From Detection To Implementation: How Decision-Makers Can Effectively Implement Their Double Materiality Assessments

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June 5, 2024

Table of Contents

Abstract

This study aims to investigate how decision-makers can use the Corporate Sustainability Reporting Directive (CSRD) to help their businesses become more sustainable. The literature study emphasises the significance of sustainability literacy among leaders and organisational decision-makers role in CSRD and ESG initiatives. Five industry experts chosen through purposive sampling have been interviewed in semi-structured interviews as part of the study's qualitative approach. The interviews offer comprehensive insights into how decision-makers can apply the principles of CSRD and double materiality. The findings show that although the CSRD is seen as a thorough framework that encourages accountability and transparency, there are multiple ways in which it can be put into practice. Industry insiders point out that the mandate might encourage thorough sustainability reporting and make it easier for businesses to compare with one another. Difficulties, including political pressures and divergent views of the CSRD's objectives, were briefly mentioned. The study's conclusions have essential ramifications as they imply that the CSRD can spur a wider adoption of sustainable practices in various businesses. This research fills a knowledge gap and lays the groundwork for future studies on CSRD by offering a thorough grasp of the CSRD and its practical implications.

Keywords: Sustainability reporting, corporate governance, transition planning, CSRD, Double Materiality

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Recent Developments

In recent times, there has been a rise in the percentage of sustainability reports that contain assurance statements prepared by third parties (Gürtürk & Hahn, 2016; Boiral et al., 2019). A sustainability report offers details to stakeholders about the ways in which the reporting organisation is engaged in sustainable development (Isaksson, 2019). The public's increasing awareness of sustainability-related issues is placing greater demands on companies to communicate their sustainability efforts in sustainability reports to provide stakeholders with information on the organisation's environmental and social performance (Gürtürk & Hahn, 2016). This is evident in the growing number of legal cases brought against companies by environmental non-governmental organisations and businesses being included on lists as polluting entities (Loyens & Loeff, 2023; Lecha et al., 2023). This indicates the relevancy and importance of sustainability reports and issues in the boardroom (Lecha et al., 2023). Sustainability reporting refers to the disclosure of non-financial performance information to outsiders of the organisation, whether it is voluntary, solicited, or required (Bini & Bellucci, 2020; Frade & Froumouth, 2022).

Limitations of the CSR

Corporate Social Responsibility (CSR) was the first time we saw companies starting to think about the impacts they may have beyond themselves. As the economic paradigms shift to the "new economy", organisations increasingly recognise their role in addressing societal challenges (Hanlon, 2009). CSR policies and activities undertaken by a corporation help to evaluate, manage, and oversee its responsibilities towards society and the environment and the effects of its actions on these areas (Christensen et al., 2021). However, engaging in CSR activities, like charitable giving or community service, can benefit both the company and the community in the short term but may not guarantee the long-term sustainability of the overall systems. Therefore, a more long-term-oriented strategy is required to sustain the viability of the micro and macro systems in the long run (Bansal & DesJardine, 2014).

Transition from CSR and ESG

From CSR, the environmental, social and governance (ESG) framework emerged, which provided a holistic and long-term understanding of the social responsibility of companies (Christensen et al., 2021). ESG is a framework that provides guidance in the form of standards to companies and stakeholders in managing risks and opportunities related to sustainability (Câmara & Morais, 2022; United Nations, 2004). ESG evaluates the ethical impact of a business, its practices, and investments and assesses its sustainability and risk management performance (Câmara, 2022). Financial institutions and investors widely use this framework to evaluate the sustainability performance and risk profiles of companies they invest in. Due to the ESG framework's replicability and the increased relevance of sustainability in businesses, highlighted by the topics addressed in the ESG framework, we see more and more non-financial industries using the framework (Eccles et al., 2020).

Defining ESG

The term ESG first appeared in a United Nations (UN) Global Compact (2004) report called "Who Cares Wins: Connecting Financial Markets to a Changing World". The three dimensions of ESG include the organisation's environmental, social, and governance dimensions. The **environmental** dimension, which pertains to its role as a steward of the environment, covers several environmental issues, such as climate change, greenhouse gas emissions (GHG), deforestation, biodiversity, carbon emissions, waste management and pollution. The **social** dimension is how the organisation affects people, culture, and communities. It examines the social impact of diversity, inclusivity, human rights and supply chains. Lastly, the **governance** aspect pertains to the direction of the organisation. It looks at corporate governance factors such as executive compensation, succession planning, board management practices and shareholder rights (Câmara, 2022).

Implications of ESG

By adopting ESG practices and reporting, businesses can align themselves with the interests of their stakeholders and contribute to a more sustainable and responsible future. (Lecha et al., 2023; Reis, 2022). As a result, companies that have not done so will need to intensify their efforts in this area as ESG has become a significant and integral aspect of modern business practices (Câmara & Morais, 2022). Furthermore, as global reporting standards such as GRI have established themselves as the predominant international reporting norm, companies are now able to provide thorough details about their environmental and social standings, disclose their specific ESG metrics, and outline the consequent effects (Cini & Ricci, 2018; Bini & Bellucci, 2020). However, Chopra et al. (2024) indicated that companies face four categories of challenges in ESG reporting: Behavioral, Data-based, Methodological and Contextual. Additionally, ESG data lacks comparability across various markets, and due to the risk of greenwashing, its reliability is not always guaranteed. Furthermore, companies are faced with too many reporting framework, as there are currently over 600 ESG reporting provisions globally, with many having differing interpretations of sustainability (Di Sibio et al., 2021). Therefore, establishing a consistent taxonomy of sustainable activities is crucial (Câmara & Morais, 2022).

Currently, in the European Union

The European Union (EU) has identified the need for consistency in sustainability frameworks. Two initiatives have been formed to assist the EU in achieving net zero emissions by 2050 (*European Climate Law*, 2024). These consist of the European Green Deal, which addresses all aspects of the transition related to climate and the environment, and the EU Sustainable Finance Strategy, which has led to the creation of the EU Taxonomy for Sustainable Activities, the NFRD, now known as the CSRD, and the SDFR. These laws and frameworks are all focused on sustainability and are designed to accelerate sustainability reporting in the EU.

Research Aim and Objectives

This paper will only focus on the CSRD. Due to the novelty of the CSRD, the expectations, results and impacts of the CSRD on a company are still unknown. Whilst there have been sustainability reporting frameworks prior to the CSRD, the directive has shifted the conversation regarding sustainability reporting to a mandatory procedure (Correa-Mejía et al., 2024). This is an important perspective to understand as it allows for organisational leaders and decision-makers to maximise the standards and procedures provided by the CSRD to create feasible and applicable sustainable strategies for their organisations. The significance of prioritising sustainability for both investors and companies has become even more pronounced as the CSRD seeks to uphold accountability for integrating sustainable practices into business operations and investment strategies. In this regard, the CSRD has been identified as a game changer in the sustainability reporting landscape (Correa-Mejía et al., 2024). Companies that effectively use the CSRD will ultimately generate social value within society at large.

The objectives of this research are to determine *how organisational leaders and decision-makers can leverage the CSRD for their companies to become sustainable businesses.* The scope of the research will look at non-financial companies, that are currently or will be mandated by the CSRD to provide sustainability information in their annual reports to narrow down the scope of the paper.

Sustainability

In this paper, the term sustainability is defined as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs."(World Commission on Environment and Development, n.d.) It additionally encompasses the ESG aspects of a company's development and how the company or organisation aims to mitigate its impacts on the environment and society at large. (Lecha et al., 2023; Câmara & Morais, 2022). Gray (2010) discusses how narratives of sustainability are pervasive in business discourse but are often uncritically repeated, leading to a dilution of their meaning. Terms like "sustainability" and "sustainable development" become synonymous with concepts like social responsibility or environmental management, losing their critical edge. This leads to barriers that need to be broken concerning how sustainability is perceived. These narratives include decision-makers being perceived as “tree huggers” for wanting to mobilise more sustainable business models, as well as the reluctance of shareholders in mobilising sustainable business models because they are stuck within a commercial mindset that is based solely on financial performance indicators (Bocken & Geradts, 2020).

Decision-makers

Additionally, from here on, decision-makers and organisational leaders will be identified as decision-makers. This term will be used to encompass the non-executive board members, executive board members, and high-ranking managerial positions (directors and higher) (Bocken & Geradts, 2020; Mackey et al., 2009). The terms business and companies will be used interchangeably and encompass the term organisations.

Literature review

The Role Of Organisational Decision Making

Company decision-makers are essential in making strategic decisions, especially in the areas of risk management and ESG efforts (Câmara, 2022). The role of decision-makers can be seen from two perspectives. These include strategic vision and leadership (Beerkens & Van Der Hoek, 2022) and performance measurement and reporting (Schaltegger & Wagner, 2006). These two perspectives combined allow the decision-making process within organisations to be carried out effectively, allowing for the upkeep of the company organisation (Beerkens & Van Der Hoek, 2022; Schaltegger & Wagner, 2006).

According to Buxbaum (1994), institutional shareholders' behaviour is influenced by their investment policies, the management of their voting rights, and legal constraints. These can cause potential conflict between profit maximisation and other goals, such as employee job security, which might influence their corporate governance actions. This notion is part of a debate about how directors' decisions should balance shareholders' and stakeholders' interests (De Jong, 1997). Enforcement of these duties varies by jurisdiction, with two primary views on directors' duty of loyalty. This notion of loyalty to the shareholder mandates that directors prioritise shareholders' financial interests, considering stakeholders only if they impact long-term shareholder value (De Jong, 1997). Conversely, some jurisdictions require directors to balance shareholders' financial interests with the best interests of stakeholders and public interests (De Jong, 1997).

The manner in which decision-makers make their decisions, as seen through their role in corporate governance, is fundamental in allowing companies and organisations to be competitive and innovative within the markets (De Jong, 1997). In a study by Lecha et al. (2023), non-executive directors were singled out as crucial players in the decision-making process of their companies and organisations in the Netherlands, and their knowledge and expertise about sustainability allow for decision-making that aims to transform the company into a sustainable business model (Baumüller & Sopp, 2022).

Despite the above considerations, companies such as RELX Group and Philips have started including sustainability factors in their strategies and executive compensation plans (Lecha et al., 2023). Transformational leaders intellectually stimulate followers, who also consider individual needs and motivate through an inspiring vision (Gang Wang et al., 2011). According to Abrell et al. (2011), transformational leadership can be a way for decision-makers to impact sustainability significantly. This can help shape the decision-making environment to be more inclusive and forward-thinking (Abrell et al., 2011; Gang Wang et al., 2011).

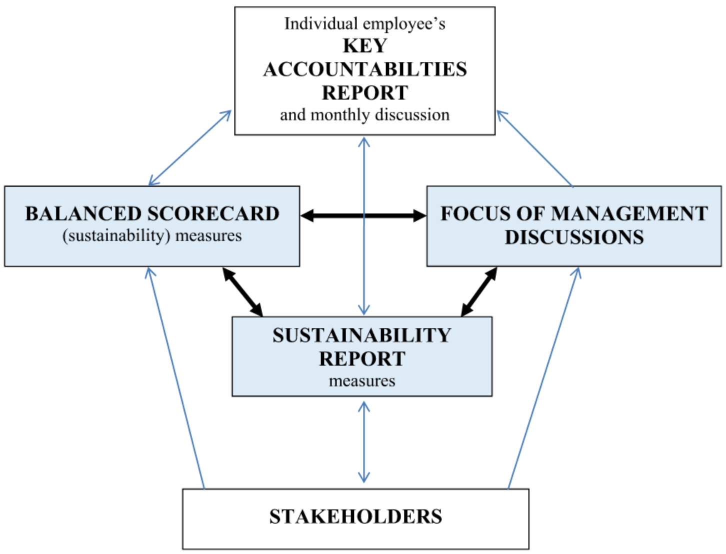
Sustainable Corporate Governance

Corporate governance involves the rules, practices, and processes governing a company's direction, control, and performance tracking (Gutterman, 2023; Principale, 2023). According to the G20/OECD Principles of Corporate Governance, it encompasses the relationships among a company's board, management, shareholders, and stakeholders. Effective corporate governance ensures well-coordinated relationships with stakeholders and is essential for strategic management performance. It has evolved from a set of laws to a critical driver of competitive advantage and profitability. The governance role focuses on giving overall direction to the enterprise and overseeing the executive actions of management to satisfy legitimate expectations of accountability and regulation (Tricker, 1984, as cited in Principale, 2023). The effectiveness of the corporate governance system can be measured by the establishment of a sustainable system that promotes a symbiotic relationship between shareholders, executive directors, and the board of directors (Gutterman, 2023).

Academics, international organisations, regulators, and practitioners all agree that governance is central to the integration of sustainability in the company and to the ecological transition of the economy. It is further iterated that ESG, therefore, requires a change from the traditional models of maximising profits for shareholders to newer directives, frameworks and knowledge hubs for companies decision-makers (Principale, 2023; Velte & Stawinoga, 2020). As defined by PwC (2023), sustainable corporate governance encompasses comprehensive and cohesive leadership, management, and supervision aimed at serving the greater good, honouring the natural environment, and maintaining long-term productivity and impact for your company. By aligning value creation with ethical principles and considering financial interests, sustainable corporate governance ensures that profits are distributed to reflect these values (Câmara, 2022). Swanson (2009) emphasised that senior executives can play a pivotal role in promoting corporate social responsibility within the business sector. According to this viewpoint, businesses are expected to act as guardians of social welfare. As shown in Figure 1, De Villiers et al. (2016) argue in the same vein as Swanson (2009) that the focus of management discussion and decision-makers are important in leading a company through a green and just transition. According to Primec & Belak (2022), sustainable corporate governance is essential for the sustainable development of the economy and the entire society.

Figure 1

A depiction of the drivers of corporate sustainability (De Villiers et al., 2016)



A challenge to sustainable corporate governance, especially in the EU, is the salient short-term financial performance within European companies that does not coincide with fostering sustainability, which are more long-term value-creating initiatives. This has limited companies' disclosure and reporting capabilities (Principale, 2023; Salvioni et al., 2016; Chopra et al., 2024). Additionally, Câmara and Morais (2022), stated that essential gaps remain regarding sustainability at the board level in companies, identified as the "knowledge gap" in which some boards still lack sufficient critical mass to assure investors and regulators that appropriate oversight of ESG efforts is taking place. Additionally, the exact nature of directors' duties in relation to sustainability and ESG is still contested and uncertain. Directors' failure to recognise the changing nature of the director role and the emerging duty of societal responsibility has also been attributed to learning anxiety (Câmara & Morais, 2022; Winter, 2022). Even though the conversation about sustainability within companies and organisations has been ever so present for the past decades, it is still difficult for decision-makers to implement the ESG framework into their companies to become more sustainable (Chopra et al., 2024). However, the ESG framework aims to combat these barriers through executive compensation arrangements, a critical area for ensuring ESG becomes embedded in executive decision-making. (Câmara & Morais, 2022).

Sustainability Reporting

According to Bini and Bellucci (2020), nowadays, enterprises are increasingly willing to demonstrate their commitment to the needs and expectations of their stakeholders (not only shareholders) and their aspiration to create shared value (not only shareholders' value) and make every part of their business sustainable. These statements of commitment, which can vary from genuine to completely rhetorical on a case-by-case basis, are commonly found in sustainability reports or integrated annual reports of companies operating in various sectors, including the most impactful ones, such as mining and energy (Bini & Bellucci, 2020). The push for transparency also leads to the creation of reporting systems. These systems provide decision-makers with the information they need to fulfil their leadership and strategic duties and ensure that the corporate governance framework works efficiently (Gutterman, 2023).

However, Bini & Bellucci (2020) have pointed out that sustainability reporting is weakened by the overwhelming amount of information related to environmental and social aspects, which are complementary but not integrated into financial information. This dual-track approach raises significant concerns that ultimately diminish the effectiveness of sustainability reporting. Another issue is that companies may opportunistically use environmental and social disclosure to improve their reputation. This practice, known as "greenwashing," involves tactics that mislead stakeholders about a company's environmental practices or the environmental benefits of a product or service (Bini & Bellucci, 2020; Greer & Bruno, 1998).

