



# Navigating the new European sustainability reporting landscape

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### *Founder & Director - Keyah Consulting*

Working with clients on developing their approach to Environmental, Social & Governance (ESG) considerations. From start-ups to large companies. Working across London and Brussels.

#### Additional roles:

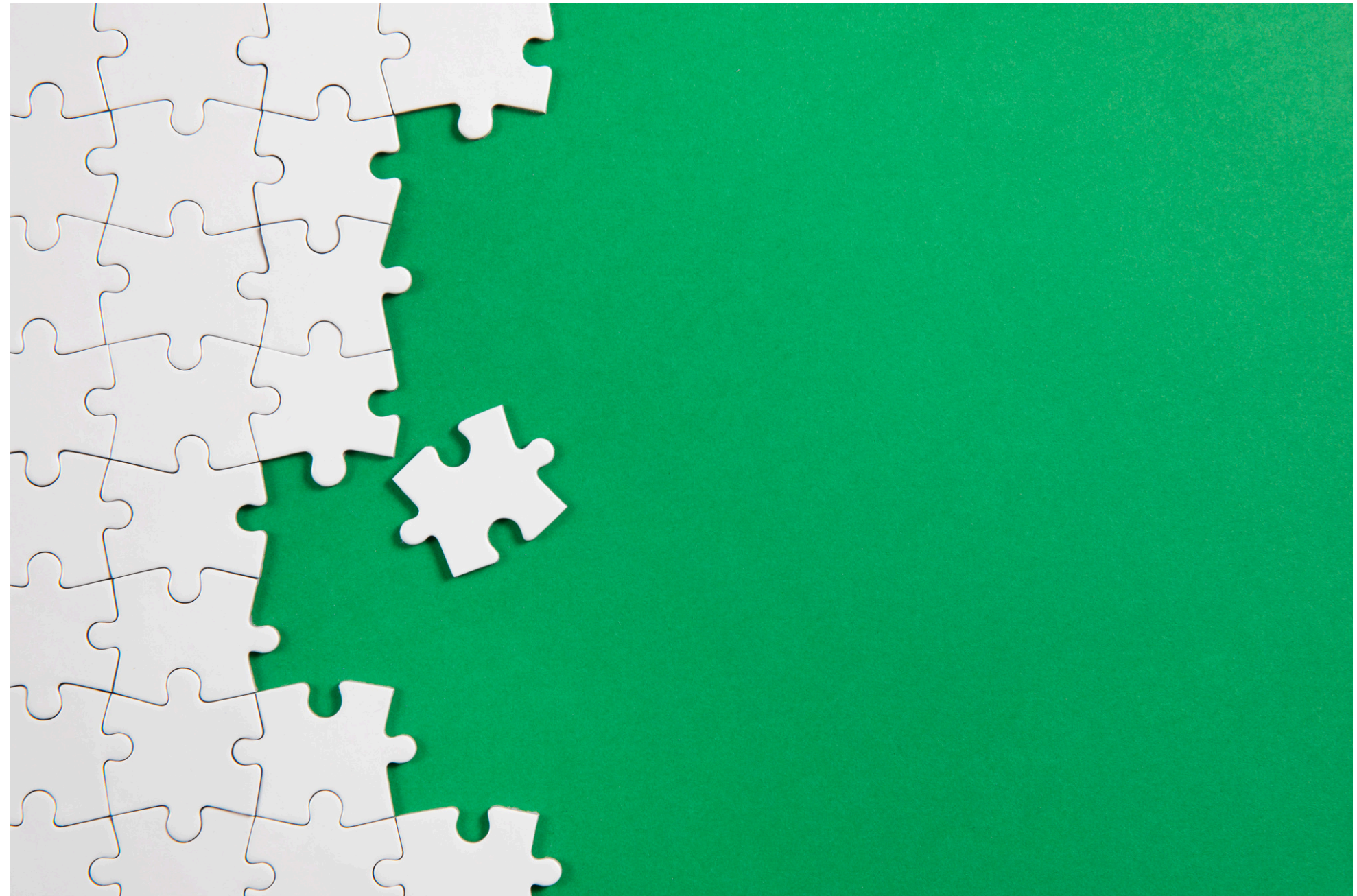
- Ambassador - Connected Places Catapult
- Trustee - Groundwork London
- Established and runs the ESG in Real Estate group on LinkedIn - now with over 6.5k members
- Former civil servant and academic



But first....

To what extent is sustainability/ESG built into your business?

What are your key challenges and opportunities?



# What we'll cover

ESG & SUSTAINABILITY & WHY IT MATTERS

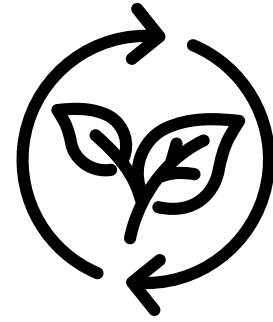
THE EU REPORTING LANDSCAPE - WHO, WHAT & WHY

DEVELOPING A PLAN



# ESG & SUSTAINABILITY & WHY IT MATTERS

# ESG



## ENVIRONMENT

- Materials
- Energy
- Water & effluents
- Biodiversity
- Emissions
- Waste
- Climate change



## SOCIAL

- Procurement
- Labour/Mgt relations
- Health & safety
- Training & education
- Diversity & inclusion
- Stakeholder engagement
- Staff health & wellbeing



## GOVERNANCE

- Board compensation & diversity
- Risk management
- Financial management
- Ownership & control
- Taxation
- Whistleblowing
- ESG governance

# From Philanthropy/CSR to Sustainability/ESG

## 1940s - 1950s

Businesses promote their products/services through marketing campaigns, advertising, and sales efforts.



