

Sustainable Financial Performance Session 4

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EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

Overview of the session

- Sustainability/ESG Reporting
- Career opportunities in Sustainable Finance
- Course wrap up and evaluation



Sustainability/ESG Reporting

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Sustainability/ESG Reporting

ESG reporting is the disclosure of data covering business operations related to the environmental, social, and governance aspects of a business.

By disclosing this information in a report, a company's progress related to these three fields can be examined against benchmarks and targets.

An ESG report is designed to provide full transparency over an organization's environmental, social, and governance impact across a multitude of stakeholders, including investors, employees, and customers.

Bad Reporting vs Good Reporting

Bad Reporting
- Vague and complicated facts
- Lack of goals
- No evidence of planning

Good Reporting
- Leadership discussion
- Part of a company strategy
- Evidence of strategic goals

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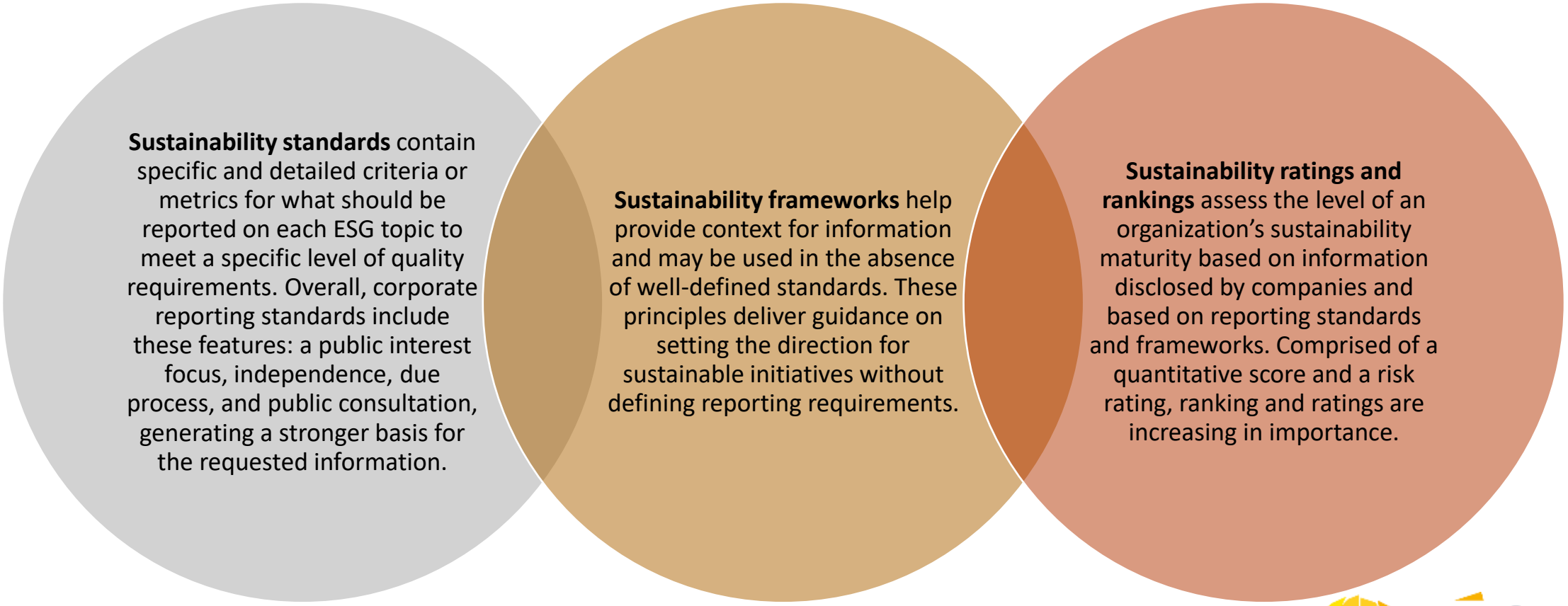
Examples of ESG Reporting