So far, sustainability reporting on the international stage has been based on voluntary standards such as GRI, TCFD and ISSB (Frade & Froumouth, 2022; Cifrino, 2023). According to Frade and Froumouth (2022), Europe has been leading the way in setting the regulatory agenda for ESG by compelling market participants to transition from voluntary and non-standardized ESG reporting to a more obligatory and standardised environment like CSRD.

Sustainability reporting makes abstract sustainability issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organisation’s activities and strategy (Bini & Bellucci, 2020).

Non-financial Disclosure

Non-financial disclosure, also referred to as ESG disclosure, mainly comprises sustainability reports or ESG activities (Cho et al., 2020). Non-financial disclosure involves businesses formally revealing information that is not related to their finances, such as details about human rights, as a form of transparency reporting (Bartolacci et al., 2022; Câmara & Morais, 2022). Of the 42,019 listed companies globally with a combined market capitalisation of USD 122 trillion in December 2021, 7,926 disclosed sustainability-related information, representing a market capitalisation of USD 103 trillion (OECD, 2023). Approximately 30% of the disclosed information came from companies in the European Union. Additionally, the literature suggests that ESG disclosure ratings have increased recently, and ESG strengths have increased the firm's value (Fatemi et al., 2018; Cifrino, 2023; Câmara & Morais, 2022). Although organisations frequently decide to voluntarily disclose sustainability information, certain jurisdictions or industry standards enforce obligatory disclosure requirements on organisations (Cho et al., 2020). Regardless of whether the disclosure is voluntary or mandatory, organisations typically align their sustainability reporting practices with recognised frameworks or standards such as the GRI Standards, SASB standards, CSRD or TCFD recommendations (Cifrino, 2023).

Assurance providers play a crucial role in assessing the reliability and accuracy of sustainability disclosures. Limited assurance engagements, often undertaken for voluntary disclosures, involve auditors conducting procedures to validate specific sustainability claims or metrics for voluntary disclosures (Simnett et al., 2009). Limited assurance offers stakeholders confidence, but it is less rigorous than reasonable assurance engagements in guaranteeing compliance and accuracy, especially for significant sustainability information. However, this level of assurance is still beneficial, providing a solid foundation for stakeholder trust (Simnett et al., 2009).

In contrast, mandatory disclosures often require reasonable assurance engagements (Velte & Stawinoga, 2020). In these engagements, auditors perform more extensive procedures to obtain more confidence in the accuracy and completeness of the reported sustainability information. This higher level of assurance is essential for ensuring compliance with regulatory requirements and enhancing stakeholder confidence in the reported data (Gray, 2010).

The positive effects of disclosing sustainability-related information are being questioned by Baumüller and Sopp (2022) as they argue that increasing reporting obligations may not necessarily lead to more transparency for stakeholders. In fact, they suggest that more disclosure obligations may result in attempts to limit disclosure as much as possible. Caputo et al. (2021) and Pizzi et al. (2020), as cited in Baumüller and Sopp (2022), provided an example of this, where avoiding the disclosure of unfavourable or unavailable information led to potentially negative impacts on the evaluation of stakeholders.

Corporate Social Responsibility Directive

The Corporate Social Responsibility Directive (CSRD) is a significant step in enhancing European sustainability reporting. According to Câmara and Morais (2022), such regulatory interventions have also boosted the momentum for ESG disclosure. The CSRD is EU legislation that will require all large corporations and listed small and medium-sized enterprises (SMEs) to provide comprehensive sustainability reporting (Allgeier & Feldmann, 2023). As of January

2023, it has replaced the non-financial reporting directive (Directive 2014/95/EU, the NFRD) (Baks, 2024) and significantly expanded the requirements for sustainability reporting compared to the NFRD. The NFRD aimed to enhance transparency and accountability by requiring certain large undertakings and groups, including public-interest entities with over 500 employees, to disclose non-financial and diverse information. Such included information about environmental, social, and employee issues, as well as respect for human rights, and efforts to prevent corruption and bribery, diversity on boards and changes in corporate governance from a company board report (Frade & Froumouth, 2022; Baks, 2024). Therefore, for companies to report, they must include this information in their management report or in a separate non-financial statement. (Primec & Belak, 2022). However, under the CSRD, all companies (except micro-undertakings) with securities listed on regulated markets, as well as large companies (whether listed or not), must prepare a sustainability statement in which companies must digitally prepare and make this information available in XHTML format (Baks, 2024). When the CSRD was approved in November 2022, it was intended to be rolled out with the phased-in application (Hummel & Jobst, 2024), as indicated in Table 1.

Figure 2

Timeline of CSRD implementation (Peterson, 2024; Hummel & Jobst, 2024; Directive (EU) 2022/2464)

Obligated company	Data collection 1st report	1st report published together with financial statement in
Large Public Interest Entities (e.g. banks and insurances, listed companies) already in NFRD scope (>= 500 employees)	2024	2025
Large EU companies (listed or not listed and include subsidiaries of non-EU parents), meet at least 2 of 3 criteria: >EUR 25 million balance sheet total >EUR 50 million net turnover >250 employees	2025	2026
Listed SMEs, small and non-complex financial institutions, captive insurance and reinsurance companies	2026	2027
Non-EU companies with EU branches/subsidiaries (parent company net turnover >EUR 150 million and subsidiaries/branches' net turnover >EUR 40 million)	2028	2029

The CSRD also involves expanding the reporting obligations for a company's value chain, providing more detailed explanations of the double materiality assessment strategy and reporting contents, mandating the integration of sustainability information in the management report, ensuring the assurance and digital tagging of the reported information, and establishing requirements for the sanctioning regime for statutory auditors and enforcement (Hummel & Jobst, 2024). According to Directive (EU) 2022/2464, businesses will be mandated to disclose information concerning their business strategy and the strength of the business model and strategy in relation to sustainability-related risks. They should also be compelled to reveal any plans they have in place to ensure that their business model and strategy align with the transition to a sustainable economy and the goals of limiting global warming to 1.5°C per the Paris Agreement and achieving climate neutrality by 2050, with minimal or no overshoot.

Additionally, the CSRD mandates a limited assurance statement on the sustainability report, which can be issued by the statutory auditor or an independent provider of assurance services (Baks, 2024). It is stated in the Directive (EU) 2022/2464 that the "gradual approach from limited assurance engagements to reasonable assurance engagements would also allow for the progressive development of the assurance market for sustainability information, and of undertakings' reporting practices." The directive further outlines a strategy for progressively improving the rigour and quality of assurance in sustainability reporting, allowing for market development, gradual cost increases, and flexibility for organisations in choosing the level of assurance. The reasonable assurance engagement would confirm that forward-looking information is prepared in accordance with applicable standards.

Furthermore, the CSRD entrusts the European Commission with the task of developing sustainability reporting standards, with the requirement to consider technical advice from the European Financial Reporting Advisory Group (EFRAG). The Directive (EU) 2022/2464 identifies the EFRAG as a non-profit association that serves the public interest by advising the European Commission on endorsing international financial reporting standards. Those recommendations contain proposals to develop a coherent and comprehensive set of sustainability reporting standards, covering all sustainability matters from a double materiality perspective (which will be discussed later in this chapter).

Similarly, as with the NFRD, under the CSRD, member states are responsible for implementing the directive into national law, while the European Commission monitors compliance (Svensson, 2023). Additionally, the CSRD introduces uniform reporting standards that will apply across the European Economic Area (EEA), enhancing and clarifying sustainability reporting content (Baks, 2024). These reporting standards are called the European Sustainability Reporting Standards (ESRS), and companies subject to the CSRD will have to report according to ESRS (Nielsen, 2023). According to Câmara and Morais (2022), the CSRD's clarity will allow for both regulation and mindset to develop together until sustainability concerns become increasingly mainstream and inevitable as a requirement for operation and success.

European Sustainability Reporting Standards (ESRS)

The ESRS is a pivotal tool in the journey towards increased transparency and consistency in sustainability reporting practices across the EU. As per the European Commission (2023), the ESRS was designed as a sustainability reporting standard to assist companies in communicating and managing their sustainability performance more effectively, thereby facilitating their access to sustainable finance (Hummel & Jobst, 2024). The ESRS offers a comprehensive definition of the value chain, encompassing the company's internal operations (such as human resources) and activities both upstream and downstream (e.g., suppliers and sales). This includes all business connections linked to the company (PwC, 2023).

There are three categories in the ESRS: 1) cross-cutting standards, 2) topical standards (ESG standards), and 3) sector-specific standards (Svensson, 2023). The first two are ESRS 1 and ESRS 2, respectively, collectively including 12 standards addressing various sustainability aspects (Baks, 2024). ESRS 1 considers double materiality a fundamental principle, defining it as "the basis for disclosure of sustainability," while ESRS 2 supports double materiality implementation by providing further guidance (De Cristofaro & Gulluscio, 2023, p.5). The development of sector-specific ESRS (ESRS 3) has been suggested to be deferred until June 2026. Therefore, this paper will only discuss ESRS 1 and ESRS 2.

ESRS 1 is "sector-agnostic," meaning it applies to all qualifying companies regardless of the sector in which they operate (Baks, 2024). ESRS 2 refers to the cross-cutting standards that establish disclosure requirements at a general level across all material sustainability matters, covering governance, strategy, impact, risk and opportunity management, and metrics and targets (Baks, 2024). According to EFRAG, it is now mandatory for all companies subject to the CSRD to report under the general requirements of ESRS 2. Qualifying companies must indicate the composition of their administrative, management, and supervisory bodies, including their roles, responsibilities, and access to expertise and skills related to sustainability matters (EFRAG).

The ESRS allows companies the flexibility to decide what information is relevant to their particular circumstances. Companies must disclose information about impacts, risks, and opportunities (IROs) regarding material sustainability matters (Baks, 2024). Whether a sustainability matter is material for a company needs to be assessed based on the double materiality principle, meaning a sustainability matter is 'material' if it meets the criteria for impact materiality, financial materiality, or both (Hummel & Jobst, 2024). When a company assesses an ESG sustainability matter covered by ESRS as non-material, it does not need to disclose any information on that matter in its sustainability statement (Baks, 2024). Information disclosed according to ESRS enables users of the sustainability statement to understand the undertaking's material impacts on people and the environment and the material effects of sustainability matters on the undertaking's development, performance, and position. Materiality assessment is the starting point for sustainability reporting, according to the EFRAG (2022), thus creating a pathway for companies to begin their sustainability reporting process.

Double Materiality

Materiality

According to Delgado-Ceballos et al. (2023), materiality refers to information companies must provide their investors. They further expand that “omitting” or “misstating” the information could influence the decisions that users make based on financial information about a specific reporting entity (Delgado-Ceballos et al., 2023; IASB, 2010, p. 17). The EFRAG (2022) further elaborates on this and defines materiality as the standard for including specific information in corporate reports. Its purpose is to represent the importance of the information about the event it aims to portray or clarify, as well as its ability to fulfil the requirements and expectations of an organisation's stakeholders and the organisation itself, facilitating informed decision-making and, more broadly, addressing the need for transparency in line with the public interest. When companies share ESG information with investors, it’s typically centred on elements that could have financial implications for the business. In other words, they concentrate on the potential risks and benefits that ESG aspects could bring to the firm. This interpretation of materiality aligns with the idea of financial materiality and is primarily aimed at investors (Delgado-Ceballos et al., 2023).

Double Materiality

The double materiality approach gained prominence with the introduction of Directive 2022/2464 (European Commission, 2022). Double materiality reporting will be mandatory as of 2025 for the 2024 reporting year, though some early adopters have already started implementing this approach in their sustainability reports (Hummel & Jobst, 2024). Double materiality identifies material issues from two perspectives: impact materiality (inside-out) and financial materiality (outside-in) (Hummel & Jobst, 2024; Baks, 2024).

According to the EFRAG (2022), assessing impact materiality involves considering the actual or potential positive or negative impacts the company may have on people or the environment, including those connected with the company's operations and value chain. On the other hand, financial materiality requires an external assessment, focusing on risks or opportunities that could significantly influence the company's business performance. These assessments are interdependent and must be considered together. While the evaluation of impacts is typically the starting point, there may be material risks and opportunities unrelated to the impacts of the undertaking. A sustainability impact may be financially material from the outset or may become financially material if it affects the financial position, performance, cash flows, access to finance, or cost of capital over various time horizons. The impact materiality perspective captures impacts regardless of their financial materiality.

When identifying and assessing IROs in the undertaking's value chain to determine their materiality, the focus should be on areas where IROs are likely to arise based on the nature of the activities, business relationships, geography, or other relevant factors. The company must consider its dependencies on the availability of natural, human, and social resources at appropriate prices and quality, regardless of its potential impacts on those resources.

An organisation's principal IROs are the same as the material IROs identified under the double materiality principle. Therefore, they must be reported on in the sustainability statement. Thus we see the bridging of previous financial reporting standards to asses IROs being integrated into sustainability reporting standards.

The undertaking must apply the criteria set under sections 3.4 and 3.5 of this Standard using appropriate quantitative and/or qualitative thresholds. These thresholds are necessary to determine which impacts, risks, and opportunities are material and must be addressed by the undertaking, as well as which sustainability matters are material for reporting purposes. Some existing standards and frameworks use the term "most significant impacts” when referring to the threshold used to identify the impacts that are described in ESRS as "material impacts."

Figure 3 depicts a materiality assessment aligning with ESRS (EFRAG, 2023), involving four steps: understanding the context, identifying existing and potential IROs related to sustainability, evaluating and establishing material IROs, and lastly, reporting. According to EFRAG IG 1, input from all stakeholders obtains evidence about specific European circumstances throughout the standard-setting process of double materiality. Correa-Mejía et al. (2024) reiterate the fundamental role of stakeholders within the double materiality assessment (DMA) in identifying material issues in social and environmental aspects. Companies are centred around the stakeholders.

Figure 3

An example of a double materiality assessment process is depicted in the EFRAG Implementation Guide (2023)

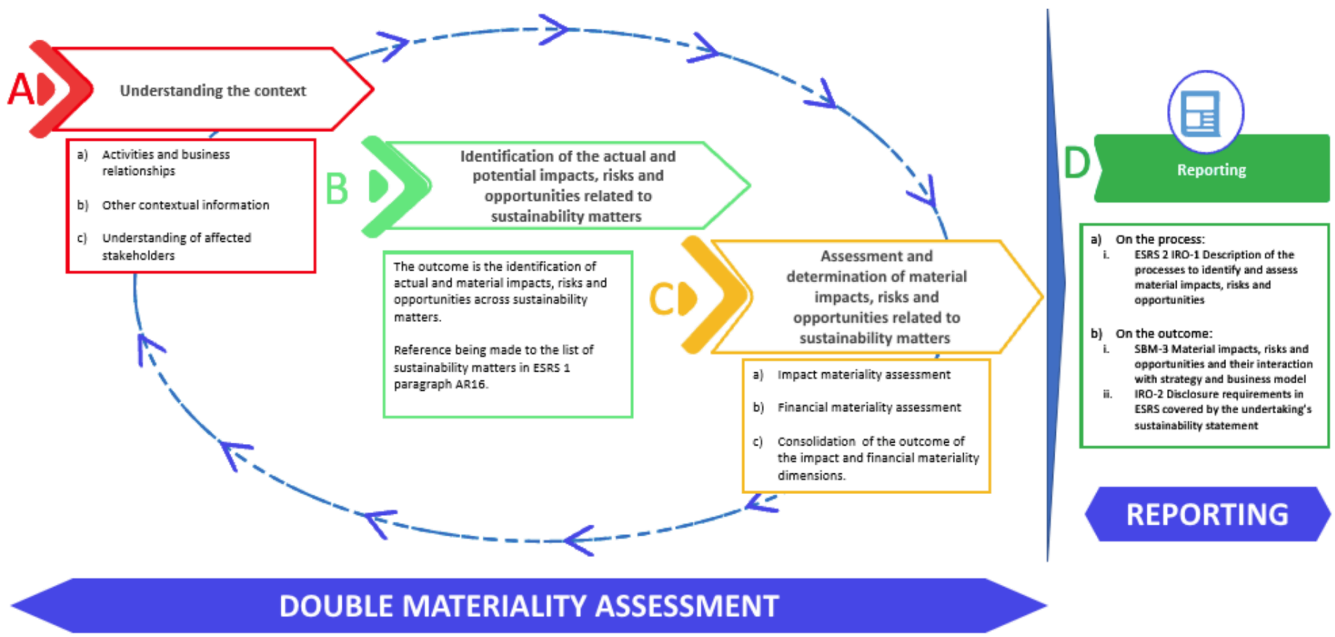


Figure 4 depicts the steps leading up to an annual report that garners a company's sustainability topics. Due to the scope of the paper, we will only address the path stemming from CSRD. Under the first step of data collection, we can find an in-depth interpretation of this step in Figure 4 which provides detailed procedures for the identification of sustainability topics. The second step is that of preparing for disclosure according to the ESRS 1 (cross-sectional disclosures) and ESRS 2 (Topical disclosures).

