

EU ESG & FVL

Understanding the EU's Environmental, Social & Governance targets



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 - In conversation with Michal Kujawski, Communication Manager, Adampol



What is **ESG**?

What is **EHS**?

Without quality data there can be no ESG reporting

Without best practices there can be no EHS reporting

E: Environmental
How a corporation has strategies for safeguarding the environment; reducing carbon emissions & harmful impact on ecosystems

E: Environment

How a company complies with environmental standards

Leverage **ESG & EHS** for sustainability reporting



S: Social
How a corporation manages its corporate relations with employees, suppliers, customers & communities where it is located.

ESG

EHS

H: Health

How a company prevents harm to people through best practices

S: Safety

Identifying workplace hazards and implementing measures to reduce risk

G: Governance

How a corporation deals with compensation for leadership and workers, composition of the workforce, ethical behaviour

What is the difference between ESG and EHS?

Despite having some similarities, **ESG** and **EHS** are fundamentally different. **ESG** encompasses a broad range of sustainability topics and issues, while **EHS** is primarily focused on compliance with environmental and employee health and safety regulations.

ESG:
Environmental,
Social &
Governance

What is the role of EHS in sustainability?

Aspects of **EHS** policies include best practices, rules, and regulations to protect their employees, the environment, the workplace, and the communities in which they operate. Similarly, sustainability means saving the earth and its resources for future generations. **EHS** focuses on protecting employees, the public, and the environment from risks associated with various business operations. **EHS** professionals will likely play an important role in the **ESG** reporting process. **EHS** professionals should seize the opportunity to drive change as the focus on **ESG** performance grows.



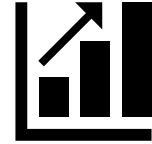
Can EHS software and reporting be used for ESG?

It is often **EHS** decision makers that drive **ESG** policy, and therefore a number of overlaps and as EHS functions take on greater reporting responsibilities, there is greater interconnectedness between **ESG** & **EHS**.

EHS:
Environment,
Health & Safety

Environment, Social & Governance Criteria

4 Pillars



GOVERNANCE

- Governing Purpose
- Quality of Governing Body
- Stakeholder Engagement
- Ethical Behaviour
- Risk & Opportunity

PLANET

- Climate Change
- Loss of Nature
- Freshwater Availability

PEOPLE

- Dignity & Equality
- Health & Well-Being
- Skills for Future

PROSPERITY

- Employment & Wealth
- Innovation
- Community & Social

ESG fundamentals are based on these 4 pillars, from which best practices and policies are developed, with strong metrics to report progress.

Based on discussions and proposals developed at the World Economic Forum (2020)



Pillar	Theme	Sub-themes, Core Metrics and Disclosures	
Principles of Governance	Governing Purpose	Setting purpose Whether the company has a stated purpose linked to societal benefit and their core business	
	Quality of Governing Body	Board composition Composition of the highest governance body and its committees by: executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; competencies relating to economic, environmental and social topics; stakeholder representation	
	Stakeholder Engagement	Impact of material issues on stakeholders A list of the material topics identified in the process of defining report content and how they impact stakeholders	
	Ethical Behaviour	Anti-corruption	<ol style="list-style-type: none"> Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region Total number and nature of incidents of corruption confirmed during the current year but related to previous years Total number and nature of incidents of corruption confirmed during the current year, related to this year
		Protected ethics advice and reporting mechanisms	A description of internal and external mechanisms for: <ol style="list-style-type: none"> seeking advice about ethical and lawful behaviour, and organizational integrity; reporting concerns about unethical or unlawful behaviour, and organizational integrity
	Risk and Opportunity Oversight	Integrating risk and opportunity into business process Company risk factor disclosures clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes. These should include discussion of data security and other emerging principal risks and should disclose the number of data breaches in the reporting period	

Pillar	Theme	Sub-themes, Core Metrics and Disclosures
Planet	Climate Change	Greenhouse Gas (GHG) emissions Report GHG Protocol Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (tCO2e) and estimate and report upstream and downstream (GHG Protocol Scope 3) emissions where material.
		TCFD-aligned reporting on material climate risks and opportunities TCFD-aligned reporting on governance and risk management for all. If climate change is material in short, medium or long term, disclose strategy and metrics/targets as well, including whether the company has committed to set a science-based target in line with net zero by 2050.
	Nature Loss	Land use and ecological sensitivity Report for operations and estimate & report for upstream supply chain, where material, on: <ul style="list-style-type: none"> overall area of land used or affected annual change in area of land used or affected number of IUCN Red List species present in areas used or affected.
		Fresh Water Availability Report for operations and estimate & report for upstream and downstream supply chain, where material, on: <ul style="list-style-type: none"> mega-litres of fresh water consumed (withdrawals minus discharges of equal quality) in water-stressed areas.

Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

Pillar: People

Pillar	Theme	Sub-themes, Core Metrics and Disclosures
People	Dignity and Equality	Gender pay equality (%) Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.
		Diversity and inclusion (%) Percentage of employees per employee category, by age group, gender and other indicators of diversity
		Wage level (%) Ratios of standard entry-level wage by gender, compared to local minimum wage for specific categories of workers
		Risk for incidents of child, forces or compulsory labor (#, %) Number and percentage of operations and suppliers considered to have significant risk of: a) incidents of child labour, and b) incidents of forced labour, by type of operation and supplier, in terms of countries or geographic areas with operations and suppliers considered at risk.
Health and Well Being	Health and safety (%) 1. The total recordable injury rate (TRIR) by specific categories of workers 2. The absentee rate (AR) for specific categories of workers	
Skills for the Future	Training provided (#) 1. Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees) 2. The average training and development expenditure per full time employee	

Pillar: Prosperity

Pillar	Theme	Sub-themes, Core Metrics and Disclosures
Prosperity	Wealth creation and employment	Net number of jobs created 1. Total number and rate of new employee hires during the reporting period, by age group, gender and region 2. Total number and rate of employee turnover during the reporting period, by age group, gender and region
		Net Economic Contribution 1. Direct economic value generated and distributed (EVG&D) – on an accruals basis, covering the basic components for the organization's global operations, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government 2. Financial assistance received from the government (e.g. tax breaks, subsidies, investment grants etc.) 3. Net Economic Contribution = (EVG&D) minus (Financial assistance received from the government)
		Net investment – Total capital expenditures (CapEx) – Depreciation – Share buybacks – Dividend payments Calculation: $(\text{Total CapEx} - \text{depreciation}) / (\text{Total cost of share buybacks} + \text{dividend payments})$
		Innovation in better products and services R&D spend ratio (%) Total amount of spending on R&D as a percentage of total sales
Community and social vitality	Community investment (%) A percentage breakdown of community investment, including monetary contributions such as charitable gifts and community partnerships; time contributions such as staff volunteering in paid time; in-kind contributions from services or equipment; and management costs, normalized as a percentage of pre-tax profit Country by country tax reporting 1. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. 2. For each tax jurisdiction reported in Disclosure 207-4-a: <ul style="list-style-type: none"> – Names of the resident entities – Primary activities of the organization – Number of employees and the basis of calculation of this number – Revenues from third-party sales – Revenues from intra-group transactions with other tax jurisdictions – Profit/loss before tax – Tangible assets other than cash and cash equivalents – Corporate income tax paid on a cash basis – Corporate income tax accrued on profit/loss 	

Toward Common Metrics and Consistent Reporting of Sustainable Value Creation



COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

Material Environmental Risks:

- ❖ **Climate Risks:** risks from storms, flooding, extreme temperatures may shorten life of vehicle, disrupt routes, increase risk of accidents
- ❖ **Energy Intensity:** Carriers rely on hydrocarbons to propel vehicles and vessels, while infrastructures use non-renewable fuels and electricity. All these translate into greenhouse gas emissions, both in direct and indirect forms.
- ❖ **Waste Management:** Accidental spills of cargo, single use packaging—therefore an additional challenge for transporters is proper end of life equipment management.








Factor	Shipping	Trucking	Rail Freight	Ports
GHG emissions	40%	45%	45%	30%
Waste	40%	35%	30%	30%
Bio-Diversity	10%	10%	15%	30%
Water	10%	10%	10%	10%



Weightings of factors varies by sector, measured by different key performance indicators(KPIS)

Material Social Risks:

- ❖ **Safety:** Safety of employees is critical, procedures and vigilance to avoid accidents and fast safety procedures and protocols needed.
- ❖ **Disease & Epidemics:** Pandemics can cause complete shutdown of services, and major disruption.
- ❖ **Skill & Diversity in workforce:** Motivation and training to build a strong and reliable, diverse workforce.
- ❖ **Social Community Engagement:** Community engagement relevant especially for expansion projects. Create harmony and avoid disruption/protests.
- ❖ **Customer Data:** Careful management and protection of customer data and preferences.

Factor	Shipping	Trucking	Rail Freight	Ports
 Safety	50%	40%	35%	30%
 Disease	5%	5%	5%	5%
 Diversity	30%	30%	40%	20%
 Community	10%	10%	10%	20%
 Customer Data	5%	5%	5%	5%



Weightings of factors varies by sector, measured by different key performance indicators(KPIS)

EHS

EHS is the *bridge* to successfully manage ESG

ESG

Those with solid EHS policies, and established data retention strategies will have an advantage in ESG reporting

Government aims to wash out 'greenwashing' by requiring companies to oblige with quality data

Use existing health & safety policies, to start

While CSRD is for EU based companies, all developed nations are pushing for clarity

CSRD requires more detailed reporting requirements to better manage and measure ESG related risks

CSRD is an extension of the NFRD, which was brought in to push higher corporate social responsibility



No More  Greenwashing

CSRD aims to make all large companies account for their impact on people and planet



EU ESG Specifications

CSRD, ESRS, NFRD, EFRAG-Regulations for EU ESG

CSRD: Corporate Sustainability Reporting Directive

ESRS: European Sustainability Reporting Standards

NFRD: Non-Financial Reporting Directive

ESG: Environment, Social & Governance

EFRAG: European Financial Reporting Advisory Group



GOVERNANCE

Distilling the alphabet soup of ESG-related regulation by the EU

31 Oct 2023



Corporate sustainability reporting

EU rules require large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment.