- **Linkedin Learning video**

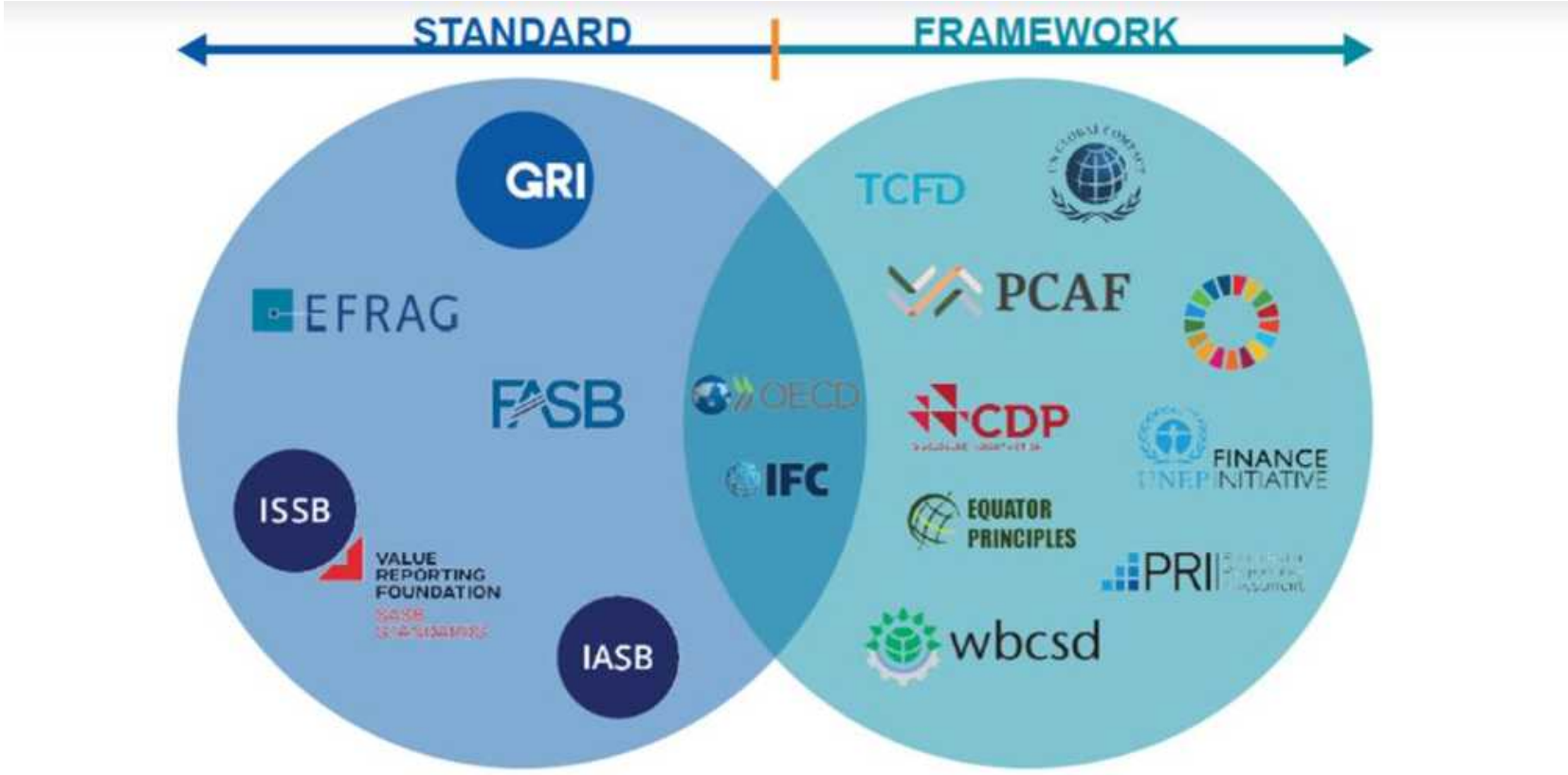
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Sustainability reporting standards vs. frameworks vs. ratings



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RANKERS & RATERS

World Benchmarking Alliance
MSCI
S&P Dow Jones Indices
A Division of S&P Global
FitchRatings
S&P Global
MORNINGSTAR
EPI Environmental Performance Index
REFINITIV
FTSE Russell
ISS
RepRisk
ecovadis
GGEI
Alliance for Corporate Transparency
Calvert
MOODY'S
GLOBAL100
GRESB
CSRHUB

Source: GRI

Sustainability Reporting Standards and Frameworks

The EU Taxonomy

The EU Taxonomy is a classification system of environmentally sustainable economic activities. The EU taxonomy aspires to provide companies, investors and policymakers with standard definitions for what's considered environmentally sustainable. This would prevent companies from greenwashing their products or activities, incentivize sustainable activities, and funnel investments to the most sustainable organizations.