Figure 4

Sustainability Reporting Process for Non-financial Companies (Hummel & Jobst, 2024)

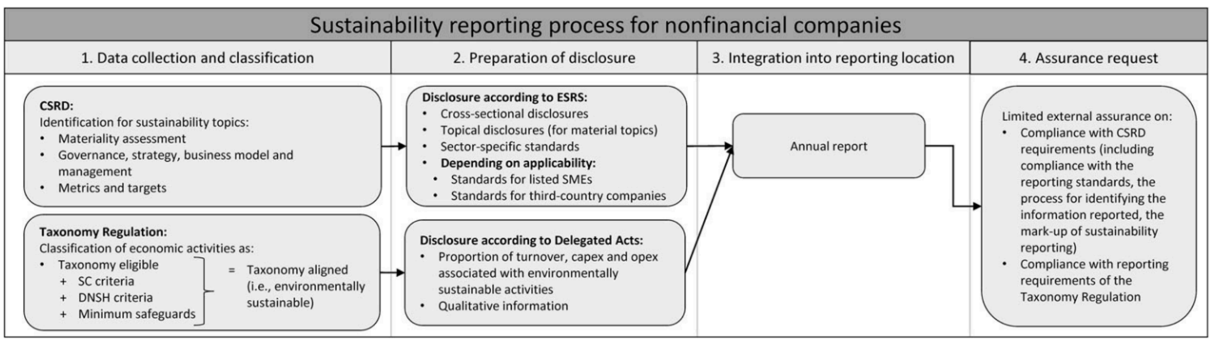


Figure 3 and Figure 4 outline the standard procedure which companies will have to undergo in order to successfully report according to the CSRD.

Methodology

Methodological Approach

This study employs a qualitative methodology, as it is best suited for examining the research question in this study. This approach is justified by the exploratory nature of the research question, which aims to understand how decision-makers can leverage the CSRD for their companies to transform into sustainable businesses. Qualitative research is particularly effective for exploring complex phenomena and gaining in-depth insights into participants' perspectives on CSRD and its implementation, which is crucial for this study.

Due to the limited literature in the field, the research design that best suits the study is the interview format. This design is justified because it focuses on understanding the CRSD and Double Materiality from industry experts to address the adoption and integration of CSRD principles in business practices. Interviews allow for a deep exploration of how participants make sense of their practical knowledge and industry experience, which aligns with the research objectives. Purposive sampling selects participants with significant expertise in CSRD principles, ensuring the data collected is relevant and informative. The participants were chosen by identifying industry experts on LinkedIn and through internet searches for university lecturers who had courses regarding CSRD. Of the 5 participants, 3 were identified due to the researcher's network in the field of sustainability. Once potential participants were identified, they were contacted via email.

Data Collection

The primary method employed for data collection is semi-structured interviews. This method is justified for several reasons. Firstly, it offers flexibility, as semi-structured interviews allow for a guided yet flexible conversation, enabling the researcher to probe deeper into specific areas of interest as they arise during the discussion. Secondly, this method provides depth of data, facilitating the collection of rich, detailed information that can reveal the nuances of participants' experiences and perspectives. Lastly, interviews promote participant engagement by providing a direct way to engage with participants, making it possible to clarify responses and explore complex issues in real time. An interview guide (see Appendix 1) with open-ended questions is developed to steer the conversation while allowing participants to share their experiences freely. The interviews were on a recording device and were transcribed through Notta Ai. The transcribed interviews were then checked alongside the recording of the interviews to ensure that the transcription was accurate. All interviewees had to sign an informed consent form prior to the interview (Appendix 2). The interviews began with small conversations to allow the participants to familiarise themselves with the voice of the interviewer. The interviews began with oral consent from the participants, corroborating the written consent they gave. It was mentioned at the beginning of the interviews that the conversations would be anonymised and that the interviews would refrain from mentioning things they would not want in the transcripts. After completing the questions stated in Appendix 1, the interviewer opened the floor to the participants and allowed them to ask any questions they had.

The interview transcripts were then coded through Notability, which allowed the researcher to physically highlight the themes that appeared during coding.

Table 1

List of participants

Interviewee	**Field**	**Industry Role**	**Country**

Interviewee 1	Sustainability (ESG) strategist	Responsible Business Team Leader	Estonia
Interviewee 2	Accounting and Sustainability	Professor	UK
Interviewee 3	Non-financial information, Integrated reporting and assurance	Professor	The Netherlands
Interviewee 4	European Sustainability	Senior Partner at Consulting Firm and Member Sustainability Reporting Board EFRAG	The Netherlands
Interviewee 5	Risk Management	Senior Manager	The Netherlands

Data Analysis Procedures

Interviews were transcribed verbatim through Notta AI to create an accurate record of the discussions. Clean verbatim transcription: This type of transcription also captures every word spoken but omits filler words, stutters, and false starts, resulting in a cleaner, more readable transcript. Clean verbatim transcription is usually preferred when the focus is on the content of the speech rather than the style or manner of speaking.

Transcripts were systematically coded by hand to identify key themes and patterns. The codes were analysed to develop broader themes that capture the essence of the participants' experiences and perspectives. The themes will be interpreted in the context of the research questions and existing literature in the discussion to provide insights into how decision-makers can implement ESG principles.

Ethical Considerations

The research was conducted according to the ethical guidelines of Campus Fryslan, University of Groningen, by completing the Ethics Checklist mandated by the University Ethics Committee. Informed consent is obtained from all participants, ensuring they are aware of the study's purpose, their rights, and how their data will be used. Confidentiality is maintained throughout the research process. See Appendix 2 for the informed consent form, which all the participants had to sign prior to participating in the interviews.

Results

In this section, the results of the interviews conducted during the research process are presented. In total, 5 interviews were conducted, and x number of possible interviewees were contacted. The 5 interviews allowed for a deeper understanding of the CSRD; they additionally identified nuances of the directives that were difficult to identify in the literature. An overview of the questions used in interviews can be seen in the table below. The themes in the table below were identified during the interviews; however, the theme regarding the Limitations to CSRD and Additional Insights can be found in the appendix, as they do not address the research question but could be important for further research conducted by me or others, as mentioned in the discussion.

Table 2

Overview Interview Questions and Themes with Corresponding Coding

	Interview Question	Theme Identified	Colour Code
1	What is the Corporate Sustainability Reporting Directive (CSRD)?	Defining the CSRD	Light Blue
1a	What exactly is the CSRD intended to do?	Purpose of the CSRD	Green
2	What do you as a subject matter expert, expect to result from the CSRD implementation in companies?	Expert Expectations of the CSRD	Orange
3	How does/has the CSRD changed the landscape of sustainable reporting?	The impact of CSRD on sustainability reporting	Brown
4	How is the outcome of a double materiality assessment intended to affect decision-making at the board level?	Double Materiality and decision making	Purple
5	How can decision-makers allow for the successful implementation of the double materiality assessments in their	Successful Double Materiality implementation	Pink

	company/organisation?		
-	-	Limitations to CSRD	Grey
-	-	Additional Insights	Dark Blue

Question 3 was left out entirely from the discussion section as it did not address the research question directly. The Transcripts of all Interviews can be found in the Appendices.

Defining the CSRD

The first interview question aimed to gain an understanding of the CSRD from industry experts. All the interviewees unanimously recognised the CSRD as a significant European law or directive, a recognition that underscores its profound impact on corporate sustainability and reporting.

Four interviewees identified the CSRD as a comprehensive law or directive established at the European level. It was further iterated that it was also embedded in the national law, indicating the two-tier system of legislative implementation. The directive was universally acknowledged as a legislative approach to ensuring the mandatory company reporting of ESG and sustainability matters. The scope of the directive, in which sustainability reporting must occur within large organisations, was also mentioned. The comprehensive nature of the reporting requirements, including the impacts, risks and opportunities an organisation may face and assurance, was highlighted. This related to interviewee 2's definition of CSRD as a "radical accountability and reporting development" due to the scope of the reporting, the prescriptive nature of it, and the extension of responsibility and accountability through supply chain institutionalisation of double materiality. Certainly at present, aligned and coherent with these wider goals.

Purpose of the CSRD

The interviewees had varying opinions on the purpose of the CSRD. Interview 1 identified the intent of the CRSD to be a two-fold standardising method for companies and the European Union. The Interviewee mentioned that standardising allows for "a better understanding of where the main influences" are regarding a company's sustainability work. For the European Union, it is to understand what we need to focus on and provide more fiscal resources to repair some industries or to advance some fields that we now have a significant impact on nature or societies that we need to rearrange somehow so that they would be in a longer-term more sustainable.

For Interviewee 2, the intention of the CSRD was that by making disclosure mandatory, it allows companies to be reflective of their organisational practices. Interviewee 2 further stated that quite a lot of research supports this notion. The Interviewee said, "I think a novel law of the benefit comes from the production of the report rather than the reading of the report.". Ultimately, the CSRD, according to Interviewee 2, is "changing the way businesses think about themselves before they do the reporting." Businesses have to explicitly state they are not looking at any sustainability information in their value chain. "So, I think it's connected to procurement and protected by regulation and governance." In short, you can see CSRD as part of the regulatory framework of corporations.

According to interviewee 3, the CSRD is aimed at providing transparency on a company's strategy, policies, impact risks and opportunities, and performance to help stakeholders have a proper dialogue with the organisation. But its primary goal is, of course, to enhance transparency and decision-making by both internal and external stakeholders. It is explicitly mentioned in the CSRD itself, so in the text of the law, and it's further and very detailed explained in the standard.

Interview 4 believes that the CSRD is intended to provide investors, financial institutions, and other stakeholders with the key impacts, risks, and opportunities of these organisations that fall under the CSRD. The Interviewee believed that this was so that the investors could make the right decisions for financial institutions. That means selecting the green companies and financing the green companies, and with that, redirecting the economy towards a sustainable economy for the government and also other stakeholders to have an overview of our progress, whether we are moving towards a sustainable economy, as that is what the EU ultimately intends to achieve.

Interviewee 5 believes that the purpose of the CRSD is to form and provide the "basic guidelines and handholds to work on the corporate social responsibility." In short, if you look closely at CSRD, it is guidelines and principles. Still, the intention behind the CSRD is to have a broader impact on society and to stimulate organisations to behave in a corporate and socially responsible way because they are reporting on their performances in those areas, and most likely, all stakeholders will go and review how they are performing. Inquiries may arise as an unintended consequence of the situation.

However, the responses in the interviews varied in terms of purpose, and a red string was identified within the answers of 4 out of the 5 interviewees. 80% of the responses mention the purpose of the CRSD as an identification strategy for industries that are heavy in pollution or carbon emissions. In that sense, it gives a much more expansive understanding of the company's societal role. "To me, certainly at present, aligned and coherent with these wider goals." The CSRD tries to achieve a better sustainability performance by the organisation by embedding a sustainability strategy, by embedding sustainability into risk and opportunity management, by having due diligence because you can't report on it if you haven't implemented this but how you as an organisation can take and should take your social responsibility within the broader context of the topics of environment, social and governmental like we are used to the old ESG topics. Ultimately, according to interviewee 4, "it will stimulate a lot of other jurisdictions, too."

Expert Expectations of the CSRD

The CSRD is viewed as a multifaceted tool for managing risks and addressing ESG topics crucial to companies. Interviewee 1 emphasises that the core concept of the CSRD is to conduct a double-materiality analysis, encouraging companies to concentrate on the most impactful areas. This analysis helps organisations to assess potential financial risks and opportunities posed by the broader societal context. For instance, the disruption caused by the Ukraine war to industries reliant on Russian resources illustrates how business models can be significantly challenged. The interviewee expects the CSRD to become a practical tool for managing ESG issues effectively.

Interviewee 2 sees the CSRD as a pivotal hope for transforming businesses towards sustainability and contributing positively to broader social contexts. They anticipate that the

CSRD will foster a growing body of robust, reliable evidence, facilitating company rankings and comparisons. This transparency will allow various stakeholder groups to engage more deeply with corporate performance, prompting businesses to rethink their actions. The directive mandates formal performance measurement, which is expected to drive behavioural changes within organisations, improve decision-making, and make the consequences of corporate actions more visible.

Interviewee 3 hopes that the CSRD will lead to the development of comprehensive strategies, integrating sustainability into risk and opportunity management, senior board remuneration, and board discussions. They believe it will enhance comparability between organisations and improve the overall quality of reporting. The intention is to elevate the commitment to transparency and sustainability at the highest levels of corporate governance. Which they referred to as “the tone at the top.”

According to Interviewee 4, the CSRD will help companies better understand their most significant impacts, risks, and opportunities. It will provide a baseline overview, guiding them in identifying substantial areas of concern. As the quality of underlying information improves through assurance processes, companies will be more aware of their progress, which will feed into their action plans and target-setting, thus aligning closer to their strategic goals. The directive is expected to drive changes in supply chains and business models, fostering value creation beyond financial metrics and promoting the development of transition plans.

However, Interviewee 5 expresses hope and caution regarding the CSRD. They anticipate that the directive will intrinsically motivate organisations to enhance their performance on ESG topics. Yet, there is concern that the CSRD could become an unrealistic bubble where the immense investment in compliance might not yield proportional benefits. The interviewee highlights the significant financial and resource investments required to meet CSRD standards, questioning whether the actual impact on the world will justify these efforts. They also raise the potential risk of greenwashing. The challenge lies in ensuring that "the benefits and outcomes of the CSRD outweigh the costs", maintaining a balance between necessary investments and achieving genuine progress towards sustainability.

The impact of CSRD on sustainability reporting

The interview results of this question highlight various perspectives on the CSRD and its implications. Interviewee 1 emphasised that the ESRS provide excellent guidelines for conducting double materiality analysis (DMA). These standards offer a robust methodology for self-assessment and goal setting. The interviewee also noted that sustainability reports must be audited by a third party, ensuring that companies have a comprehensive overview of their data, which aids in making sound business decisions. They pointed out that even if the CSRD is not directly mandatory for some companies, it likely affects their partners or is necessary for obtaining loans. This has introduced essential tasks, such as ESG strategy development and carbon footprint calculations, fundamentally altering business priorities and practices. According to this interviewee, companies must adapt to these changes to remain viable; otherwise, they risk closure.

Interviewee 2 highlighted that the CSRD requires all information to be reasonably assured, starting with limited assurance and progressing to reasonable assurance. Based on double materiality, this assurance process is seen as a strength of the CSRD, as it incorporates trust and legitimacy. The interviewee mentioned that the CSRD has moved away from a "middle ground" approach, integrating sustainability with broader business contexts and the Sustainable Development Goals (SDGs). This directive encourages a focus on business model sustainability, including the associated risks and forward-looking aspects, which is crucial for long-term success.

Interviewee 3 discussed the mandatory nature of assurance under the CSRD, which aims to improve the quality of information by ensuring it is material, comparable, accurate, and balanced. They noted that the CSRD builds on existing initiatives, enabling the rapid development of the ESRS. The directive extends beyond the ESRS by stimulating various jurisdictions to advance sustainability reporting standards.

Interviewee 4 pointed out that the CSRD has made sustainability reporting mandatory, shifting the focus from impacts alone, as seen in previous standards like the GRI, to include risks and opportunities. This change in content, incorporating double materiality, has raised awareness among governments, with large businesses subject to the CSRD, prompting national-level implementation and discussions about similar regulations elsewhere.

One key finding from Interviewee 5 is the increasing demand for transparency and accountability from organisations regarding their CSRD compliance. This scrutiny, coming from investors, banks, pension funds, and public action groups, is pushing organisations to demonstrate their adherence to the directive. However, this increased scrutiny also comes with risks. Public action groups, such as Milieudefensie in the Netherlands, are using this information to hold companies accountable, and regulators are becoming more interested in these reports, leading to increased checks and challenges. The interviewee also expressed concerns that the CSRD might become insular, given its European origins, and questioned its global applicability. They emphasised that while the CSRD has made ESG topics more explicit, which is beneficial, it remains to be seen how this will translate into global standards.

