ASSET

Accounting for Sustainability,
Social and Environmental Transparency

TEACHING MODULE 1
Disclosing Business Value through Sustainability and ESG Reporting

OVERVIEW

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Disclosing business value through sustainability and ESG reporting

Context

The Corporate Sustainability Reporting Directive (CSRD), which amends and expands upon the earlier Non-Financial Reporting Directive (NFRD), establishes a comprehensive regulatory framework requiring a significantly broader range of undertakings within the European Union to disclose detailed information on their sustainability performance in accordance with the European Sustainability Reporting Standards (ESRS). Central to this framework is the principle of double materiality, whereby organisations are required to assess sustainability matters from two complementary perspectives: impact materiality, concerning the organisation's actual or potential effects on people and the environment across its own operations and value chain, and financial materiality, concerning the risks and opportunities that sustainability-related issues may generate for the organisation's development, financial position, and performance over the short, medium, and long term. Through this dual lens, the CSRD seeks to ensure that sustainability statements convey information that is relevant, reliable, and comparable, thereby enabling investors, regulators, and other stakeholders to form a robust understanding of an organisation's sustainability-related impacts, risks, and opportunities and to incorporate this understanding into their decision-making processes.

Students' tasks

Task 1: Introduction to sustainability reporting: understanding double materiality and stakeholder expectations

The activity is a frontal lesson introducing students to sustainability reporting, with a particular focus on double materiality and stakeholder expectations. Delivered as a mini-lecture supported by a PowerPoint presentation, the session begins by exploring why companies produce sustainability reports, presenting them as key instruments for transparency and accountability rather than simply as reporting requirements.

The lesson then examines who uses sustainability reports, including investors, regulators, customers, employees, local communities, and civil society, and how the different interests and expectations of these stakeholders influence what they look for in a company's disclosures. Building on this foundation, the lecture introduces the distinction between materiality and double materiality, explaining how the two concepts differ in scope and in the way they frame a company's risks, opportunities, and impacts.

The session concludes by positioning sustainability reporting as a strategic tool rather than merely a compliance exercise. In this perspective, sustainability disclosures serve three interconnected functions: informing capital allocation decisions, supporting reputation management, and strengthening a company's institutional legitimacy.

Task 2: Evaluating and using sustainability reports

In this activity, students participate in a role-play simulation based on a realistic ESG investment decision. A large European pension fund must select one of three energy-sector companies for a €500 million, long-term sustainability-linked investment.

Students are divided into six stakeholder groups: the ESG Fund, which holds final decision-making authority; the Financing Bank; an Environmental NGO; the European Trade Union; an Energy-

Intensive Industrial Client; and an Activist Investor. Each group receives a role packet outlining its mandate, priority KPIs, strategic objectives, and key constraints, such as minimum required returns, financing conditions, or reputational red lines.

Working within their assigned groups, students begin by analyzing the sustainability reports of all three companies. Based on this analysis, each group develops a ranking of the three companies, formulates an official recommendation, and specifies any conditions attached to that recommendation.

The activity then proceeds through three phases. First, in the presentation round, each group presents its ranking, explains the criteria underpinning its assessment, and highlights the critical issues identified in the companies' sustainability disclosures. Second, in the negotiation phase, groups defend their positions, seek common ground, and depend on their role. Finally, in the decision phase, the ESG Fund publicly announces its investment decision and any conditions attached to it. The activity concludes with a reflection in which each group compares the outcome with its original recommendation.