Corporate Sustainability Reporting Directive (CSRD) explained



Corporate Sustainability Reporting Directive

Is your organization ready for the Corporate Sustainability Reporting Directive?



#DeloitteESGNow — Frequently Asked Questions About the E.U. Corporate Sustainability Reporting Directive



Deloitte.

Raising the bar with investor-grade reporting

Corporate Sustainability Reporting Directive



Non-Financial Reporting Directive (NFRD)

- The Non-financial Reporting Directive (Directive 2014/95/EU, NFRD) is an amendment to the Accounting Directive (Directive 2013/34/EU) and was adopted in 2014 by the European Commission.
- The objective of the NFRD was to raise the transparency of the social and environmental information provided by undertakings in all sectors to a similarly high level across all Member States and thus to improve the disclosure of non-financial information by certain large undertakings.
- Under the NFRD, around 6,000 large listed companies, banks and insurance companies ('public interest entities') with more than 500 employees were required to publish reports on the policies they implement in relation to social responsibility and treatment of employees; respect for human rights; anti-corruption and bribery; and diversity on company boards (in terms of age, gender, educational and professional background).
- NFRD requires companies to disclose information about their business models, policies (including implemented due diligence processes), outcomes, risks and risk management, and key performance indicators (KPIs) relevant to the business
- In July 2020, the European Commission mandated the European Financial Reporting Advisory Group (EFRAG) to develop recommendations for a potential future European non-financial reporting standard – known now as the CSRD.

Corporate Sustainability Reporting Directive (CSRD)

- Approximately **50,000 companies** need to report on ESG
 - All Listed Companies: listed on EU regulated market - **Group 1**
 - All Large Companies which meet 2 of these criteria: - **Group 2**
 - 250 employees during the financial year
 - Balance of over EUR 20 million
 - Net turnover of over EUR 40 million
 - Non-EU companies generating net turnover of more than EUR 150 million, with subsidiary in EU generating over EUR 40 million net turnover - **Group 2**
 - Listed SMEs (excludes micro-enterprises) - **Group 3**

- CSRD adopted by European Commission in 2022
- CSRD Directive in force from January 2023, with rules to start applying between 2024 and 2028
 - **1 January 2024:** large public listed companies (over 500 employees) already subject to NFRD, with reports due 2025 - **Group 1**
 - **1 January 2025:** large companies with more than 250 employees, balance EUR 20 mil, turnover EUR 40m+, with reports due 2026 - **Group 2**
 - **1 January 2026:** listed SMEs with reports due 2027 - **Group 3**



CSRD requires baselining & target setting, as companies MUST report against target 1,000 data points!

European Financial Reporting Advisory Group (EFRAG):

- Companies need to follow EFRAG reporting standards and guidance – **European Sustainability Reporting Standards (ESRS) & NFRD (Non-Financial Reporting Standards)** kick-off FY 2024
- Reports to be submitted in XHTML format
- CSRD AUDIT required



SASB: Sustainability Accounting Standards Board

1. Greenhouse Gas Emissions
2. Air Quality
3. Ecological Impact
4. Employee safety & Hygiene
5. Business Ethics
6. Accidents & Accident Management

UN Objectives for Maritime & 2023 IMO GHG Strategy (REVISED):

- 40% CO₂ emissions reductions by year end 2030 (compared to 2008 levels)
- 50% GHG emissions reduction by 2050 (compared to 2008 levels) → Revised to 'net-zero GHG emissions by 2050'

NUES: Norwegian Code of Ethics & Corporate Practice

NUES

Norsk utvalg for eierstyring og selskapsledelse



The Commission has worked to ensure a very high level of alignment between the European Sustainability Reporting Standards (ESRS) and the standards of the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI).

International Sustainability Standards Board (ISSB)



International Sustainability Standards Board

ISSB has set out four key objectives:

1. To develop standards for a global baseline of sustainability disclosures;
2. To meet the information needs of investors;
3. To enable companies to provide comprehensive sustainability information to global capital markets; and
4. To facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups.

Global Reporting Initiative (GRI)



GRI Standards are a modular system comprising three series of Standards:

1. GRI Universal Standards
2. GRI Sector Standards
3. GRI Topic Standards.



A Short Introduction to
the GRI Standards

CSRD
Corporate Sustainability Reporting Directive

12 'common' European Sustainability Reporting Standards (ESRS) make up the CSRD

Standards common across all companies that need to report

ESRS 1

1. General Requirements



ESRS Environmental Standards

- 1. Climate
- 2. Pollution
- 3. Water & Marine resources
- 4. Biodiversity & Ecosystems
- 5. Resource Use & Circular Economy

ESRS 2

2. General Disclosures

ESRS Social Standards

- 1. Own Workforce
- 2. Workers in the Value Chain
- 3. Affected Communities
- 4. Consumers & End Users

ESRS Governance

- 1. Business Conduct

ESRS 1 + ESRS 2 + 5 ESRS Environment Standards + 4 ESRS Social Standards + 1 ESRS Governance = 12 ESRS STANDARDS

ESRS take a "double materiality" perspective – that is to say, they oblige companies to report both on their impacts on people and the environment, and on how social and environmental issues create financial risks and opportunities for the company.