To sum up, the CSRD has not only introduced comprehensive guidelines and mandatory reporting requirements but has also fundamentally altered business practices and priorities. It has underscored the importance of quality assurance, stakeholder accountability, and government awareness. However, it has also raised significant questions about its global impact and applicability, particularly given its European origins.

Double Materiality and decision making

Interviewee 1 discussed the significant impact of the CSRD on corporate governance, emphasising that board-level approval ensures that sustainability reporting is integrated with financial reports. This integration holds the board responsible for the accuracy of the data provided. The interviewee highlighted the utility of these reports as tools for risk management and ESG management, enabling companies to focus on their most significant risks and opportunities. Moreover, they stressed the importance of understanding a company's influence on the environment, society, and workforce. The interviewee noted the variability in sustainability knowledge among companies, influencing effective decision-making. They argued that a broad understanding of societal trends, regional resources, and other external factors is crucial for making informed decisions that provide beneficial solutions.

Interviewee 2 expanded on the implications of the CSRD for board structures, noting that it mandates a shift in the type of evidence boards use to evaluate corporate performance. Previously, discussions at the board level might have focused solely on financial materiality, allowing for the externalisation of other costs. With the institutionalisation of double materiality, boards are now responsible for considering external impacts as part of their duties. This shift positions boards as "guardians" and advocates for the socio-ecological systems upon which businesses depend. The interviewee emphasised the importance of balancing financial performance with the potential negative impacts on income inequality, water stress, and biodiversity. They also highlighted the need for boards to understand complex interconnections within socio-ecological systems, sometimes necessitating the outsourcing of expertise.

Interviewee 3 described the two-way influence between materiality assessments and board decision-making. They explained that the strategy and decisions of an organisation inform what is considered material, while the outcomes of materiality assessments influence board decisions. This dynamic is crucial for aligning materiality with the mission of the organisation. However, the interviewee pointed out that assessing materiality is complex, involving short-term, medium-term, and long-term evaluations across different stakeholders. They stressed the importance of stakeholder dialogue as a critical input alongside board strategy and mission.

Interviewee 4 focused on the role of DMA in identifying material impacts, risks, and opportunities for reporting. They explained that the DMA is intended to integrate sustainability considerations into corporate strategy at the board level, driving companies to embed sustainability into all aspects of their operations. This expectation, while not explicitly mandated, underpins the broader goal of the CSRD.

Interviewee 5 discussed the interplay between DMA and strategy setting within organisations. They noted that the CSRD aims to influence strategic planning by highlighting areas of relevance and impact. The interviewee described a cyclical relationship where strategy setting informs DMA and vice versa. While strategies are typically set for the long term and revisited periodically, the DMA should be maintained continuously, with thorough reassessments occurring when strategic changes are made. This ongoing process ensures that sustainability considerations remain aligned with corporate objectives over time.

In summary, the interviews collectively illustrate the transformative impact of the CSRD on corporate governance, risk management, and strategic planning. Central themes are the integration of sustainability reporting with financial reports, the institutionalisation of double materiality, and the ongoing dialogue between materiality assessments and strategy setting. These changes underscore the evolving role of corporate boards in balancing financial performance with broader socio-ecological responsibilities.

Successful Double Materiality implementation

The interview responses reveal a range of perspectives on the importance and implementation of ESG principles within businesses. Each interviewee provided unique insights into how companies can integrate sustainability into their operations and strategies.

Interviewee 1 emphasised the necessity for company leaders, particularly at the C-suite level, to be deeply engaged in ESG initiatives. They view the current era, marked by climate, humanitarian, and economic crises, as a pivotal time for businesses to provide solutions that do not harm society. The interviewee highlighted the innovation diffusion theory, explaining that a small percentage of people readily adopt changes. At the same time, the majority are slower to do so due to their established practices and fear of economic repercussions. This is particularly challenging for traditional industries compared to startups that inherently integrate sustainability into their business models. The interviewee also pointed out the lack of knowledge and understanding of the CSRD among many business leaders, stressing the importance of comprehensive sustainability literacy across all departments. They noted that for effective ESG implementation, tasks should be clearly defined, adequately resourced, and championed by top management. The interviewee also underscored the necessity of dedicated project managers to communicate with internal stakeholders and ensure thorough ESG integration.

Interviewee 2 introduced the concept of an "impact algorithm "as a practical tool for companies to systematically evaluate and mitigate their effects. This involves aligning business activities with the Sustainable Development Goals (SDGs) and developing audit checklists similar to those used by pilots to streamline sustainable decision-making. The interviewee also highlighted the need for non-executive board members to enhance their sustainability literacy to ensure accurate interpretation of sustainability data.

Interviewee 3 focused on the importance of commitment from top leadership and broad involvement from internal and external stakeholders in sustainability efforts, as they put it, " tone at the top". They advocated for developing policies and actions addressing material topics and emphasised transitioning to circularity, renewables, and innovative business models like leasing.

The interviewee argued that sustainability should be viewed not just as a financial risk but as a core purpose that drives innovation and long-term value creation. They highlighted the value of starting with quick wins, such as improving energy efficiency and employee well-being, before building a more comprehensive sustainability strategy. The SDGs were noted as a global framework that can guide companies and considerable multinationals in aligning their strategies with global sustainability targets.

Interviewee 4 described the DMA as a critical tool for identifying and prioritising material topics based on their impact, risk, and opportunities. They stressed the importance of board validation of DMA outcomes and integrating these findings into strategic and performance management discussions. Effective CSRD and DMA implementation requires businesses to address measurement gaps and develop action plans, directing investments to the highest impact and risk areas.

Interviewee 5 echoed the significance of the "tone at the top" in driving ESG initiatives. They argued that decision-makers and board members must actively engage with and communicate the importance of sustainability, ensuring it is integrated into the company's strategy and operations. The interviewee emphasised the practical aspects of improving ESG performance, such as identifying operational levers to reduce energy consumption. They also advocated for an inclusive approach where leadership is open to suggestions from within the organisation, fostering a culture of continuous improvement and responsible behaviour. This involves defining policies, procedures, and controls that facilitate practical changes across the organisation, from upgrading production machinery to raising employee awareness of their environmental impact.

In summary, the interviews underscore the critical role of leadership engagement, comprehensive sustainability literacy, systematic impact assessment, and practical operational changes in successfully integrating ESG principles into business practices. The insights provided by the interviewees highlight the complexity and multifaceted nature of this integration, requiring a strategic, inclusive, and well-resourced approach.

Discussion

This thesis takes a unique approach to exploring how decision-makers and company leaders can effectively leverage the CSRD. It provides a comprehensive understanding of sustainability reporting and the CSRD's role in promoting transparent disclosure of sustainability issues by corporations. While the study builds on existing research methods, the author recognises the scarcity of knowledge about CSRD and fills this gap through semi-structured interviews. The methodology and findings of these interviews are presented, and the implications of these unique findings are discussed. Additional themes not related to the research question were identified, including the limitations of the CSRD, the political factors currently influencing the CSRD, and the political factors that the CSRD will influence.

Understanding CSRD

This study set out with the aim of assessing how organisational leaders and decision-makers can leverage the CSRD for their companies to become sustainable business models. In order to leverage the framework, it is important to gain an understanding of the CSRD, as it was noted in the results and the literature review that knowledge by organisational leaders allows for the effective implementation of sustainability strategies (Câmara & Morais, 2022; Lecha et al., 2023). The interviewees identified the CSRD to be a comprehensive law established by the European Union and national levels. It mandates company reporting of ESG and sustainability matters for organisations on IROs and assurance, leading to wider accountability and sustainability reporting development.

This study found that the purpose of the CSRD has varying interpretations, which highlights the expansiveness of the topics and goals addressed by the directive (Hummel & Jobst, 2024). It was argued that the purpose of the CSRD was to allow companies to become reflective of their organisational practice and to have transparency in decision-making by both internal and external stakeholders. The responses of the interviewees highlight the relation between CSRD and double-materiality and view the purpose of the CSRD with double materiality in mind. It was further iterated that the transparency will also allow companies to bring forth their strategies and IROs regarding sustainability, which is crucial for investors to make the right decisions about where to place their money. Lastly, the CSRD was unanimously seen as an identification strategy for industries that were heavy in pollution or carbon emissions to begin to identify their societal role.

The results of this study also identified multifaceted expectations of the CSRD by industry experts. These included companies being able to concentrate on their most impactful areas as due to the double materiality assessment. This was also corroborated in the literature by Hummel and Jobst (2024) and Figure 3, as the DMA depicted in Figure 3 is situated in the first step of data collection and classification in Figure 4. Another important finding is that the CSRD will foster a growing body of robust, reliable evidence, facilitating company rankings and comparisons due to its mandatory nature, which was mentioned as a necessity in the sustainability reporting by Frade and Froumouth (2022). However, there were some reservations about the future of CSRD as it was raised that the CSRD could become an unrealistic bubble where the immense investment in compliance may yield little proportional benefits. This notion enriched the understanding of the CSRD as it provided a nuanced understanding of the CSRD. It was further argued that the challenge lies in ensuring that “the benefits and outcomes of the CSRD outweigh the costs”, which implies balancing necessary investments and genuine progress towards sustainable business.

In regards to answering the main aim of the research question, which was how decision-makers can leverage CSRD, the following key strategies were identified.

Tone at the Top

Perhaps the most interesting finding was the "tone at the top," which reiterated the importance of commitment from top leadership and broad involvement from internal and external stakeholders in the sustainability effort. In an era marked by climate, humanitarian, and economic crises, an interesting finding was that we are in a pivotal time for businesses to provide solutions that do not harm society. Therefore, it was urged that decision-makers identify sustainability as a financial risk and a core purpose that drives innovation and long-term value creation.

The study identified that CSRD forces decision-makers and industry leaders to set the precedence for responsible behaviour within the organisation. This behaviour will, in turn, influence decision-makers choices to make their businesses more sustainable. This is because of the mandated need to discuss sustainability topics at the highest levels of these organisations. When comparing this finding to Figure 4, we see that the governance, strategy and business model are inputs for the final output of the sustainability report (Hummel & Jobst, 2024). This was identified as required data, which will mandate the kind of evidence and conversations.

The research reiterates that boards now bear the responsibility of considering external impacts as part of their duties, a shift brought about by the CSRD. This positions boards as 'guardians' and advocates for the socio-ecological systems that businesses rely on. The study also advocates for an inclusive approach, where leadership is receptive to suggestions from within the organisation, fostering a culture of continuous improvement and responsible behaviour. This entails the formulation of policies, procedures, and controls that facilitate practical changes across the organisation, from upgrading production machinery to raising employee awareness of their environmental impact.

The investigation found that decision-makers and board members must actively engage with and communicate the importance of sustainability, ensuring it is integrated into the company's strategy and operations, with emphasis being placed on the practical aspects of CSRD in improving ESG performance, such as identifying operational levers to reduce energy consumption.

Strategy Setting

The notion of the tone at the top was rooted in the responsible behaviour of decision-makers. The behaviour of these leaders has been identified as crucial for implementing strategies for sustainability advancements in the organisation or company. An essential result stated that the DMA is intended to integrate ESG sustainability considerations into corporate strategy at the board level, driving companies to embed sustainability into all aspects of their operations. Board validation of DMA outcomes and integrating these findings into strategic and performance management discussions was identified as the cornerstone of how decision-makers can leverage CSRD. Effective CSRD and DMA implementation requires businesses to address measurement gaps and develop action plans, directing investments to the highest impact and risk area explicitly stated in the EFRAG implementation guide. Organisational leaders and decision-makers can also leverage it.

Transition planning was identified as offering practical assistance for companies looking to implement double materiality principles in their sustainability reporting practices. It was suggested that decision-makers could identify best practices, tools, or frameworks to identify and assess material IROs, such as developing an "impact algorithm" as a practical tool for companies to systematically evaluate and mitigate their effects. The study unravelled the interconnectedness of the various sustainability frameworks by identifying the alignment of business activities with the SDGs and developing audit checklists similar to those used by pilots to streamline sustainable decision-making. The SDGs were noted as a global framework that can guide companies and considerable multinationals in aligning their strategies with global sustainability targets.

The study underscored the two-way influence between materiality assessments and board decision-making, which can be leveraged by decision-makers as a strategy tool. This dynamic is pivotal for aligning materiality with the mission of the organisation. However, it was highlighted that assessing materiality is a complex process involving short-term, medium-term, and long-term evaluations across different stakeholders. The significance of stakeholder dialogue as a critical input, alongside board strategy and mission, is consistent with that of the EFRAG (see Figure 3) and the research study. The cyclical relationship where strategy setting informs DMA and vice versa was identified as a point of leverage. The research study further supports these observations. While strategies are typically set for the long term and revisited periodically, the DMA should be maintained continuously, with thorough reassessments occurring when strategic changes are made. This ongoing process ensures that sustainability considerations remain aligned with corporate objectives over time.

Regarding the successful implementation of the CSRD, this study found value in starting with quick wins, such as improving energy efficiency and employee well-being, before building a more comprehensive sustainability strategy. It was further noted that companies in countries with smaller listings and smaller market maturity, like Estonia, can utilise such a strategy to mobilise the traction of sustainability reporting. It was advised that SMEs in smaller markets should not be discouraged by their governments' inactions with legislation to begin reporting, as they can start small and gradually expand their sustainability efforts and work their way up.

Executive Knowledge

Câmara and Morais (2022), have identified increased sustainability education as a way for boards to assume a more entrepreneurial role and support the fundamental transformation of business models rather than mitigate ESG impacts. The results of this study corroborated the literature of Câmara & Morais (2022), as it was emphasised that company leaders, particularly at the C-suite level, must be deeply engaged in ESG initiatives. Perhaps the most interesting finding of this theme is that the lack of knowledge and understanding of the CSRD among many business leaders needs to be addressed, stressing the importance of comprehensive sustainability literacy across all departments. It was reported that for effective ESG implementation, tasks should be clearly defined, adequately resourced, and championed by top management, referring back to the tone at the top. The results also underscored the necessity of dedicated project managers to communicate with internal stakeholders and ensure thorough ESG integration. The study also highlighted the need for non-executive board members to enhance their sustainability literacy to ensure accurate interpretation of sustainability data.

Limitation of research

The limitations of this study were identified as follows. Interview question 3 should have been phrased differently to address companies instead of the general field of sustainability reporting regarding the impacts the CSRD has made thus far. As a result of this misphrasing, question 3 was not viable in answering my research question and had to be cut. In the future, the interview questions should be more specific to the research questions. Additionally, the interviewee sample is a convenience sample, which can lead to biases. One of the possible biases in this case is that all the interviewees are from only 3 different countries, namely Estonia, the Netherlands and the UK, and therefore are not representative of the entirety of European countries that use the CSRD. Due to the time constraints of the study, it was difficult to cover the CSRD and therefore, more research is needed to provide more insights.

Future outlooks

During the research study, besides the aim of the research question, there was a recurring theme of possible CSRD limitations that needed to be covered by the scope of my research questions. As my research question in this paper aims to understand how decision-makers could leverage the CSRD to improve sustainability in their companies and organisations, the paper could not explore this. Future research can focus on the limitations of the CSRD, as seen in the grey coding in the appendices. Another proposal could investigate how CSRD has changed the sustainability landscape. The brown coding in the transcripts can be used as a prompt to spark further research. Lastly, CSRD is a new directive, and we are in its infancy; additional research is required to determine whether this directive is going to efficiently achieve its goals.

Conclusion

This paper aimed to uncover how organisational leaders and decision-makers can leverage the CSRD for their companies to become sustainable businesses.

The study found that the tone at the top was crucial for the successful implementation of the CSRD. Decision-makers need to position themselves as the initiators of sustainable practices. Strategy setting was seen as a crucial way in which these implementations could be done. The nature of the DMA ensures that companies can identify topics that will be implemented in their strategy. Additionally, the knowledge which decision-makers have regarding CSRD and sustainability reporting, needs to be sufficient enough for them to make the necessary decisions to make their businesses sustainable.