The Sustainable Finance Disclosure Regulation

Known as SFDR, this regulation defines disclosure obligations that organizations must follow to demonstrate how they consider sustainability risks in their decision making, and how they report strategy, goals, and ESG impacts to investors. This regulation came into effect in March 2021.

In the SFDR, Financial Market Participants (FMPs) must disclose 18 mandatory indicators and choose at least two more from 46 optional indicators. These indicators are based on the Principal Adverse Sustainability Impacts Statement (PAIS) and requires companies to undergo a significant amount of data analysis.

Sustainability Reporting Standards

- **New Corporate Sustainability Reporting Directive (CSRD)**
  The CSRD replaced the older Non-Financial Reporting Directive (NFRD). It entered into force in January 2023, with the first companies (Wave 1) filing reports on FY2024 data during 2025.

  2025 update — the "Omnibus" simplification: facing pushback over reporting burden, the EU agreed (Dec 2025) to significantly narrow the CSRD:

- Scope cut to companies with 1,000+ employees and €450m+ turnover — roughly 80% fewer companies than originally planned
- Sector-specific reporting standards become voluntary, not mandatory
- The planned move to mandatory "reasonable" assurance is dropped
- In-scope companies still disclose: business model, policy outcomes, principal risks, and non-financial KPIs
- *Discussion point: what does this reversal suggest about the balance between ambition and business competitiveness in EU sustainability policy?*

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Sustainability Reporting Standards and Frameworks

ISSB (International Sustainability Standards Board) — now the global investor-focused baseline (IFRS S1 & S2), created in 2021 and having absorbed both SASB and TCFD.

GRI (Global Reporting Initiative) impact-focused and stakeholder-oriented; still the most widely used ESG framework worldwide.

SASB (Sustainability Accounting Standards Board) industry-specific, financially material metrics. Since 2023 its standards sit under the ISSB.

TCFD (Task Force on Climate-related Financial Disclosures) climate risk disclosure recommendations. TCFD disbanded in 2023; its work is now fully incorporated into ISSB's IFRS S2.

CDP (Carbon Disclosure Project) global disclosure system for emissions, water use and forests, used by companies and governments alike.

SECR (Streamlined Energy and Carbon Reporting) UK requirement for annual energy and carbon reporting, aimed at comparability and easier tracking.

WDI (Workforce Disclosure Initiative) investor-led initiative helping companies disclose comparable workforce and labour-practice data.

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Benefits of Sustainability Reporting

- Aims to provide investors and stakeholders with valuable insights into a company's sustainability efforts.
- Helps track compliance with standards and frameworks, such as the United Nations Global Compact (UNGC) and the International Financial Reporting Standards (IFRS) sustainability standards.
- Enhanced brand reputation and public image.
- Better decision making capabilities with meaningful metrics.
- Detection and prevention of potential risks and liabilities.
- Increased access to capital from investors who prioritize ESG factors in their decisions.

Sustainability reporting key terms and definitions

Financial reporting is the process of documenting and communicating financial activities and performance over specific time periods, typically on a quarterly or yearly basis. Companies use these reports to measure the financial health of a business.



By contrast, **non-financial reporting** is the disclosure of key non-financial activities and topics that can impact an organization, including financially. This most often focuses on ESG topics. Increasingly, investors rely on both financial and non-financial data to evaluate companies in which they are considering investing.

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Sustainability reporting key terms and definitions

Materiality, or more specifically financial materiality, is an accounting principle first introduced in the US Securities Act of 1933. It refers to any information about an enterprise that would affect an investor's decision to invest. Material information should be publicly disclosed, and businesses use materiality assessments to identify those issues. Traditionally, materiality is applied to financial information, but increasingly, investors are demanding that companies also include ESG Considerations in their assessments.

To date, most ESG ratings have been based on the concept of "single materiality," e.g., that a changing world can have a material impact on a company's profits and losses. There is a growing debate among European regulators, however, around a concept known as "**double materiality**," which describes a two-way flow of cause and effect between a company and the external world. Double materiality considers both "outside-in" effects (ESG impacts and risks on business value) and "inside-out" effects (the impact of a business on people and the planet).