European Sustainability Reporting Standards (ESRS) follow EFRAG's reporting guidance

EFRAG's three important documents, cover the most challenging aspects of ESRS implementation:

- EFRAG IG 1 (draft): Materiality assessment implementation guidance [here](#)
- EFRAG IG 2 (draft): Value chain implementation guidance [here](#)
- EFRAG IG 3 (draft): Detailed ESRS datapoints implementation guidance [here](#) and accompanying explanatory note [here](#).



 EFRAG

 ECG
Business Intelligence

European Financial Reporting Advisory Group
(EFRAG)





Consequences for non-compliance?

In the case of CSRD, the deadline for member states to transpose the law is July 6, 2024.

France Introduces Possible Jail Time As Penalty For Non-Compliance With Sustainability Disclosure

Dec 21, 2023,

Mary Foley



However, for an EU directive to become operational, it must be incorporated by member states into their own national legislative frameworks. Although passing a directive is a key step in the enforcement process, that directive does not become applicable as a law until it is implemented by each EU country.



(Photo credit should read JOEL SAGET/AFP via Getty Images) AFP VIA GETTY IMAGES

MINISTÈRE DE LA JUSTICE



RÉPUBLIQUE FRANÇAISE

Légifrance

Le service public de la diffusion du droit

Ordonnance n° 2023-1142 du 6 décembre 2023 relative à la publication et à la certification d'informations en matière de durabilité et aux obligations environnementales, sociales et de gouvernement d'entreprise des sociétés commerciales

Liberté
Égalité
Fraternité

The EU's Corporate Sustainability Reporting Directive (CSRD): What you need to know

fieldfisher

It is possible that national penalties for breach of EU non-financial reporting rules will be strengthened as the CSRD is transposed into Member State law. However, the currently applicable penalties can already be significant.

For example, in Ireland, a breach of the NFRD may lead to six months' imprisonment for company directors and/or a €5000 fine. In Italy, the penalty is a fine of between €20,000 and €150,000, and in Germany, companies face fines of up to either €10 million, 5% of the total annual turnover or twice the total profits made/losses avoided due to the breach.





Completing the CSRD

How, What, Where
-How to Fill in the Forms
-What Forms to Fill in
-Where to Find them

CSRD: Corporate
Sustainability
Reporting Directive



EFrag: European Financial reporting Advisory Group

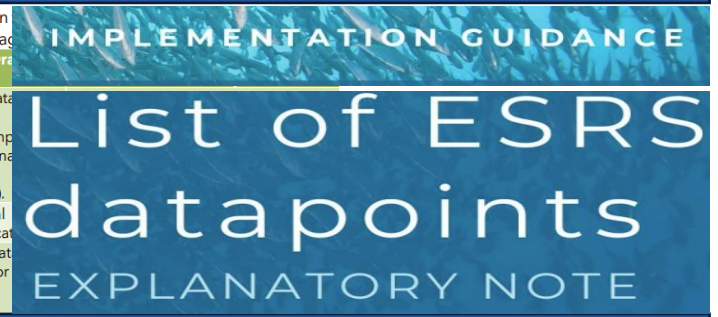
ESRS: European Sustainability Reporting Standards

ESRS	DR	Paragraph	Related AR	Name	Data Type	(SFDR Bench
E2	E2.IRO-1	11 a	AR 1- AR 8	Information about methodologies, assumptions and tools used to screen site locations and business activities in order to	narrative	
E2	E2.IRO-1	11 b		Disclosure of whether and how consultations have been conducted (pollution)	narrative	
E2	E2.IRO-1	AR 9		Disclosure of results of materiality assessment (pollution)	narrative	
E2	E2-1	14	AR 10	Policies to manage its material impacts, risks and opportunities related to pollution [see ESRS 2 MDR-P]	MDR-P	
E2	E2-1	15 a	AR 11	Disclosure of whether and how policy addresses mitigating negative impacts related to pollution of air, water and soil	narrative	
E2	E2-1	15 b	AR 11	Disclosure of whether and how policy addresses substituting and minimising use of substances of concern and phasing	narrative	
E2	E2-1	15 c		Disclosure of whether and how policy addresses avoiding incidents and emergency situations, and if and when they occur	narrative	
E2	E2-1	AR 12		Disclosure of contextual information on relations between policies implemented and how policies contribute to EU Action	narrative	
ESRS 2		62		Disclosures to be reported in case the undertaking has not adopted policies		
E2	E2-2	18		Actions and resources in relation to pollution [see ESRS 2 MDR-A]	MDR-A	
E2	E2-2	19		Layer in mitigation hierarchy to which action can be allocated to (pollution)	semi-narrative	
E2	E2-2	AR 13		Action related to pollution extends to upstream/downstream value chain engagements	semi-narrative	
E2	E2-2	19	AR 14	Layer in mitigation hierarchy to which resources can be allocated to (pollution)	semi-narrative	
E2	E2-2	AR 15		Information about action plans that have been implemented at site-level (pollution)	narrative	



2. The term "item" is used to represent a row in the spreadsheet and the term "XBRL element" is used to represent a tag in the taxonomy.