The findings of this research are significant as the first year of reporting begins next year in 2025 and so it allows academia as well as decision-makers with insights as to how they can fully engage with the CSRD. We can only know the full potential of CSRD after years of its use and how it has changed organisations. Recommendations for further research include investigating how the CSRD has changed the reporting world and the limitations of the Directive.

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Appendices

Appendix 1: Interview Guide

Interview questions:

1. What is the Corporate Sustainability Reporting Directive (CSRD)?
    a. What exactly is the CSRD intended to do?
2. What do you as a subject matter expert, expect to result from the CSRD implementation in companies?
3. How does/has the CSRD changed the landscape of sustainable reporting?
4. How is the outcome of a double materiality assessment intended to affect decision-making at the board level?
5. How can decision-makers allow for the successful implementation of the double materiality assessments in their company/organisation?
6. Do you have any questions for me?

Appendix 2: Informed Consent Form

INFORMATION SHEET

From Detection to Implementation: How Organisational Leaders Can Effectively Implement Their Double Materiality Assessments.

Dear [insert name]

Thank you for your interest in participating in this research. This letter explains what the research entails and how the research will be conducted. Please take time to read the following information carefully. If any information is not clear kindly ask questions using the contact details of the researchers provided at the end of this letter.

WHAT THIS STUDY IS ABOUT?

This thesis aims to understand how company decision-makers (organisational leaders) can effectively implement double materiality assessments for transitioning towards sustainable companies. The research focuses on the Corporate Sustainability Reporting Directive (CSRD) and its impact on corporate governance. It examines the challenges companies face while adopting sustainable practices and how they can effectively use their double materiality assessments to transition towards becoming more environmentally friendly. The study will include a systematic literature review and semi-structured interviews with experts. You have been included in this study as you have been identified as an expert on CSRD. As the topic of CSRD is still in its infancy, your expert knowledge will be valuable in bridging the gaps in the literature and providing an on-the-ground understanding of the topic.

WHAT DOES PARTICIPATION INVOLVE?

Your participation in this study will require you to answer five main questions related to the CSRD and the role of organisational leaders in implementing the outcomes of the double materiality assessment. The interview is not limited to these questions prepared as we will elaborate on topics and information as they arise during the interview. Additionally, you will be required to invest up to 40 minutes of your time to conduct the interview.

DO YOU HAVE TO PARTICIPATE?

It is essential to understand that your participation in this study is entirely voluntary. As a participant, you have the right to withdraw from the study at any time, without any negative consequences or the need to provide a reason. Additionally, you may choose not to answer any questions if you do not wish to do so.

ARE THERE ANY RISKS IN PARTICIPATING?

During the interview, I will not ask you to share any confidential information related to you or your organization. Moreover, to ensure maximum security and privacy, the recordings of this interview will be stored in a secure hosting platform provided by the University of Groningen. Once I have concluded and submitted my thesis, all the information collected will be deleted.

INFORMED CONSENT FORM

I kindly request you to sign the informed consent form if you have the intention to participate. You may withdraw from the research anytime after signing.

WHO SHOULD YOU CONTACT FOR FURTHER INFORMATION?

Mandipa Lecha

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INFORMED CONSENT FORM

Title study: From Detection to Implementation: How Organisational Leaders Can Effectively Implement Their Double Materiality Assessments.

Name participant: [Enter your full name]

Assessment

- I have read the information sheet and was able to ask any additional questions to the researcher.
- I understand I may ask questions about the study at any time.
- I understand I have the right to withdraw from the study at any time without giving a reason.
- I understand that at any time I can refuse to answer any question without any consequences.
- I understand that I will not benefit directly from participating in this research.

Confidentiality and Data Use

- I understand that none of my individual information will be disclosed to anyone outside the study team and my name will not be published.
- I understand that the information provided will be used only for this research and publications directly related to this research project.
- I understand that data (consent forms, recordings, interview transcripts) will be retained on the Y-drive of the University of Groningen server for 5 years, in correspondence with the university GDPR legislation.

Future involvement

- I wish to receive a copy of the scientific output of the project.
- I consent to be re-contacted to participate in future studies.

Having read and understood all the above, I agree to participate in the research study: yes / no

Date

Signature

To be filled in by the researcher

- I declare that I have thoroughly informed the research participant about the research study and answered any remaining questions to the best of my knowledge.
- I agree that this person participates in the research study.

Date

Signature

Appendix 3: Interview 1 Coded

Interview 1 Recording 1

Transcript

Interviewer 00:00

Alright, so firstly I'll just begin by asking if you do consent to being in this interview this morning.

Interviewee 00:08

Yes. Sure.

Interviewer 00:10

Perfect. Thank you. All right, so I will begin with the first question, which is what is the Corporate Sustainability Reporting Directive, also known as CSRD?

Interviewee 00:26

So this is a, like it says in the name, it's a directive that's worked out in the European Union. It has gone through all of this very democratic process of how the European Union works and all of the union members did have their voice to participate in this. So now it's a directive that all of the union members have to adapt to their local law system basically. So and it's all about the, like we know that when companies have to provide data about their financials, now they also do have to report their data on sustainability ESG. The environmental issues, social and also about governance, how these big companies are run and whether their policies. And it's mandatory now only for the financial institutions and big companies, but soon also for the smaller ones that are on the stock market. So this is a big picture how I would frame it.

Interviewer 02:00

Nice. And then in terms of the, you mentioned governance and policies, what are the certain regulations if you know any about the governance and policy strategies within these companies?

Interviewee 02:15

Yeah, like ESG strategy, also due diligence, for example, it's also another directive coming from European Union that is CSDDD, which is this due diligence directive. And it really depends on the field that the company is working on, but there are many, many local environmental papers that they need to provide anyway already. So I would say that it's more for standardizing sustainability work, not to implement something completely new. It's just that we need that the companies would be comparable.

Interviewee 03:10

used to be sustainability was like a question of interpretation how someone would interpret what is sustainability now it's based on scientific research based on the real problems that we need to tackle in Europe like biodiversity

Interviewee 03:32

marine resources, water resources, that we would deal with the things that have currently the biggest problems.

Interviewer 03:46

Yeah, all right, thank you so much for further explaining on that. And then I will go to the second, or 1A, the sub-question of this question, which is, so what exactly is the CSRD intended to do in that regard?

Interviewee 04:05

I would say that it's for standardising the company's sustainability work and to have a better understanding where are the main influences from the companies and to the European Union particularly it's to understand where do we need to focus on and provide more fiscal resources to repair some industries or to advance some fields that we know that have a huge impact on nature or societies that we need to rearrange somehow that they would be in a longer-term more sustainable.

Interviewer 04:54

So we can view the CSRD as a form of an identification strategy on industries that are heavy in pollution or in carbon emissions in that sense.

Interviewee 05:07

Yes, yes, sure, because the carbon footprint emission calculation is also mandatory in CSRD.

Interviewer 05:21

All right. Thank you for answering that. So we'll move on to the second question, which is what do you as a subject matter expert or topic expert, expect to result from the implementation of CSRD in companies?

Interviewee 06:01

In companies, this is actually now the interesting part. At least I can say what's going on in Estonia, we see that companies don't really understand the benefit of CSRD to themselves. I see differently now that we have done some double-materiality analysis for some of the big Estonian companies. I see it as a risk management one way and also to deal with the ESG topics that are really relevant to your company because the base concept of CSRD is to conduct double-materiality analysis, which is analyzing the impact on nature, on the environment, on societies and also what's the impact of your governance style. And there you understand that, okay, you can be in charity or whatever, but you have to still deal with questions where you have, for example, a very huge carbon footprint, where you have a big impacts. So it's a good basis for making an ESG strategy for companies, really.

Interviewee 07:32

to really focus on the things they have the biggest impact on and on the other side also assess the possible financial risks and opportunities that this whole society around us, with its strengths, can provide. For example, we have a very good example here in Estonia that if you had built up your whole industry on the resource that came from Russia, the Ukraine war obviously cut this line. So the business model was in big question on how to proceed.

Interviewee 08:29

So I see it as a very practical tool to manage ESG, but of course what's frightening for the companies is the big amount of data they have to start to collect. It's the same thing, you can't do good decisions based on... I mean you can't do decisions about your budget if you don't know the numbers. It's the same with ESG, if you don't know the numbers you can't make good decisions.

Interviewer 09:07

Yeah, yeah. And then would you say that the like you were saying that there's a huge amount of data that needs to be collected in order to kind of assess your risks and opportunities whilst doing double materiality? Do you or could you maybe indicate some other limitations that come or reservations let me put it that way that companies may face when it comes to undergoing such assessments of themselves besides data collection?

Interviewee 09:40

Well, currently there are, well, basically this ESRS institution that made the CSRD standards. They provided very good guidelines how to conduct double materiality analysis, but still the methodology there is, it's not that certain that there is always a possibility that the differences in methodology still provide some differences. So I see that if the companies currently, everyone start to develop their own methodology.

Interviewee 10:28

There is a, I don't know, maybe a risk that we still don't understand or we can't compare everyone because of that, and it's a big thing with the carbon footprint.

Interviewee 10:49

calculations that there are not really comparable in some cases because all the companies are so different and they're working in different areas. But then again it's still very good methodology how to assess yourself for your own progress.

Interviewee 11:08

So it's still relevant for a goal setting I would say.

Interviewer 11:13

Interesting. And then just because you mentioned in the self-assessment part, do you think that self-assessment is the best method because it may not be as objective as, if you get what I mean, so there might be that objectivity that's lacking because you're assessing yourself, in a sense, so...

Interviewee 11:35

Well, but the reports will be audited by the 3rd party.

Interviewee 11:42

so this is mandatory so I'm not that afraid of that. I'm rather seeing that until the companies don't have very good system in place or routine in place or the methodology until then it's definitely much easier and cheaper for them to bring a consultant in to help them to start this process but then again I'm personally a consultant so then again I would say that okay am I then afraid that my role will not be necessary anymore? I would say no because I mean companies still have to have the whole overview of their data to make good business decisions.

Interviewee 12:41

and I can't go to all of the fields or all of the industries because I don't know the specifics of these industries. I can provide them the methodology and help them to set up this reporting but I'm not an expert in their particular field so every time when I make assessment or report to someone that is not engaged themselves I feel that this is a work that's not really having any good results because I would rather see that these company owners C-suite level people would be very very interested and engaged in all of this ESG work because I see this basically as an opportunity to let's say that when the old business model was like that okay I'm generalizing it's not that bad but we all know this narrative that there are these bad big bad corporations who are draining the resources and having a huge impact on the environment and they are taking the gain and the society have to deal with the consequences. Well I see that the new business model nowadays where we live is that because we are already living in a time of crisis we have climate crisis we have humanitarian crisis we have economic crisis and they're all connected really because they all influence each other. I see that the advance or you can make a good business rather now when you provide some solutions for these crisis. So this is what I mean by responsible business that for example you are capable of providing some service or product to people without harming society.

Interviewer 14:49

Yeah. Okay. I understand. That's a lot of very interesting things have not come up from that because you've just touched up on where we're kind of going in terms of the questions. So the next question was how does or has the CSRD changed the landscape of sustainability reporting? I would also say maybe the business landscape as well because you've already touched up on it.

Interviewee 15:22

Well, everybody has to have their data now, because even if CSRD is not mandatory to you, probably it is mandatory for some of your partners. Or if you want to get the loan, then you already have to fill many Excel tables. So I would say that there are some new hygiene level tasks that everybody needs to do, like this ESG strategy, for example. Also, the carbon footprint emission calculation. So it's changing the whole business environment priority I would say. It changes the

Interviewee 16:15

language, how we talk about business, also the practices, the routines. It's just that there are still many, many of the participants in this scene who are not aware or lready for this, but this doesn't mean that it's not happening already. I see this is happening and it's like kind of like a wave that you either you go and surf from the wave and get benefits and go along with it or you drop by and I would really say that if you don't become sustainable as a company then you're probably, it means that there's at some point you need to close your business.

Interviewer 17:05

OK, wow. And then because we're in this conversation, you mentioned how providing solutions for these crises that you mentioned through the economic crisis, political, environmental, humanitarian, do you think that that transition from a company that maybe wasn't thinking about these things to then starting to try and find solutions within their industry for these issues, do you think that is something that can be easily done or it would need time to phase into that new industry?

Interviewee 17:39

Well, here we have to understand how innovation diffuses in societies in general.

Interviewee 17:48

there's this innovation diffusion theory that there are a small percentage of people who go along with changes quite easily and like 10 or 13 per cent who go along with these so-called front runners and then there is huge gap. Most of the people in societies in evolutionary reasons they never go along with big changes really quickly we have to understand that so it's the same in the business environment we want to do rapid changes because there are too many people who for example have built up their businesses they know and they have been successful they they have their experience and they just don't believe that or are afraid that if they rapidly will start to change something that this will definitely mean that there's a huge economic backlash from that so it's easier for definitely for the startups you know the newcomers who are already building their business model based on the sustainability business model and it's more difficult for the old industries I would say but then again I have to say that even in Estonia it doesn't mean that they are not doing anything because they are smart people they know their risks they understand how the political field is changing so they too definitely explore the new business opportunities especially when there are some I don't know European Union finances or investments involved

Interviewer 19:47

Yeah, yeah. So then would you think that some companies may view CSRD and the quick implementations because it's 2024, 25, 26 as rapid changes or there's an understanding of why it's happening so fast?

Interviewee 20:03

in Estonia there is no understanding because it came like out of the blue for many companies although actually it should have been like that that they would have had like the opportunity to also participate in these negotiations but it's just a matter probably of that our country is so small and communication doesn't I mean it's easy to communicate but because everybody has to do everything on the same time it's just kind of like if it's not happening now then you don't have the time to really put the effort so in Estonia the companies perceive CSRD as something that just came somewhere out of the blue and now in two years you need to start doing it and there are even many of the companies who still don't know that they have to do it what does it really mean but yeah so there is rather this mentality that it's some kind of stupid law that just came from out of the blue from Europe and nobody asked from us but here we have to also understand the specifics of the Estonian market that there are not too many big corporations here there are only around 200 CSRD compliant companies and they too work in many many different fields at the same time

Interviewee 21:47

So it is difficult for them to provide data because when they contact their maturity assessment they have to basically provide all the data, I mean if you're just working in some specific field you can leave some of the topics out.

Interviewer 22:07

Yeah, yeah, that makes that makes a lot of sense. Thank you for answering those questions quite extensively. So we're going to move on to the fourth question, which is how is the outcome of a double materiality assessment intended to affect decision making at the board level?

Interviewee 22:29

Well, because the board level has to sign it then it goes along with the financial report. They really need to they have a responsibility also that the data provided is correct. So I would hope that they would start to see this benefit that all of this Big work that you need to do for double maturity assessment You can really use this as a risk management and ESG management tools

Interviewee 23:08

And to focus on the biggest risks and biggest opportunities and also have an adequate understanding of your company's influence on environment, on society and on your own workforce for example.

Interviewer 23:30

All right. And then you mentioned understanding the biggest risks and opportunities. So then what happens about the opportunities that may not be that big? Do they just fall out of the scope of the company or are they also considered to some extent?

Interviewee 23:49

I mean this is the board members' decision or the C-level people's decision that sometimes you also, it's also very good to, I don't know, pick the low-hanging fruits to do something. So I would say that the reporting doesn't say what the company should do, how they should manage their ESG or risks, it's just giving a much wider understanding of the company's role in society.

Interviewer 24:32

So do you feel this lack of maybe decision-makers, let's call them, so your board level and your C -suite, do you think that the lack of kind of guidance as to what they should do with these assessments or their risks and opportunities makes it difficult for them to implement or it allows for them to do what they may with their assessment?

Interviewee 25:00

I mean, there's probably a question that they don't have. Oh, I wouldn't say they don't have. I would say there is a huge difference in different companies about the knowledge about sustainability. And that really plays a big role on decision making as well, that if you don't understand sustainability, in general, or you're not interested in that, then it's difficult to make decisions only based on these company data points, because you have to understand the bigger picture, what's happening in the society in general, too. Do you know already that what's the, I don't know, what's the...

Interviewee 25:56

resources in the region you're working, or how does the migration affect the country, whatever it depends really on field that you work and what's the topics that influence you that you can make a good decision where you can provide a good solution for some kind of a problem that is beneficial for people that people are willing to pay for.