## 1999 - 2005

1999 - No Logo - WTO Seattle protests  
2001 - EU's Green Paper on CSR  
2005 - EU's Sustainable Dev Strategy incl UN Global Compact



## 2016 .....

2018 - EC publication of action plan on sustainable finance  
2021 - EU CSRD and NFRD  
2024 - EU CSDDD



## 1840s - 1930s

1848 - Das Kapital - recognition of the downsides of capitalism  
1880s-1930s - Carnegie's Gospel of Wealth (1899)



## 1960s - 1999

1960s-1970s - The Social Contract - Bowen's "right thing to do"  
1980s-1999 - Strategic philanthropy for sales, tax, lobbying



## 2005 - 2015

2008 - Financial Crash  
2013 - The Horsemeat Scandal and the H&M Supplier Fire  
2015 - VW Scandal





# The purpose of the EU sustainability regulations

- Reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
- Manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
- Foster transparency and long-termism in financial and economic activity.





## Key regulations to note



- Sustainable Finance Disclosure Regulation (SFDR) - aim is to increase transparency by financial market participants and advisers on sustainability risks, while also ensuring a more uniform protection of investors.
- Taxonomy Regulation (EU Taxonomy) - establishes a harmonised taxonomy to classify financial products as sustainable at EU level.
- Corporate Sustainability Reporting Directive (CSRD) - modernises and strengthens rules on social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, are required to report on sustainability. Some non-EU companies will also have to report.
- Corporate Sustainability Due Diligence Directive (CSDDD) - establishes a corporate due diligence duty to identify and address potential and actual adverse human rights and environmental impacts. Also an obligation for large companies to adopt and put into effect a transition plan for climate change mitigation aligned with the 2050 Paris Agreement.



THE REPORTING LANDSCAPE - WHO, WHAT & WHY



# ESRS General Requirements

Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS). The standards are developed in a draft form by the EFRAG (the European Financial Reporting Advisory Group).

Total of 82 disclosures and 1,144 data points



Source: [ESG Professionals Network](#)

## CSRD - Who reports?



1. Companies already subject to the Non-Financial Reporting Directive (NFRD) must begin using ESRS in FY2024, for reports to be published in 2025.
2. Large EU companies not currently subject to NFRD must begin reporting using ESRS for reports to be published in 2026. A large EU company has at least two of the following:
  - more than 250 employees
  - an annual turnover of more than €40m
  - total assets of €20m
3. EU-listed SMEs must begin reporting using ESRS in FY2026, for reports to be published in 2027, but can apply for an exception to report from 2028.
4. International companies with net turnover above €150m in the EU who meet other CSRD requirements must begin using ESRS in FY2028, for reporting in 2029.



## CSRD - Wider impacts on business....



There are a number of ways many companies who are not required to report will be impacted. These include, though are not limited to:

- If the business is part of a value chain, the materiality assessment extends to include information on the material **impacts, risks** and **opportunities** through its direct and indirect **business relationships**.
- Linked to this, some reporting may be required as part of the business relationship and/or tied to due diligence requirements.
- What is clear is that many large businesses are now requiring quite extensive ESG/Sustainability linked reporting from their supply chains.

It's worth noting that EFRAG has also developed a voluntary sustainability reporting standard for non-listed SMEs (VSME).



# What's the opportunity?

Mitigation of current & future risks

Access to markets

Brand, reputation and changing expectations/requirements

Workforce

Investment

Potential cost saving/ efficiencies

To meet current and future regulatory requirements



DEVELOPING A PLAN



# Steps to take

## Double materiality assessment

Assess your impact on society and the environment, and which ESG factors will pose a financial risk or opportunity.



## Understand requirements

Develop an understanding of both CSRD and ESRS



## Stakeholder engagement

Engage with internal and external stakeholders to input on ESG related priorities and performance metrics. It's more than a survey....



## Gap analysis

What is the state of your sustainability performance and reporting? What are the gaps?



## Data, evidence, monitor, review, report

Identify what's needed, collect, validate etc. Where possible, data to be validated.



## Embed across business & value chain

Likely to include a change management piece, proactively engage value chains.





# Useful resources



- [SME Climate Hub](#)
- We mean business coalition. [Early Adopters' CSRD Reporting - Inspiring reporting practice from reporting year 2023](#)
- [ESRS ISSB Standards - Interoperability Guidance](#)
- [Q&A on the Adoption of European Sustainability Reporting Standards](#)
- EFRAG Supporting Documents for CSRD implementation
  - [EFRAG IG 1: Materiality Assessment](#)
  - [EFRAG IG 2: Value Chain](#)
  - [EFRAG IG 3: Detailed ESRS Datapoints and accompanying Explanatory Note](#)



## Questions and discussion

To what extent is sustainability/ESG built into every aspect of your business?

What are your key challenges and opportunities?





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