Comparison	Methodology to create [Draft] ESRS IG 3
Data Type Categories	A. Numerical, quantitative data (percentage, monetary); B. Non-numerical but comparable types (date, year, semi-narrative elements); C. Narrative types (text blocks).
Data type A [Numerical]	1 entry for each individual requirement (irrespective of location)
Data Type B [Semi-narrative - / Dropdowns and Booleans]	1 item for each semi-narrative data point (e.g. Yes/No, or dropdown for ESRS sectors)



Excel Spreadsheet with Data Points to be Completed

Explanation Notes on How to Complete Spreadsheet

<https://efrag.sharefile.com/share/view/s1a12c193b86d406e90b1bcd7b6bb8f6f/fo37c90b-9d9b-4432-a76b-27760cfcc01b>

<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25203%2520ODPs%2520explanatory%2520note%2520231222.pdf>



Materiality Assessment

<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25201%2520MAIG%2520231222.pdf>



Double materiality covers both impact and financial materiality:

- Impact materiality relates to the material information about the undertaking's impact on people or/and environment related to a sustainability matter;
- Financial materiality pertains to the material information about risks and opportunities related to a sustainability matter.

The ESRS require that the sustainability statement includes sustainability information related to material IROs (impacts, risks & opportunities) identified through a MA (materiality assessment) process that applies the principles of double materiality.

Value Chain Assessment Guidance

Level of VC coverage	Disclosure Requirements with this level of VC coverage				
1. The undertaking shall assess its material IROs across its VC	IRO-1				
2. The undertaking shall describe its VC	SBM-1 ^a				
3. The undertaking shall describe its material IROs and report where in the VC they arise	SBM-3 ^a				
4. The undertaking shall reflect whether and how policies, actions or targets (PAT) cover VC.	BP-1/2 ^a , SBM-2, GOV-4/5	E1-2 to E1-4 E2-1 to E2-3, E3-1 to E3-3,	E4-1 to E4-4, E5-1 to E5-3, S1-1 to S1-5	S2-1 to S2-5 S3-1 to S3-5 S4-1 to S4-5	G1-1, G1-2, G1-3
5. The standard covers PAT for IROs that are linked to people in the VC . The undertaking shall disclose whether and how PAT cover VC.			S2 S3 ⁴	S4	
6. The disclosure only reflects own	GOV-1/3	E1-8 -E1-9	E3-4/5	S1-1 to S1-	G1-4

What is the difference between value chain and supply chain?

In short, the VC includes the supply chain. The supply chain is the actors in the VC upstream from the reporting entity. However, VC also includes downstream entities along with the supply chain.



CSRD require that reported information relates to an undertaking’s own operations and its upstream and downstream VC (value chain), including its products and services, its business relationships and its supply chain.

‘Value Chain’ means activities related to the production of goods or the provision of services by a company, including the development of the product or the service and the use and disposal of the product as well as the related activities of upstream and downstream established business relationships of the company.

Q&A & FAQs

The ESRS Q&A platform aims to collect and answer technical questions that remain unresolved after thorough analysis by stakeholders to support the implementation of [European Sustainability Reporting Standards](#) (ESRS).

Welcome to the
EFRAG ESRS Q&A Platform

to support the implementation of ESRS



To ask a question on ESRS, please complete the electronic form through this [link](#)

A preview of the form is available in a pdf format [here](#).

Access the regularly updated Log of questions submitted [here](#).



BUT is YOUR company's ESG report CSRD compliant!?