Interviewee 26:29

Yeah, so I would say that the lack of knowledge is a problem, probably, and also a lack of understanding of the benefit. There is not too many good examples to show that, or business cases to show where we can say that, okay, doing this really good ESG work really helped us to reach a new limit, for example.

Interviewer 27:04

Thank you. And then, just a quick question, do you think there's an important role for sustainability committees within companies in these decision-making roles, or do you think non-executives and executives need to have that sustainability knowledge themselves? Or can both of these things play a role?

Interviewee 27:26

I mean, I'm definitely in that department that I believe that everybody has to know the sustainability, understand the sustainability topics. I mean, not every everybody, but in all of the departments, all of the management, or in all of the system, people have to understand these topics because it's the same that imagine you have a company filled with people who don't understand anything about the financials. I mean, you can allow only maybe in the very low level that people don't understand the financials, but everybody has to start to have to understand something to guarantee that the company is successful.

Interviewer 28:16

All right, well thank you for answering that question. And then the last question is, how can decision makers allow for the successful implementation of the double-materiality assessments in the company or organization?

Interviewee 28:41

I'm sorry.

Interviewer 28:42

How can decision makers allow for the successful implementation of the double materiality assessment in the company or organization?

Interviewee 28:54

Okay, yeah, they have to give a clear task that is necessary and it's needed to be done and they also have to provide resources for that. I mean, it never works out when the initiator is not on the board level or high top in the company because everybody has to be really involved in the company for the assessment and I don't know, maybe it's not the problem elsewhere but it sometimes happens that all of the CSRD or double materiality task is given to someone who has a table full of other tasks already. It's too massive thing to give it just for someone that they would focus on half the time, especially because most of the time these people have to, basically they have to start to read what it's about and I don't know for our company that is the international consultancy company, it took almost two years to develop the double maturity and CSRD services so I wouldn't and it was international team who did it in collaboration. I wouldn't imagine really that they would be working in some company and given this task for just like, you know, we need to do it, let's do it.

Interviewer 30:32

Yeah. Now I understand that. And then so would you say that maybe decision makers need to start considering having in-house teams that can work with external parties to kind of conduct these assessments within their companies?

Interviewee 30:47

Sure, at least the project manager because even if we do double materiality and make a lot of the work in there we still need someone who would be communicating with all of the internal stakeholders

Interviewer 31:09

OK, all right, well, that then concludes all our questions. I have a whole load of information. Thank you so much for answering everything so extensively and really just letting everything flow all your knowledge. It's been absolutely amazing to even hear some of the literature that I was reading kind of resurface again in our conversation and also get new ideas on new things as well because I asked a lot of questions in between that I hadn't listed because it was very engaging. But thank you so much for your time and for being here with me today.

Interviewer 31:11

I really enjoyed the interview. And then just lastly, I wanted to know if maybe you have any questions for me.

Interviewee 31:23

uh yeah i would maybe ask that the even if you don't know the conclusion of your work at the moment where do you see like developing at the moment

Interviewer 31:06

So it's a really good question. So right now, the title of my thesis is From Detection to Implementation. So I'm trying to explore ways in which decision makers can really enhance their process when it comes to materiality assessments. Because with previous research that I had, there was lack of information, like knowledge, like you mentioned, that they really didn't know sustainability well, or they felt an easier on sustainability because there's already a lot of backlash from external stakeholders. So I'm basically exploring this previous research that I did and trying to see, OK, now that the CSRD has been implemented, because at the time, I was using different frameworks. And now there's this new framework. Now that it has been implemented and these guidelines that prior, they said that they felt as if they didn't have any guidelines or ways in which they could actually start doing sustainability reporting, how can they most effectively use these frameworks to ensure that whatever it is that they want to get done actually gets done? So I'm really just exploring the literature, the on -ground conversations like what we're having, so the knowledge that professionals have, just to see where everything actually is. Because right now, I think there's just a lot of information flying around. There's a lot of greenwashing happening. There's a lot of people maybe who want to do things genuinely. And I'm just trying to go through all the information. So I only know once it's completed what exactly is there. But that's just my idea for now and where I'm trying to go.

Appendix 4: Interview 2 Coded

Fri, 05/10 10:05AM · 49mins

Transcript

Interviewer 00:00

So we're recording here. Perfect, good afternoon. Before we begin, I would like to just ask for your verbal consent to be a part of this interview.

Interviewee 00:11

Yes, I'm more than happy to be involved in line with the consent form and the information you've sent in advance.

Interviewer 00:22

Perfect. All right. Thank you then. So I'll start with the first question, which is what is the Corporate Sustainability Reporting Directive, also known as the CSRD?

Interviewee 00:36

Yeah, in some ways it's a very radical accountability and reporting development. It's one of the first, I'd say, systematic approaches to mandatory corporate reporting on the sustainability impacts, dependencies and kind of review of performance but also it's kind of forward-looking as well and it also has a requirement that it needs to be appropriately assured. So it really is a massive kind of like step change in sustainability reporting for businesses. In a number of ways, the scope of the reporting, the prescriptive nature of it, the extension of responsibility and accountability through supply chains, you know, I suppose the institutionalization of double materiality. It really is, for me, it's a very important development in this field and also given that it's embedded, it's not just too many reporting systems with sustainability are disconnected from other kind of social programatics or other kind of policy developments. You can see the way in which it's embedded within the EU Green Deal. So there's a stated purpose which is really, really unusual for reporting things that normally just fade things. So we've got this Green Deal, we've got political consensus around it, not total consensus but we've got political consensus around it and we've then also got things like the taxonomy, we've got the platform for sustainable finance. So it's really embedded within other kind of like policy development and you know kind of wider sustainability programatics that are actually ongoing.

Interviewee 03:11

And it seems to me, it seems to me, certainly at present, aligned and coherent with these wider goals. And so it's almost like the first time somebody sat down and thought about all these things in an organised way and then came up with the CSRD. Really interesting developments as well. You know, you've got the idea that of its kind of extension from the non-financial board and directive to include beyond financial institutions to look at. And the way in which it's rolling out as well over time. So it's starting off with certain large organisations and kind of headquarters in the EU. And then moving towards businesses that have a, I can't remember the exact phrase, but I think it's like a substantive business, indetifiable business in Europe. So it's a way of kind of extending it down. And already things like the cross-border C -VAM type adjustment is extending the reach of the CSRD. I also see the CSRD as a potential point of conflict, which I'm really looking forward to see how this plays out. And that's the conflict between the CSRD, which crudely I would say is doing sustainability reporting properly, but the ISSB, which is just playing and is not going to have... I cannot see how it can have any prospects of actually transforming the world. So I think CSRD is our best hope for transforming businesses to become less unsustainable and then to become kind of regenerative kind of contributions in a wider social space.

Interviewee 05:21

But I'm quite like, you know, a little bit interesting going on. And it's what strikes me is also it's been very, I think, it's politically aware. It's been a little bit long in the making, but it seems to have done a lot of the work backstage.

Interviewee 05:45

get the law of field position and prior to prior to kind of like coming into the surface yeah but it will be interesting to see how it plays out in the next little while you're already starting to see some people going whoa you're gonna get it to this

Interviewer 06:01

Definitely, I think this now leads quite nicely into the second part of the first question, which is what exactly is the CSRD then intended to do?

Interviewee 06:14

Yeah, that's a good question. I think for me, a lot of it is asking questions to business about what they're actually trying to do. I have a slightly strange, a flip back and forward on whether reporting is a good thing.

Interviewee 06:45

And I kind of like, you know, just producing a report for people to read make a difference. I'm not sure. I'm not sure on that one. I think there's a lot because a lot of really good reports that haven't been read. And then one of the big problems is you read them.

Interviewee 07:06

However, I'm always struck with some research that goes back. There's quite a lot of research that sort of backs this up. It's actually the questions that are asked by the people preparing their report. Within the organization, it asks them questions. It asks them to think about what they're doing so that they can then produce the account. And I think a novel law of the benefit comes from the production of the report rather than the reading of the report.

Interviewee 07:40

and that you know that you kind of people are going oh people are going to see we're not doing anything on our supply chain.

Interviewee 07:47

Okay, and when you have voluntary disclosures you can go let's not mention that

Interviewee 07:55

This one you don't have a choice to mention if you have to then say no we're not doing you know you have to explicitly state we are not looked at any of the accountability through our kind of fair value chain. We've not looked at certain types of activities, we've not looked at climate risks.

Interviewee 08:15

And I see it very much as a kind of almost like a set of really robust questions that the businesses have to, things are asked of them, they have to reflect and they have to answer. So it's more than reporting. I think that's the thing for me, it's very much about changing the way businesses think about themselves before they do the reporting. It's interesting when you look at the preparation and then a lot of the things which businesses are doing, it's like how do we do this, we don't have this information, and it's a very systematizing those questions and I think they're often the right questions to ask as well.

Interviewee 09:12

Now, the difference is that because it's mandatory, it's then going to be produced in a format. You know, you've then got the data portals, analysts can potentially jump on it, and then move all the way through. But again, I just kind of feel that the capital markets and analysts are not really, you know, they've had the opportunity to do lots of information, use lots of information, and change their practices for a long, long time. And they have massively failed to do that. Whereas things like what's been more effective, I think, is things like procurement and regulation. So I think it's connected to procurement and protected to regulation and governance. So the fact that it's basically you really can see CSRD as part of the regulatory framework of corporations.

Interviewee 10:14

More than a report is what I am trying to say.

Interviewer 10:17

Yeah, okay, I noted that down. And then, still, because you mentioned some really interesting things in the first question that I think are still quite relevant for where we are. You mentioned something about that the CSRD needs to be appropriately assured. Do you mind elaborating on what that means?

Interviewee 10:41

Yeah, so there's most there's, there's, there's two, critically, there's two types of assurance that there's one called reasonable assurance. And, and the other one is limited assurance, as assurance. Now, there's quite, there's quite a distinction. So reasonable assurance means that an independent institution looks at the data and confirms what the company has said about itself is truthful, or true and fair, or is accurate.

Interviewee 11:26

and so they kind of like say they get control over what information, how they investigate, how they decide that something is truthful or you know not misleading. Limited assurance is the company decides what information they share with the assurer

Interviewee 11:51

And the assurer says, based on the information you have provided me, I can't see anything wrong with what you've said.

Interviewee 12:04

So, it's a little bit of a kind of a nerdy distinction, you know, like you go, well they're both assured. One is, if you think about yourself, a reasonable assurance type standard is you then go and look at a company, you ask them questions, you, you, and if you can't get the answers, you go, I cannot assure you. Yeah, yeah. If you don't give me that information, I'm not giving you assurance. The other one is, they give you something and they say, hey, do you think that's okay? And you go, and you can only look at what they're providing, and you go, okay, that's all right. Now, most, right now, most of the sustainability report information is disclosed.

Interviewee 12:54

is not assured and the bit that is assured is limited assurance.

Interviewee 13:02

Whereas financial information is reasonably assured.

Interviewee 13:07

Right? So there's these different, there's not assured limited assurance and reasonable assurance. And the CSRD is actually within it is requiring all information to eventually be reasonably assured.

Interviewee 13:30

So everything's going to be limited assurance and then moving towards reasonable assurance, which is change and you know, change is the default. The default is a company can say what it wants and somebody says yeah, that's okay. Now you turn it around to say other people have to agree.

Interviewee 13:54

after giving them access. So that's a different thing. And the other thing is that the assurance is based on double materiality.

Interviewee 14:05

which is an important distinction so that means that the impact of the businesses in for example on different sustainable development goals has to be assured as well.

Interviewee 14:19

So, that's a distinction as well, because right now, the only things which are only financial, it prescribed financial disclosures are actually reasonably assured. And even if they get the ISSB, they're not moving towards reasonable assurance, even with just the financial material. So, you've got that. So, that distinction is quite an important distinction.

Interviewee 15:01

That's within the air.

Interviewer 15:03

So this movement towards the reasonable assurance can be seen as a strength of the CSRD, if I'm not mistaken.

Interviewee 15:09

Absolutely. Yeah, massively, massively so.

Interviewee 15:15

because it gets kind of trust, legitimacy in there. And if you want to know any more about that, you should go and have a chat with them. Take [redacted] she wrote the book on this.

Interviewer 15:29

Then I can definitely look into her book then.

Interviewee 15:34

Absolutely [redacted] is just like she's awesome in this. She was, she was banging away on on the assurance issues way, way, way back. So I'm you know, so in her debt and that one bit.

Interviewee 15:54

If you need any more, [redacted] means you.

Interviewer 15:57

Perfect. And then I think we can move on to the third, the second question. What do you, so as a subject matter expert, expect to result from the CSRD implementation in companies?

Interviewee 16:21

I think, I would hope that one is that companies are now going to be producing information that can hold them accountable for their impact on what size, probably for the right to actually do. So right now you can't really do any comparative analysis.

Interviewee 16:55

company's sustainability performance and that's including things like using Bloomberg and all these ESG ratings which are kind of like nonsense as well because at the core of them they are purely voluntary and self-reporting and they have really nothing to do with sustainability. This may be really extreme but you know um I think theres alot you have to be totally sceptical on voluntary information companies are providing.

Interviewee 17:33

I hope that there's going to be a growing body of robust, reliable evidence, which would allow you then to do certain kind of rankings and comparisons, you know, at best in class, even to identify things, look for various things for people to engage with that.

Interviewee 17:55

I think the CSRD will allow different stakeholder groups to engage with companies and look at the performance. So I think you should be able to see things like customers and suppliers should be able to kind of get a sense on what the company is doing. I think communities, like things like particular NGOs or activist groups that should be able to kind of identify what type of things are going on, whereas right now they don't really have any kind of information, and what we're really looking at is a change in from information that's really just purely been provided for owners and capital providers. Now we've got to get some information about stakeholder accountability. I think a lot of what I'd really like is that nothing really to do with the reporting, but actually it causes the businesses to change their behaviour.

Interviewee 19:09

Yeah, so I mean, I think the holding people are pointing out that companies have destroyed an ecosystem. Yeah, after the ecosystem has been destroyed is rather a kind of a victory. Yeah, because it's dead, it's gone be able to get it back. Where we could think about the CSRD by looking at getting the companies to rethink what they're doing and say well actually next year we're going to have to disclose the destruction of a wetlands.

Interviewee 19:46

We wouldn't do it. That we wouldn't want to be associated in public with working with a particular supplier who's got the problematic labor issues or they are tax avoiders or they are, you know, their, you know, kind of creating all sorts of different kind of issues there. So my kind of thing is just by changing what people are held accountable to.

Interviewee 20:21

how they're going to have to formally measure the performance, that should change their behavior. So that would be the real, for me, that would be the hope. That's the question, is that that's what it's all about? Will that happen? This is effectively an experiment. Don't just really done it.

Interviewee 20:50

But there are other studies which demonstrate when people, you know, so for example, when things like voluntary campaigns are on use of modern slavery and supply chain, that has seemed to have an impact. It hasn't eliminated it altogether.

Interviewee 21:14

Not everyone, but generally speaking, the companies that have the most accountability for the issues, the contents are included in the CSRD.

Interviewee 21:24

actually changing their behavior and their better performance and those that don't mention it. So it changes the discourse within organisations, it changes what's notions of success and hopefully it will improve the decision-making because you're now making the consequences more visible.

Interviewer 21:50

True. Yeah. Because you're putting companies under the microscope now, right? So they have to make sure they own their best behavior. So then we'll go into the next question now, which is how does or how has the CSRD changed the landscape of sustainability reporting?

Interviewee 22:15

I think that's something which I think is still maybe an open question. I think what it has done is, I think it's changed the shape of the landscape of reporting in a significant way, you know, because you know, often you get this, we've got to be honest. And look at reporting standards as a political process. And so there's elements of politics and there's often you see the discourse kind of like is driven by the by the extremes, you know, so, you know, if you go kind of like say has a sort of like, you know, mad fascist extreme socialist communist Marxist type type of kind of parties, you know, you know, Donald Trump and then moving on to North Korea or something like that broad spectrum and then you have the kind of the debate that's going on.

Interviewee 23:43

But if you then look at certain things where you take away these extremes and the debate becomes very centralized and it can be re-centred and things like that, and I think for a long time, so we had things like the GRI and things like the IFRS and you could see that there was quite a bit of distance between them. But then we've had the corporate reporting kind of like dialogues and we've largely seen that kind of a slightly centering coming together and a sort of a market-based consensus only bothered about the, you know, so you've had some like integrated reporting but soon its original idea has had some quite good ideas and then suddenly they switched. So they were only looking at the investors. You know, whereas before they had six capitals where they look at all these different stakeholders.

