**Assess materiality**

Severity, scope & likelihood (impact); magnitude (financial)

**4**

**Consolidate**

What clears the threshold becomes a reported topic

*Iberdrola's 2025 sustainability statement documents exactly this four-stage process, in this sequence.*

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# Disclosing business value

| | |
|---|---|
| **Access to capital** | Banks and ESG funds prefer comparable, assured data — CSRD/ESRS boosts credibility; VSME helps SMEs answer lenders' data calls. |
| **Supply-chain readiness** | SMEs keep contracts by providing standardised data to CSRD-in-scope buyers. |
| **Operational savings & risk control** | Tracking energy, emissions and incidents reveals cost and risk hotspots. |
| **Reputation & market access** | Transparent ESG signals quality and resilience to customers and partners. |

***Preview: this afternoon, a €500 million fund allocation is decided on exactly this kind of evidence.***

# Where CSRD stands today

- Double materiality remains the methodological core, unchanged by the Omnibus simplification
- Mandatory datapoints cut by roughly 61%, refocused on "decision-useful" information
- Scope narrowed: full obligations concentrate on companies with >€450M turnover and >1,000 employees
- Revised ESRS apply from FY2027 - voluntary early adoption possible for FY2026

*Source: European Commission Omnibus I proposals, Directive (EU) 2026/470 (draft delegated regulations, May 2026).*

RECAP

# Before we move to the case

1 Sustainability reporting is now core accountability infrastructure, not PR

2 Materiality runs in two directions: financial and impact

3 Different stakeholders need different evidence from the same report

4 Report quality has real consequences for financing and investment decisions

5 Frameworks are converging on mandatory double materiality,
even as detail is simplified

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# Participating universities

## ASSET partner universities

Austria - Johannes Kepler University of Linz, Austria
France - Universite Bretagne Sud, Vannes, France
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Italy - University of Urbino Carlo Bo, Italy
Lithuania - ISM University of Management and Economics, Vilnius, Lithuania
Portugal - Instituto Politecnico do Porto, Portugal
Romania - Universitatea de Vest din Timisoara, Romania
Spain - Universidade de Vigo, Spain

## Associated universities

Italy - University of Naples, Italy
Romania - University of Iasi, Romania
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TEACHING MODULE 1

# Disclosing business value through sustainability and ESG reporting

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# Thank you!