ESG Reporting & CSRD

Strategies from Experts

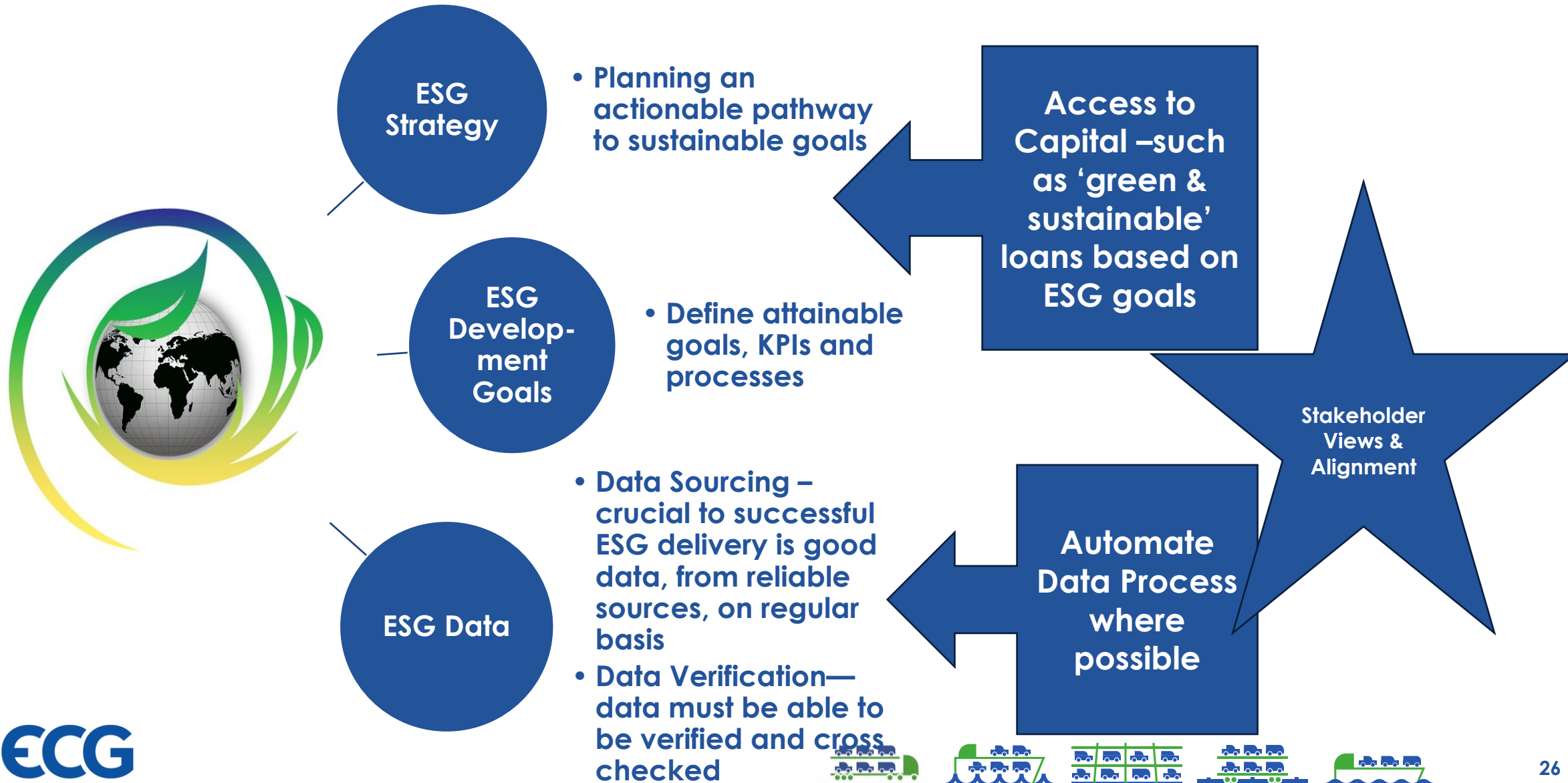
With special thanks to Enhesa



What an ESG analysis should cover:



CSRD COMPLIANT ?



In conversation with Mary Foley, Expert Services Strategy Director, ENHESA



Mary Foley,
Expert Services
Strategy
Director,
Enhesa

Thank you for taking the time to share your insights with ECG. First, please could you introduce yourself and Enhesa?

Mary Foley, Enhesa: “I am the Expert Services Strategy Director for Enhesa, which is the leading provider of regulatory and sustainability intelligence worldwide. As a trusted partner, we empower the global business community with the insight to act today and prepare for tomorrow to create a more sustainable future – positively impacting our environment, our health, our safety, and our future. Navigating the fast-changing compliance and sustainability landscapes, we help them understand not just *what* they should do (first), but also *how* to do it. Both in their unique business and anywhere in the world. Now and in the future. ”

Website: [enhesa.com](https://www.enhesa.com)

Download the whitepaper here: <https://www.enhesa.com/ehs-for-esg-whitepaper>

Mary Foley is also Forbes contributor on ESG: <https://www.forbes.com/sites/maryfoley/>





EHS: The bedrock for your business' sustainability and ESG metrics

In conversation with Mary Foley, Expert Services Strategy Director, ENHESA ...cont'd



From 1.1.2024 large companies already subject to NFRD will begin reporting using the CSRD directive, while companies with over 250 employees and turnover of EUR 40m will begin CSRD reporting from 1.1.2025.

Many companies already have ESG (Environment, Social & Governance) strategies with beautifully made brochures highlighting the work they are doing—but are these ESG strategies and reports CSRD compliant?

Mary Foley, Enhesa: “Sustainability and ESG has evolved very quickly and as such most companies are at different stages in their maturity. Those that have been reporting via Sustainability/ESG/Corporate Responsibility Reports will have made a good start. It depends what reporting frameworks they have been reporting against and whether or not they have had these reports independently assured. Those Reports which do not have either element may lack the rigour required to meet the requirements of the CSRD.”



In conversation with Mary Foley, Expert Services Strategy Director, ENHESA ...cont'd



What would be the first check for a company to verify if their existing reports on ESG are compliant with EU regulations and adhere to the CSRD framework?