Outside-in

Financial materiality is the impacts that ESG issues could have on enterprise value creation.



Inside-out

Impact materiality is the ESG impacts a company has on people and planet.

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Double Materiality Video

- https://youtu.be/LwesU1ELhWc

Activity: Greenwashing Spot-Check

- Form a group of 5-6 students— 15 minutes
- You'll review 2–3 real ESG claims or report excerpts
- **Flag which claims are vague and which are backed by evidence — and why**
- Be ready to share one example with the room



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"If you don't measure it, you can't manage it."

Getting Started with Sustainability Reporting

To get started with sustainability reporting, first review sustainability frameworks. This will help you detect potential gaps in your data.

Identify commonly accepted sustainability standards and sustainability metrics specific to your industry. From there, set a baseline and start collecting your data points.

Incorporating the right software into your operations can hone the accuracy of your sustainability metrics.

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Use of sustainability/ESG Software or Tool

- Data are collected and uploaded on a predetermined frequency (daily, monthly, annually, etc.) to the ESG tool.
- Alternatively, data are automatically uploaded (i.e. through integration with the existing systems). All KPIs are automatically calculated and are visualized in various formats (i.e. graphical representation, infographics, tabular form).
- Moreover, the user is able to filter the respective information in order to select one or multiple dimensions (i.e. time period, calculation methods, etc.).
- In addition the user can extract the relevant information and produce reports in a standardized format, which can meet the requirements of various stakeholder groups (i.e. verifiers, customers, financial institutions, etc.).