Interviewee 24:50

And then someone along the line that just said, nah, we're just going to focus on investors.

Interviewee 24:57

And then they largely became very similar in no real distinction. And it was all voluntary, and it was all about avoiding regulation. And it was the now the CSRD has come in and walked away from that middle ground.

Interviewee 25:20

Look, it's going to be compulsory, it's going to be double materiality, you're not having this choice.

Interviewee 25:29

And what it does is it's then changed the shape of the discourse, and it's now setting itself up as... There seems to be a feasible, sustainable alternative to the debate that's actually going on around voluntary reporting.

Interviewer 25:53

So you mentioned a feasibility, I guess, that comes with CSRD. Maybe you can elaborate how you view it as being feasible.

Interviewee 26:02

Yeah, I mean, I think it's, you know, there's an awful lot of, I think, you know, noise about sustainability reporting, if you say it's too difficult.

Interviewee 26:16

We can't measure this, we can't measure that, it's too costly.

Interviewee 26:23

nobody wants it, nobody reads it, and there's no, you know, we produce reports and nothing, no, you know, they're getting it in the back. So there's all this kind of thing which, as I've seen, is complicated, it's messy, we can't do it, we shouldn't be asked to do it, and please don't ask us to do it, because we, you know, it's really hard, and it's not fair, and why are you asking us, and all this other, and, but the reality is, when you go and talk to these companies, and, you know, hopefully you will, you'll go and say, and you'll suddenly go, wait a minute, you've got all this data, you've had this data for five years, you're using this data.

Interviewee 27:03

to do things. Yes, yes, yes, but not everybody has, so it's not fair on everybody else. Wait a minute. You can do that. You find it useful, but you don't think other companies are going to know it because they wouldn't be as good as us. They wouldn't even be there. It's not fair on small companies and these poor small companies and they wouldn't have this information and they don't really care about sustainability. We've been posing stuff on them and we damage the economic efficiency of our country and you don't want to do that. You've been on a planetary all the time, just any kind of excuse. When you go to small companies, they're going, of course you've got that stuff. I can tell you. I can tell you right now. And what they're really doing is they're (CSRD) saying , okay, it can be done. Here's how you do it, you know, and it's turning it around. It's this thing, you know, about changing the default, saying you can do it.

Interviewee 28:13

We say you do it, you will do it.

Interviewee 28:17

And you can do it to your best of your ability and we'll give you time to get better at it, you know We'll you know, we'll be kind of reasonable It turns around to say so are you telling me as a business you do not do Look at the risks of climate on your business model.

Interviewee 28:40

And you're honestly telling me you don't do that.

Interviewee 28:43

Are you telling me that you're not looking at the impact of climate-driven or sea level rise-driven migration of populations on your business model? You don't look at the economic prosperity and economic inequality.

Interviewee 29:04

part of your business model. You don't look at vulnerability through conflicts to your supply chain.

Interviewee 29:13

No, you know, you're like, okay, if you don't do that, and you genuinely don't have any information, you have a dreadful business, because these are no, these are no unreasonable things.

Interviewee 29:31

people for businesses to do these are then so I think the CSRD has actually really done a nice job in taking the intersection between sustainability the wider context the SDGs and and the kind of things that businesses need to be successful you know that's why they begin to focus on the business model

Interviewee 29:56

sustainability of your business model, the risks of your business model

Interviewee 30:02

The forward-looking stuff and then actually saying you know it's also surfacing stuff that's already going on in businesses, you know and I say well you're already doing this maybe start shaming it so I think the feasibility and honestly I mean if you go in I don't know if you've had the opportunity to talk to stuff like business people that come to talk to you and they're you know for your course or you've talked to policymakers or people in governments and like this they're already doing this they're claiming that they're not and there's a difference between you know doing something and then disclosing it

Interviewee 30:47

And I think that's really what it's actually meant to do, and I personally don't think that sustainability should be a commercially confidential thing, you know, so, like, do it often, at least as far as I can say, but we don't share it because it's confidential, it's commercially confidential.

Interviewee 31:11

And I just go, no, so you're just allowing other people to, you know, to basically screw up on, but you're okay.

Interviewer 31:24

That leads us really nicely into the next part, which is about the decision-makers, so your C-suite and your non-executive board. So my next question is, how is the outcome of a double-materiality assessment intended to affect decision-making at the board level?

Interviewee 31:47

I think in a few ways, one is that it should change the evidence that the board, if you look at the board structure, it should change the evidence that the board gets to evaluate what's going on.

Interviewee 32:14

You know, so if you just have financial materiality, then all you would have discussed at the board is things which affect the financial performance and financial kind of viability.

Interviewee 32:30

of the firm, which actually allows the externalising of other costs, because not everything is monetised.

Interviewee 32:40

And a lot of things are not monetized in the short term, you know, so you could look at, you can do things like start to, you know, degrade an ecosystem.

Interviewee 32:53

The old thing is that, so you start off with a forest, and how many trees do you cut down before it stops being a forest? You're in that transition point, so you can chop away, and from the very beginning, depending on what you cut down, you've destroyed the forest in 100 years, because you cut the big trees down, or you do things in a different way, so the consequences, the temporal consequences of what's actually so going on, whereas now you hope with double materiality, where you've now effectively institutionalised, and you're almost giving the board the responsibility to consider the external impact as part of their job.

Interviewee 33:46

They then could become the guardians of the external systems. They could become the advocates for the other systems, other socio-ecological systems upon which the business depends in that regard. So you'd have thought that the range of evidence and consequences, they're provided, and then they're able to balance. So you'd hope that when you move on to something like when you've got financial materiality for a financial performance, you tend to be looking at maximising and optimising. I think when you start to look at double materiality, you look at balancing and harmonising. There we go. To hinge from a maximisation, type logic to a harmonisation.

Interviewee 34:45

more about trying to look at the balances, the trade-offs, and actually then sort of like, okay, well, you know, it's, you know, you could get hard, difficult, you'd hope you'd get difficult conversations in there, which is saying, is this increase in our financial performance worth the damage that we're impacting on income inequality in developing countries, or trade and water stress, or, you know, kind of like biodiversity, kind of destruction. You'd hope that would be the case. So, you know, you shouldn't have a broader, more representative self-criterion metric upon which to make the decision. However, you're going to have to train them to do that, because one of the problems is, and there's lots of research on that, when you give people a massive data about different performances, and you don't give them structure and mechanisms to handle it, they default to what they knew before, so they just, like, oh, so you give them all the information.

Interviewee 35:58

We go, return on investment. I know that one. So you've got the familiarity in there. So I think there's also a real challenge for the non-executive directors and for decision makers on how to use double materiality information because it won't happen, right? If you're just giving people more information does not change the decision process.

Interviewee 36:26

They need evidence on how to interpret the data, how to handle it and do things like that.

Interviewer 36:32

Okay, so that's really interesting that you say that because would you then think that something like a sustainability council that is at board level or at decision-making level where you have these experts in sustainability is then required in companies to then effectively consider these issues after?

Interviewee 36:52

If you don't have the literacy or expertise, there's no point in producing the evidence.

Interviewee 37:01

You know, so that's not true, that's not true. There is a point in doing it. If you, because it then creates the, then it likes external screening to say you're not doing it. So therefore you have to, so it works as an arbour. So it is important, but generally speaking, if you've got, particularly if you're thinking of it, it's often worthwhile to think about the, you know, the staging of say like a board. So like if you're, you've become a non-executive director.

Interviewee 37:36

You're not involved with the company on an everyday basis. True. Maybe go up four times a year.

Interviewer 37:41

every quarter.

Interviewee 37:43

And it will be an afternoon. Yeah. It will be an afternoon or maybe a day.

Interviewee 37:49

and then you then get some information.

Interviewee 37:55

provided you beforehand, but you maybe read her, you maybe don't read, you know, and then you turn up at a meeting, and then the chief executives or the other kind of executive board come to you and say, you know, we want you to make a decision now, or we want you to judge, we want you to do that, and you've got to think about, you know, so who are these people? Who are these non-executives directors?

Interviewee 38:20

You can get an ecologist who knows nothing about social justice, not the idea of functional ignorance. How do we interpret that? How do we do things? I've got some friends who are doing some research on pension funds and sustainable pension funds. They've been asking for more information from the companies. They've got power because it's not public disclosure. They're saying, if you want us to invest in your company, you better tell us about it this and that. Don't do that. You're right, our scheme. We're not going to invent, we're going to disinfect with you. What they found was they found that actually the trustees who were the equivalent of the non-executive directors.

Interviewee 39:16

were struggling. They couldn't interpret the data that they were being given. Some of you might be a [Virginialist] and they're getting data on the environment. So they then had to prepare, they got sustainability consultants and just exactly what you said, to take the data and then to prepare a summary and a dashboard.

Interviewee 39:38

Highlight problems risks stuff like there and then the people were able to know the trustees were then able to make meaningful comparison

Interviewee 39:48

but just giving them a spreadsheet with 20 columns.

Interviewee 39:55

you in advance so that.

Interviewee 39:57

You know, really struggled, really struggled to do that.

Interviewee 40:01

So actually the production of data without ways to analyze it, and that could be giving them tools, giving them models, giving them dashboards or people interpreting it for them.

Interviewee 40:16

is very important, but we just can't assume that everybody has sustainable stuff because it's all, I mean, if you really look at sustainability, things like resilience, but looking at interconnections between complex wicked interconnections and sociological systems, and for a long time, I've been sort of like, you know, this idea of 17 dimensional, I think, come across this in tutorials where you've got to go, you know, we've got to do 17 dimensional thinking and narrative and evaluation, and that breaks down a lot of computers. The dynamic connections, due to the power of 17 different combinations and partners and configurations, and even more so when you then say, well, I'm just going to look at social or I'm going to look at these different things, cluster, you do these different things, so that then becomes really, really kind of important, and unless you've got a way of doing that, because it's very much like, I use the analogy of a 17 -dimensional rubic cube, you know, you change one, and you don't know what's going to happen with all the other kind of bits, and sometimes they go together, sometimes they're not connected at all, other times go in opposite directions, and things like that, so it's not trivial, and I think there's a big education and literacy thing needed in that space.

Interviewer 41:57

Definitely and I think so far I think a lot of organizations have realized that especially at the non-executive level and you're seeing a lot more of these executive programs and trainings and that are being hosted by various organizations trying to combat this like knowledge gap but that's that's yes I absolutely agree with what you're saying so now we're moving on to the last question for the day well that's for you and the last question is how can decision-makers allow for the successful implementation of the double materiality assessments in their company or organization

Interviewee 42:39

I think it's, I'm going back to the answer to the previous questions, first of all, they need to be, they need to start to be able to think about these different components. It's at this stage I start moving towards my book.

Interviewee 43:14

So, a lot of it, so there's quite, it's a really good question and I think it needs an awful lot of rethinking and re-engineering within businesses in particular. We're starting to understand, one of the things which I kind of get is, it's almost like trying to get people to think, it could be like an impact algorithm, so you're trying to get an impact algorithm where you do some, you say okay, so watch, because the thing is there isn't a generic answer to that, it depends on who the decision -maker is. Definitely. And what you need to do is start off with the decision -maker and they need to say okay, so I'm a procurement manager for this business.

Interviewee 44:22

And I use the kind of the SDG, so if in my business what sustainable development goals do I positively impact on, do I negatively impact on, do I depend, and I've got some form of control over. So they need to do that initial connectivity mapping with the different systems and the different things that they can then do. That then creates, as I said, a mapping of the impacts.

Interviewee 44:55

that they do and then they need to start thinking and you can do this qualitatively with, okay so if I decide to go for a low carbon solution

Interviewee 45:18

what's going to be the impact, positive, negative, who depend on whom are going to upset, who are the winners, of these different things people need to start thinking

Interviewee 45:29

about the connectivity, the impact in a systematic and algorithmic way.

Interviewee 45:37

The reason for that is that what typically happens is people, if you don't do that, they'll miss things out. So for example, a production engineer is unlikely to think about the social justice or injustice of certain characteristics of making something more energy efficient.

Interviewee 46:04

And they don't look at the transitions and the knock-on effects.

Interviewee 46:12

So you need to do this systematically, and you need to avoid chucking the problem somewhere else.

Interviewee 46:27

that's often what's doing and it can be in a lot of cases it can be unintentional because they've not asked the question and that's it there so I think there's I think there's a real need to there so I think one of the things is developing terrible audit like checklists same way the pilot checks of before flying a plane. Oh it is really

Interviewee 46:55

complicated to fly a plane. Yeah. It's actually really complicated to make a sustainable decision. What's wrong with having a checklist? A checklist, yeah. A sustainable checklist. Yeah. Ask the questions and if you don't know you don't know. True. You know you don't know and you're making the decision in the context of ignorance. You need to sort of like to look at taking things like sustainability strategies and developing, you know, transition pathways, transition road map. We kind of used to think positive pathways so you know you kind of got a positive pathway but you need to figure out where are we, what's the problem and stuff like that.

Interviewee 47:42

I'd say that's a great big gold margin business.

Interviewer 47:47

Perfect, and I'd have to really look into it and hopefully get some answers. And this is the book that you wrote, yes?

Interviewee 47:58

Yeah, and we kind of like try and unpack. So basically, this book is really about trying to operationalize the sustainable development goals for businesses.

Interviewee 48:12

including kind of things like a accounting and stuff like that.

Interviewee 48:17

It's kind of, because it's from a, we've run our search center and that was, this was the kind of made outcome of what we did. So it kind of makes these things. And so, um, but it's, it's that, you know, the really important thing is, is that we just cannot assume by giving people more data, they will change their decision making process.

Interviewee 48:46

I think for a long time, a really long time in our research, I mean really it was focusing on more data, better data, more evidence and then sort of like noting that actually despite these things, nothing was happening and actually what was happening was more, it just meant more information was being ignored and excluded from, because you didn't

Interviewee 49:14

You know, you didn't tell people how to interpret it. Yeah. They were just giving people, numbers.

Interviewee 49:21

But green has gas emission data. So full annual emission data.

Interviewee 49:26

Ah, but they haven't a clue how to use it, they won't interpret it, in fact most of the people are interpreting it wrong because they don't understand what the data is and making decisions to increase climate impact.

Appendix 5: Interview 3 Coded

Tue, 05/28 10:08AM · 36mins

Interviewer 00:00

Good morning. Before we begin I would like to ask for your consent to be a part of this interview.

Interviewee 00:09

Yeah, hereby I give my consent for this interview

Interviewer 00:13

Thank you so much. All right, so I will start with my first question, which is centred around the CSRD. So question number one is what is the corporate sustainability reporting directive?

Interviewee 00:27

Oh, that's a big question, but it's European law that needs to be embedded into national law and it's about sustainability reporting by all large organizations and all listed organizations in Europe as well as those who have a big turnover in Europe.

Interviewer 00:59

And then if I may go into the next question, what exactly is the CSRD intended to do?

Interviewee 01:09

Yeah, its intention is to provide transparency on a company's strategy, policies, impact risks and opportunities and performance to help stakeholders to have a proper dialogue with the organisation. But through its transparency, it eventually also tries to achieve a better sustainability performance by the organization by embedding a sustainability strategy, by embedding sustainability into risk and opportunity management, by having a due diligence, because you can't report on it if you haven't implemented this.

Interviewer 02:04

So you can't report on the sustainability and your strategy if you haven't done the due diligence if I'm right

Interviewee 02:12

No, you can't report on a strategy or targets if you don't have embedded in your organization. So through transparency, they also try to improve sustainability performance within your organization. But its primary goal is of course transparency enhance transparency enhance decision making by both internal and external stakeholders.

Interviewer 02:53

All right. I understand. Thank you so much for that. And then going on to the second question, what do you as a subject matter expert expect to result from the CSRD implementation in companies?

Interviewee 03:10

Yeah, I hope it results in developing strategies. I hope it results in embedding this into risk and opportunity management, embedding this in remuneration of the senior board that the topic is being discussed by the board and the non-executive board. And so, and of course improve transparency because over the last 30 years we have seen that companies increased their sustainability report but it was just limited to a certain large organization. And at a certain point of time there wasn't very much improvement anymore and there was no comparability. And one of the big purposes also of the CSRD is to improve this comparability between organizations. And so not only increase the number of organizations that's going to be transparent but also increase the quality of reporting including comparability.