Mary Foley, Enhesa: “The very first step is to carry out a Materiality Assessment as everything else flows from that requirement. What they need to report on is based on the results of this Assessment. If their previous reports have not included this step then I’m afraid that they will not meet the requirements of the CSRD. However, once they have processed the results of the Assessment (Guidance is available on the EFRAG website to help them carry out Materiality Assessments), they may be able to re-use and build upon the data they have already been capturing. If they already report via e.g. CDP, TCFD, GRI, they will have a really good structure to build upon.”

How different are the CSRD requirements compared to NFRD?

Mary Foley, Enhesa: “CSRD has a much wider scope, it is much more specific in what information it requires and it applies to a wider number of companies.”



As an example, here's a brief history of how the EU has undergone major changes regarding sustainability and ESG reporting:



Download the Enhesa whitepaper here

In conversation with Mary Foley, Expert Services Strategy Director, ENHESA



...cont'd

The 12 key ESRS Standards all need data over a period of time to be collected—do you suggest attending workshops to start this process? Or is the way forward to hire an expert? What is the best way to begin collating the data for these 12 key standards?

Mary Foley, Enhesa: “The EFRAG website is an extremely useful resource and a great starting point to get a full list of the final Standards, 2 Cross-cutting Standards, (they give a lot of guidance); 5 Environmental Standards, 4 Social Standards and 1 Governance Standard. As mentioned, the starting point is the Materiality Assessment and it is important to understand that the CSRD requirement that reports are Independently Assured also covers the methodology used, assumptions made, stakeholder engagement and processing of all of this information. So, that way the very basis for the reporting is also scrutinized.”

<https://www.efrag.org/lab6>

Who verifies the reports? Is it EFRAG who will validate if the CSRD report has met the required EU ESG requirements?

Mary Foley, Enhesa: “The requirement for Independent Assurance allows the company to select their own Assurer. Section 54 of the CSRD will give you an idea of the bodies which can provide this service and how they will be regulated.”



In conversation with Mary Foley, Expert Services Strategy Director, ENHESA

...cont'd



And finally, what are the consequences for companies that do not meet these CSRD requirements?

Mary Foley, Enhesa: “At the moment, the CSRD is a European Directive and as such much be transposed into the legal framework of each Member State. To date, only France has done so and you can see from my Forbes article the penalties which they have laid out. In addition to the specific Member State penalties for non-compliance (which will probably vary from Member State to Member State), there is also the risk of losing your position in the supply/value chain if your customers need to rely on your data to meet their own obligations. Accusations of Greenwashing carry their own stringent penalties as can be seen in the EU Directive on Greenwashing, and there is also the risk of reputational and brand damage if you are guilty of noncompliance.”

Who verifies the reports? Is it EFRAG who will validate if the CSRD report has met the required EU ESG requirements?

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The consequences of non-compliance

In light of regulations such as those referenced above, it's clear that neglecting sustainability reporting is going to jeopardize businesses in myriad ways. Trade opportunities, reputation, and penalties for non-compliance with escalating requirements are all potential repercussions for companies that fail to comply with the relevant regulations, resulting in significant costs to the business.

Financial and litigious

A standard punitive measure for many non-compliance issues is the imposing of fines on companies, and this is no different for sustainability and ESG. In fact, as the parameters become better defined by directives it's becoming more commonplace. The EU's [Green Claims Directive](#) proposal, for example, will give Member States the power to open legal investigations and impose financial penalties of up to 4% of annual turnover for infringements.



The US Securities and Exchange Commission (SEC) has already set up the [Climate and ESG Taskforce](#) within its Division of enforcement to “proactively identify ESG-related disclosure and investment” and has already levied significant penalties relating to “material gaps and misstatements in issuers’ disclosure of climate risks under existing rules, and disclosure and compliance issues relating to investment advisers’ funds and ESG strategies.”

This provides a strong indication of the direction of travel from a regulatory point of view.



<https://www.enhesa.com/ehs-for-esg-whitepaper>

In conversation with Mary Foley, Expert Services Strategy Director, ENHESA



Anything else?

Mary Foley, Enhesa: “It’s worth pointing out that most companies will already have lots and lots of data which will be relevant, but it could well be spread out across multiple functions: Sustainability/ESG teams/Finance/HR/ EHS/Procurement, so it is best to get started as soon as possible with a cross disciplinary team. A lot of companies are using their EHS Compliance data and metrics to provide a foundation for a large proportion of the data required for reporting. Obviously, there are plenty of consultants willing to help with each of the stages. It’s also worth looking at software to capture, tag and report on the various data streams. Another important factor to keep in mind is that this reporting is very much aligned with Financial Reporting and the same level of rigour and scrutiny is to be expected. Last point: although there is a huge amount of information relating to Sustainability/ESG and the CSRD specifically, the main things to remember are:

- The report is based on what is relevant to your business (via the Materiality Assessment)
- You will have a lot of the data already (especially EHS, HR and Financial data plus the processes for capturing and monitoring this data are most likely already well embedded in companies).
- Perfection is not expected from the start. However, you must start. There is no excuse if you fall under the scope of the CSRD.”