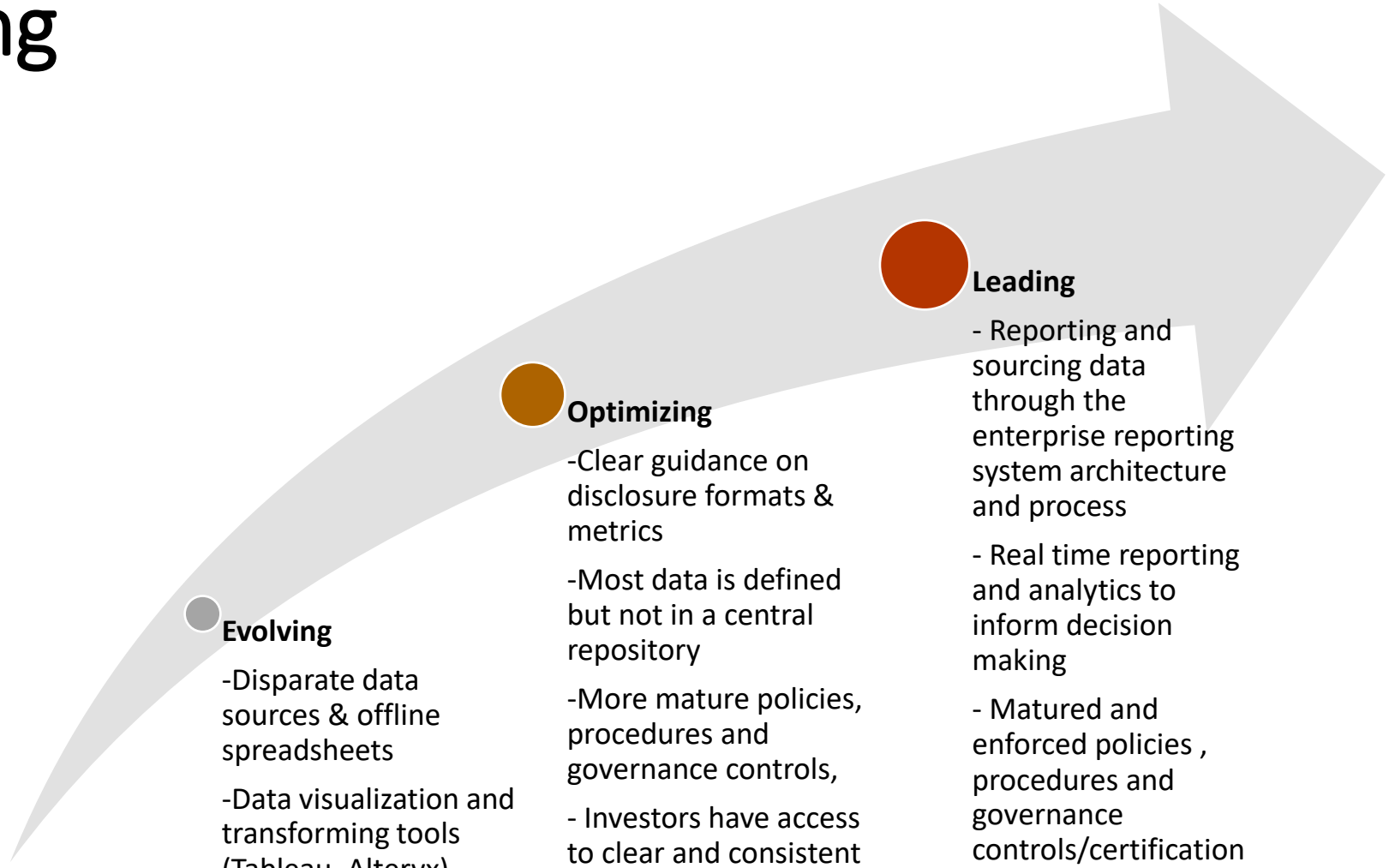
Source: PwC ESG Intelligence tool



Reporting Landscape is changing

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Evolving landscape of Sustainable Finance Reporting



Evolving

-Disparate data sources & offline spreadsheets

-Data visualization and transforming tools (Tableau, Alteryx)

-Investors start to receive more consistent metrics

Optimizing

-Clear guidance on disclosure formats & metrics

-Most data is defined but not in a central repository

-More mature policies, procedures and governance controls,

- Investors have access to clear and consistent metrics

Leading

- Reporting and sourcing data through the enterprise reporting system architecture and process

- Real time reporting and analytics to inform decision making

- Matured and enforced policies , procedures and governance controls/certifications

Analyse the sustainability reporting for group project

- breakout into groups as allocated
- You are allocated 40 mins to complete the following tasks
- Elaborate and comment the reporting trend of the company.



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TIME FOR A
BREAK

Overview of the session

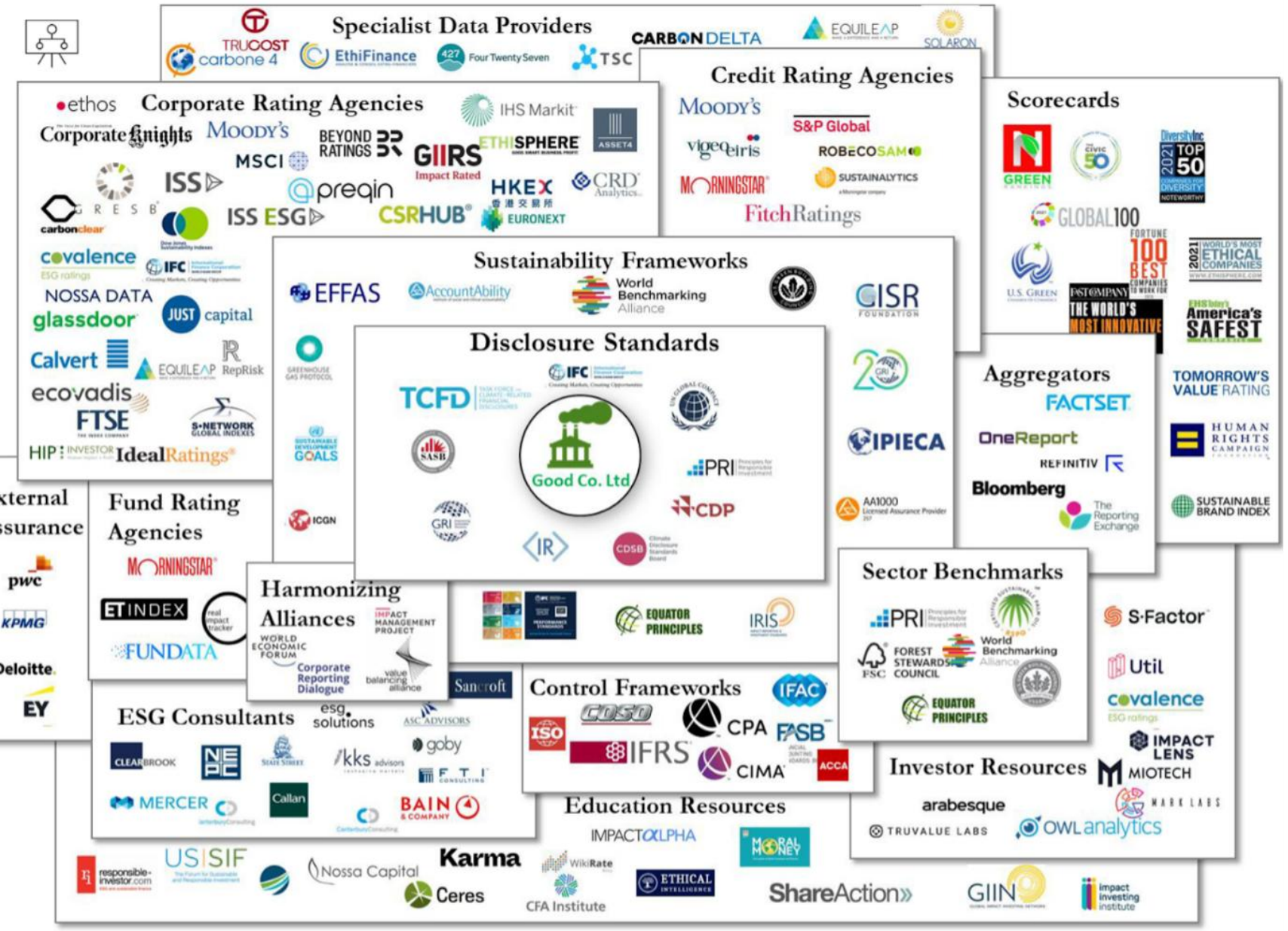
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The Debates on Sustainable Financial Performance



Career Opportunities in Sustainable Finance



A Career in Sustainable Finance

- **A snapshot on the key players**

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Sustainability-related job portals



Careerinesg.com
https://www.careersinesg.com/



Specialised recruitment agencies in ESG e.g ACRE

IISD climate jobs
https://community.iisd.org/jobs/



Create job alerts on LinkedIn.

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What's next? -Specialised short courses in Sustainable Finance

- ❑Sustainable Finance: ESG and the Future of Finance by Oxford University over 8 weeks
- ❑Certificate in ESG Investing by CFA
- ❑Environmental, Social & Governance (ESG) Specialization from CFI
- ❑Climate Change and Sustainable Investing Specialization from EDHEC
- ❑The Economics of Energy Transition from TU Delft
- ❑And many more…….

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Skills Needed

Comfort with quantitative and qualitative information is a must. This includes the skill of triangulating financial information and scientific metrics across an organisation. Oftentimes, trends, such as in financed emissions, rather than a single point in time is the most meaningful information. Spotting indirect relationships and the potential of unintended consequences of using new metrics is important, such as the intersection between 'environmental' and 'social'.

The **ability to deal with ambiguity and a lack of standardization** is a second key skill. Looking at scientific data alongside financial information is relatively new for most mainstream financial institutions. The use of judgement, estimates and assumptions is no different than some accounting standards, such as IFRS9.

collaboration and passion to enable positive change for our environment. Some people in the finance sector are interested in sustainable finance and others not. It takes a lot of energy and enthusiasm to make change happen. Bringing people along can feel like dancing at a party - one person has to start. Collaboration between different disciplines, such as business, finance, risk, legal and audit, can be challenging but it brings in different perspectives, which are all necessary for the financial sector to make a successful transition toward the low-carbon economy.