Leverage EHS for sustainability reporting

- Understand global sustainability reporting challenges
- Learn why understanding relevant compliance data is key
- See how EHS metrics can be used to complement your reporting

Download the white paper here:
www.enhesa.com/ehs-for-esg-whitepaper



ECG-the Association of European Vehicle Logistics is thrilled to present ESG expert Mary Foley, director at Enhesa and Forbes ESG contributor.

Mary will participate in a Webinar on ESG for ECG

Please check ECG Website for details.

Supporting sustainability and ESG reporting with EHS regulatory compliance.

Why understanding relevant compliance data is key

sustainability
& ESG



Mary Foley

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I am Expert Services Strategy Director at Enhesa, where I work with global business leaders, chief sustainability officers and environmental health and safety compliance teams to help them navigate the complex and constantly evolving sustainability and ESG regulatory landscape. I... [Read More](#)

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Further articles by ESG expert, Mary Foley can be found on Forbes website:

www.forbes.com/sites/maryfoley/





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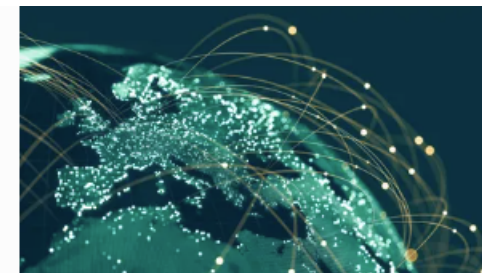
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Further articles by ESG expert, Mary Foley can be found on Forbes website:

www.forbes.com/sites/maryfoley/



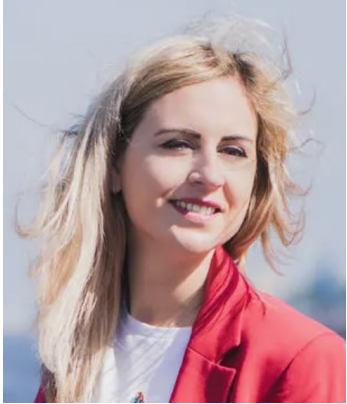
Sustainability



www.icoterminals.com



In discussion with Fanni Arvai, Sustainability Manager, ICO Terminals



Fanni Arvai,
Innovation &
Sustainability
Manager,
ICO nv

- Has ICO already started on the CSRD process?

Fanni Arvai, ICO: “Yes, we have started the project in January 2023. We have done some preliminary research, and some phases of the project, but right now we are circling back to how we are going to report as we are a subsidiary also of NYK, which would mean that eventually in 2029 over FY 2028 we have to have a consolidated report.”

- Was ICO involved in the NFRD reporting process (this predates CSRD and was introduced in 2014)?

Fanni Arvai, ICO: “No, ICO is not required to do NFRD.”

- Has it been easy for ICO to determine which data points need to be addressed in the CSRD report?

Fanni Arvai, ICO: “It is not determined yet. We are at the beginning phase because it needs to be decided on group level who will report, so then the double materiality analysis can be done and then it will determine the datapoints eventually.”

In discussion with Fanni Arvai, Sustainability Manager, ICO Terminals



- What would ICO need to make CSRD reporting easier?

Fanni Arvai, ICO: “Similar activities will most likely have similar material topics. In any case, we have common stakeholders within the group which will be needed to do the analysis. I think taking an advantage of that can be very interesting and cost-effective for everyone.”

- Does ICO find that its existing ESG reporting structure is already CSRD compliant ?

Fanni Arvai, ICO: “No, the strategy is still under making, which is also related to the CSRD materiality analysis. We already have a draft but will realign once there is clarity on CSRD.”

- Anything else?

Fanni Arvai, ICO: “We have introduced a Sustainability department 1 year ago.”



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In conversation with Michał Kujawski, Communication Manager, Adampol S.A.



Michał Kujawski,
Communication
Manager, Adampol S.A.

- Has Adampol already started on the CSRD process?

Michał Kujawski , Adampol: “Yes, we have started work on preparation and publication of ESG report for 2022 and 2023. We would like to do it in accordance with CSRD and ERS. It’s a real challenge.”

- Was Adampol involved in the NFRD reporting process (this predates CSRD and was introduced in 2014)?

Michał Kujawski , Adampol: “No, we were not.”

- Has it been easy for Adampol to determine which data points need to be addressed in the CSRD report?

Michał Kujawski , Adampol: “It’s the beginning of our ESG journey. We have to identify all stakeholders and our value chain. We need to carry out a double significance analysis. And that’s only first steps.”

In conversation with Michał Kujawski, Communication Manager, Adampol S.A. cont'd

- What would Adampol like from an organisation such as ECG to make CSRD reporting easier?

Michał Kujawski , Adampol: “In my opinion ECG could prepare “gold standard of ESG reports”. Template and basic guide about reporting process.”

- Does Adampol find that its existing ESG reporting structure is already CSRD compliant ?

Michał Kujawski , Adampol: “We will be able to answer this question in few months.”

- Anything else?

Michał Kujawski , Adampol: “We should think about creating basic tool for calculating CO₂ emissions in scope 1 and 2.”

Thank You