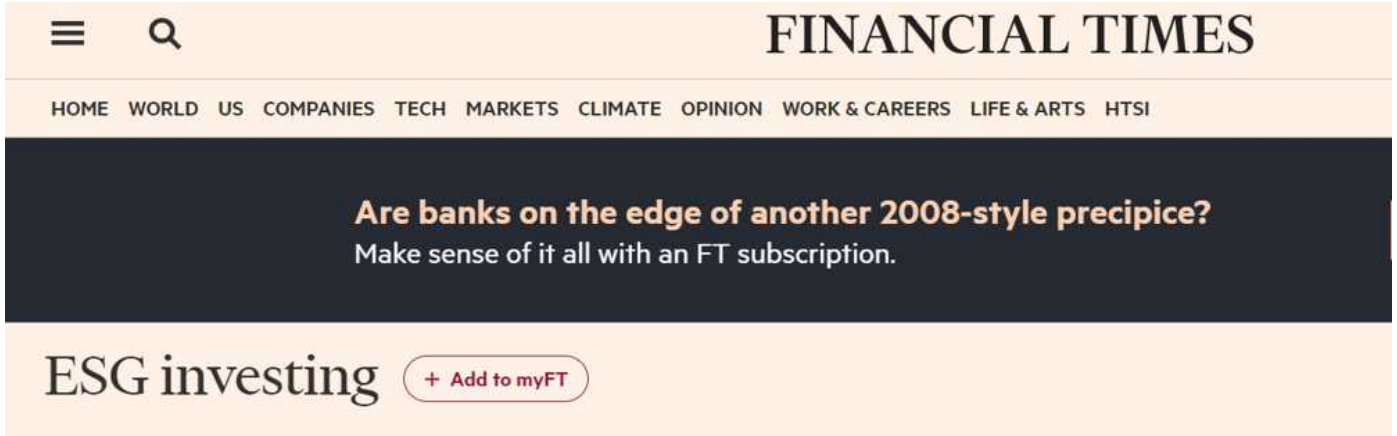
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- Subscribe to newsletters
- Do your own research





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Course Wrap Up

The Sustainability ICEBERG

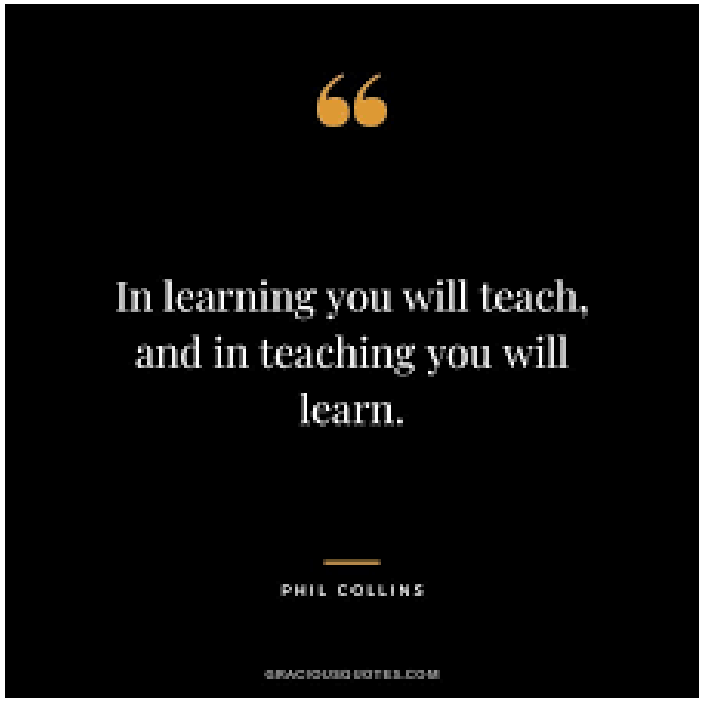
We just looked at the tip of the iceberg, there is much more to be explored!



Main topics under Sustainable Financial Performance

Introduction to Sustainability	Sustainability and value creation	Sustainable Financial Instruments
Sustainability, FP Theories and Ecosystem	Integrating sustainability in Finance Valuation	Sustainable Financial Risks and Management
Sustainability, FP and Stakeholders	Sustainability Data and Rating	Sustainability backlash
Drivers for Sustainability in financial context	Green and social washing	ESG and Financial Reporting
Sustainable and Finance strategies - Integration, - Stewardship - Screening - Investment	Financial impact on Sustainability	Sustainable finance in emerging markets

My view on the course









Deliverables

- ❑Group project report (due in 2 weeks time)

All submissions should be done on IESEG online.

Course Recap

16 Hours of course

12 Group activities

- 3 co-creation of slides
- 3 group work opportunities

Feedback:

- Instant feedback on activities
- Feedback & support on group work
- Assistance on queries

Skills developed

- ❑ Co creation of learnings (Pedagogical)
- ❑ Team player
- ❑ Presentation
- ❑ Critical thinking on sustainability
- ❑ Consulting
- ❑ Research

Student takeover:

- Co creation of slides
- Seeking examples and additional notes through activities
- sustainability, FP & Emerging Markets

15 ESG & FP topics covered

5 additional podcasts & reading support provided

Course Evaluation Time




Thank you