Interviewer 04:34

Yeah, I definitely agree with that and then just kind of going back into the transparency because I think it links to the comparability. You mentioned like these I would say dimensions of a good corporate governance in that sense in the ESG framework so do you think that CSRD aims to kind of unearth good governance within organizations and if that's the case maybe you can elaborate further on that.

Interviewee 05:02

Yeah, so its intention is certainly to elaborate the governance around sustainability and sustainability reporting. Because so far that was very poor within organizations and therefore you will see it in the CSRD in the law itself. The whole description on corporate governance, remuneration and etc. is in the law. And in addition there is some additional information in the standards (ESRS). But on governance you will find quite a lot in the law itself. And the intention is really to enhance the “tone at the top” and their commitment to transparency and their commitment to sustainability.

Interviewer 06:05

So then, would you say there's a relation between transparency and another interview we brought up the term responsible assurance? Maybe there's a link between that or I'm just kind of jumping.

Interviewee 06:19

No, no, assurance has a different goal. The reason why there was assurance now mandatory to this is to improve the quality, the quality of information. And so the quality is whether the information is material, whether the information is comparable, whether the information is accurate, whether it's balanced. So all these quality characteristics, that's really the purpose of assurance and whether it fulfills all these characteristics.

Interviewer 07:00

Okay, and to some extent would you say that the CSRD also within its framework aims to kind of embody these characteristics of having transparent information, quality information and so forth?

Interviewee 07:12

Yeah, so it's explicitly, again, mentioned in the CSRD itself, so in the text of law, and it's further and very detailed explained in the standards.

Interviewer 07:27

And these are the ESRS 1 and 2 standards.

Interviewee 07:30

Yeah, I believe ESRS 2 has a very detailed description of what the quality of information enhances.

Interviewer 07:43

So I think then we'll move on to the next question, thank you so much. How does or how has the CSRD changed the landscape of sustainability reporting?

Interviewee 07:59

Yeah, the CSRD builds already on existing initiatives. That's why also the ESRS could be developed so quickly. It relies quite heavily on what was already developed by Global Reporting Initiative (GRI). But we also had some other initiatives that are included. Everyone says, well, the double materiality is new. But that was also already included in the predecessor of the non-financial reporting directive.

Interviewer 08:34

Okay, yes, yes, I remember that. the NFRD.

Interviewee 08:36

the NFRD. I think it was also a little bit down side of the CSRD because it tried to incorporate so many initiatives that in the beginning it would result in a huge workload for the companies but eventually the last version of the CSRD is entirely based on materiality so nothing is mandatory anymore except for certain information in the ESRS2 but all the topics itself are based on materiality by the organization so that still organizations can select those topics that are most relevant for them.

Interviewer 09:34

Yeah, so then from that statement, I have two questions. The first one being, so if I understand just the timeline correctly, so we had the first iteration of CSRD, and you were saying that that one was a bit more broad and more taxing on companies because of what was expected of them, and so then it was kind of honed in on the materiality aspect because that was more, I think, applicable in that sense if I understood correctly.

Interviewee 10:03

Sorry, the connection was a little bit bad, but you are talking about the history of the CSRD, between the first version and the final version. So the first version incorporated almost everything and say that a lot of topics were mandatory and there was a certain opposition against it because it would result in a huge workload. And then based on the double-materiality, people could select already and then the second version was then climate change and employee-related matters would be mandatory to all and the rest based on match reality. And the final version was everything based on materiality.

Interviewer 11:04

I see. And then in the materiality, does the governance aspect also then come out because we mentioned it previously, right?

Interviewee 11:11

Yeah, because the governance part is in the law itself, so that's always applicable. And it's also certain parts of the ESRS 2 are also always applicable. To always say something about your strategy, about your goals.

Interviewer 11:40

So, yes, so now at question four, which is how is the outcome of double materiality assessment intended to affect decision making at the board level?

Interviewee 12:10

Okay, so on the one hand, you see that the strategy and decision-making of the organisation is an input to what could be material, and on the other hand, the outcome of the materiality assessment influences board decisions, so it's a two-way traffic street, and because also companies themselves, of course, need to direct where they are going to and what they want to achieve, so a materiality assessment is a very important input to what could be of relevance, but the board themselves also have an important input to that, because it needs to be aligned to the mission of your organization itself, too, so you will find there is some additional guidance, on the materiality assessment and how this interlinks with the board and with the strategy, and there you very clearly can see this two-way influence.

Interviewer 13:32

And then just to kind of elaborate on this question, as I've been having the interviews, this idea of the subjectivity of deciding what is material and what is not material has been coming up, and I wanted to know your opinion on this, because it's quite interesting on my part to say, okay, this is material for me and this isn't, and maybe it might become material or maybe it is material, so maybe you can elaborate on that a bit.

Interviewee 14:00

Yeah but materiality is a very difficult threshold and it's materiality on the short term, medium term, long term, it's materiality to different stakeholders and so it's not just a simple exercise you need to do different types of evaluations and in the end you bring them all together. And yeah some people say well it's asking particular stakeholders and then decide what is material but that's not the case. The stakeholder dialogue is also like the board strategy mission, one of the inputs. So you start with a very long list and the ESRS provide you guidance what that long list could be with all the topics. But you need to downsize this to a short list. Yeah. And you need to document all the decisions that you are making and you have these as I mentioned topics on the short term can be different than on the long term and you need to have everything. So for example on the short term you can say well I'm focusing on energy efficiency. Yeah. But in the longer term you can focus on using complete different type of resources, renewable resources. You can also focus for example on if you have scarce materials on material efficiency on the short term as a very important topic and the long term is circularity for example. I see. So your goals and your indicators can be different depending on your time frame.

Interviewer 16:13

I understand. Thank you so much for explaining that. And now we're moving on to the second last question, or the last question that I have for you, which is how can decision makers allow for the successful implementation of the double materiality assessments in their company or organisation?

Interviewee 16:39

How can decision-makers allow for the successful implementation of the double materiality assessment in their companies or organizations?

Interviewee 16:50

Yeah, I think what is very important is the commitment from the “tone at the top” that everyone becomes involved so that making such an analysis is using also very much the internal external stakeholder dialogue, get people involved and so the people also become committed to what could be very important topics and is very important for its success. And further it's very important that if topics are material that you also develop policies with respect to those topics and that you have action simulations to those topics.

Interviewer 17:44

And then yes, because now there's that commitment to it and it brings me to this I think term or idea or other framework I would say that I've been seeing a lot in my research, which is transition planning If you're aware of the term, do you think that this is not a point in which a transition plan enters into the conversation?

Interviewee 18:05

Yeah, so I think the transition is very important for those longer term. So transitioning to circularity, transitioning to renewables, transitioning your business model rather than selling goods, maybe to leasing, to... Yeah. But also, if you say, for example, a light company, that rather than selling light bulbs, that they sell lights, including everything around it. But also that they think about the bigger problems like nutrition, and because we become some pressure on our food system, that you can also think about using lights for agriculture, and then you don't need any pesticides, for example. So also think about what different type of ways your products and services can be used, and what's the ultimate goal of your organization? What's the ultimate goal of the services and products that you are providing? How can you help and seek opportunities to solve global challenges through your products and services? That's ultimately what you want to have on the long term.

Interviewer 19:45

Nice, okay well that's actually a very interesting take because now we're looking or we're getting into value creation, right? Creating some form of value in the world or in your community or in your immediate area and then how do you then balance the value creation and then the profit? Because that is I think where the um's and ah's lie, where people are on the fence about.

Interviewee 20:06

But that's the point. If you see sustainability solely as a risk, then you will also see it solely from a financial perspective and you will have this old-fashioned perspective that sustainability costs money. I'm in this field for 35 years and still this perception is alive. Well, you need to look at those opportunities, those business opportunities. And those business opportunities are there within sustainability and it results, value creation to all these stakeholders including nature will result in profits. You just need to develop a good business plan. And that's the purpose of companies, they develop business plans. So they need to... You can ask a person in the factory like these light bulbs, what are you doing? And he says, well, I'm doing a particular thing within this light bulb. Another person says, no, I'm making lights. I'm making light bulbs and another person says, no, I'm developing a product that can do this, this and this. It's a complete different vision. And so you want to move more towards what is the purpose, actually, what is really the purpose of your organization.

Interviewee 21:45

And if you have this very clear, then it also leads to new to product innovation, service innovation, and also leads to turnover.

Interviewer 21:57

That's really interesting because this is something that we're really talking about right now in one of my economics classes about this idea of production and what an individual person sees in their production line and what value they kind of get from that production and then the social value that comes from that production as well. So it's really not interesting to hear this being re-inforced from it.

Interviewee 22:19

Yeah, so if you are used, and this afternoon I have, that's why I'm in the car, I have to do presentation for a board. If you only look at financial statements all the time, only look at money all the time, then your whole decision making is focused on money. If you, every time, get an added value to stakeholders overview, every time, your type of decision-making will become different because all the time you get different type of information.

Interviewer 22:52

Do you think that a lot of like board members or non-executive directors and executive directors are ready for this shift in that?

Interviewee 23:03

Oh, it's very difficult for them because if you are, I'm speaking to people who for 40 years of their career, only solve financials. And so if they have to transition, every transition results in people not willing to transition. It's scary to transition. And so you have to overcome this and show the business opportunities.

Interviewer 23:36

I see. And then just quickly a question popped into my brain about something that I previously heard. Because the directive is on the European scale. I would say I've kind of now defined them as much more mature economies have already started implementing the directive on a national level, right? So for instance, the Netherlands is very stern on it and other big economies like Germany is also quite stern on it. But smaller countries within the EU that may not have as big economies are still lagging behind. And one of my participants said that because their economy is not mature, it doesn't have these big listings, they see that they're still quite behind within implementing the CSRD. So what's your take on this? Do you think maybe that is a challenge of the CSRD? How could maybe the CSRD improve this? Or is it already planned for with the next iteration of listings like the smaller enterprises, I think, that will then come into effect in 2025? If you get what I mean.

Interviewee 24:40

Yeah, yeah, so they have a longer time period in order to implement. But they, and then you can also start, of course, you can first start with your employee related matters. So you can first start with the more or less quick wins. Very often this is some information already available within these organizations. Yeah. But they never recorded this properly in a structured way. And so, and gradually you can add particular topics. Yeah, yeah. So I would, and all these 30 years ago, all these big companies also started with first describing their operational efforts. And that's a logical way to follow.

Interviewer 25:36

so to an extent you can say if you want to be in front of the curve Start with the small wins and then gradually build your way up to the much more difficult material topics

Interviewee 25:46

Because those companies very often also first need to increase awareness. So first you increase awareness and then gradually you build your value creation in a more holistic way. It's too, yeah, sometimes you have those innovative companies that start immediately with a mission, like in the past, The Body Shop. Yes, yes. So you always will have those companies, but they are not the majority. That's true. And so for a majority of companies, it's better to start from scratch with where you can see the visibility of energy savings and that it saves the environment, but also saves your costs and for employee-related matters, where you can have a better employee well-being, which reduces your illness rates, for example, all these quick wins.

Interviewer 26:56

That's a very interesting point that you've brought forward because I think, especially when it's something this huge and that sustainability is such a buzzword, I think people always just want to dive headfirst into it. But just incremental steps does get you to the destination.

Interviewee 27:12

I've also been involved in the United Nations since 1995 and so I've seen a lot of countries in development see them developing and in the United Nations we also developed guides on how to report and we only focused on 10 indicators, so what are 10 very important indicators to report on and start with them.

Interviewer 27:44

And now that you've mentioned the United Nations actually then I think you're quite familiar with the SDGs do you think yeah the SDGs are important to incorporate in like in the company framework so the way that a company does its business or

Interviewee 27:59

I think the Sustainable Development Goals are kind of global language where we need to head on globally.

Interviewee 28:09

And so you can see the global challenges and you see a lot of national governments, including the United Nations, every year they collect a lot of statistics and where we are. So this can be your guidance.

Interviewer 28:32

On a global scale, right?

Interviewee 28:35

on a global scale. If you are talking about smaller medium sized enterprises, which you have a lot of, like you'd say in certain countries in Europe, it's a bit, maybe it's for them one step too far.

Interviewee 28:52

Yeah, but for larger listings that are multinational corporations

Interviewee 28:56

it's clearly the way where you need to go to. The whole European legislation is also based on the sustainable development goals.

Interviewer 29:05

Yes, yes, I hear you, okay, and the European legislation just to confirm which one is this one?

Interviewee 29:11

Oh, it's the whole global plan. So it's the European Green Deal, everything, eventually, because also Europe wants to be sustainable in 2050. And so by subscribing to the Sustainable Development Goals, they also have implemented a lot of, in their master strategy of Europe, their sustainable strategy. And so it's embedded in the Green Deal, it's embedded in sustainable finance disclosure and all these different types of legislation.

Interviewer 29:46

And do you think, to some extent, the success of the CSRD, like maybe 10 years from now, could act as a patent for a global kind of implementation? Do you think the CSRD is applicable elsewhere, like globally, or is it something that's just unique to Europe?

Interviewee 30:05

Yeah, I hope it will come globally. I do think, in Europe, we are quite stakeholder oriented and the UK, US, it might more still stay shareholder-oriented. But I think without the CSRD, the International Sustainability Standards Board wouldn't move so quickly as they do now. So it stimulates a lot of other jurisdictions too.

Interviewee 30:40

Although they most likely don't go as far as the European Sustainable Reporting Directive, it has stimulated a lot of jurisdictions to move forward.

Interviewee 30:57

And the International Sustainability Standards Board will have a huge influence, I think.

Interviewer 31:02

Yeah, that's really good to hear because now the links are coming together because that's something that was also said beforehand that the CSRD is kind of this catalyst for other they're called reporting directives to kind of also improve and kind of catch up now to the directive which is really interesting.

Appendix 6: Interview 4 Coded

Wed, 05/29 15:56PM · 23mins

Transcript

Interviewer 00:00

So good afternoon. Thank you for being here. Before we begin, I would love to ask for your consent to be a part of this research.

Interviewee 00:09

Yeah, no worry, absolutely. I'm here with my verbal consent in addition to the written consent.

Interviewer 00:16

Perfect, thank you so much. Okay, so we'll start with the first question. I have five questions, so we'll begin with the first one. Which is what is the corporate sustainability reporting directive?

Interviewee 00:43

That is a directive issued by the European Commission that requires large companies in the EU to basically report on their ESG, environment, social and governance related matters. Both the impacts they have and the risk and opportunities that they face or may face. And have also assurance on that report. That's the very basis of it. In addition, this will also apply, the CSRD also includes regulation for non-EU groups, certain non-EU groups.

Interviewer 01:34

Okay. And then these non-EU groups, just to kind of build on this question, how are they identified? Is there a specific law that says we're looking specifically into this or like what's the relation then to those non-EU groups?

Interviewee 01:46

Yeah, so for non-EU groups, first of all, they need to have a large subsidiary or branch in Europe, in the EU. They would need to have more than 150 million turnover in Europe. And then they would be eligible to report, as from 2028, on their impacts, not on their risk and opportunities, but on their impacts.

Interviewer 02:17

Okay. Perfect. Thank you so much. And then moving on to I think the next part of the question is, so what exactly is the CSRD intended to do?

Interviewee 02:29

It intends to provide investors, or I should say financial institutions, as well as other stakeholders about the key impacts and, again, risk and opportunities of these organizations that fall under the CSRD, so that they can take the right decisions for financial institutions. That means selecting the green companies and finance the green companies, and with that, redirect the economy towards a sustainable economy for government and also other stakeholders to have an overview of our progress, whether we are moving towards a sustainable economy, as that is what the EU ultimately intends to achieve.

Interviewee 03:34

Yeah, and would you say that investors have a very important role in this process then? Because you mentioned them first. Yeah.

Interviewee 03:43

Yeah, so the basic thinking of the EU is that in order to get to a sustainable economy, we need the financial sector to redirect capital flows into the right direction, and therefore the investors, I say investors, but I mean more financial institutions, it's a bit broader than investors, but we need them to redirect our capital towards the sustainable activities.

Interviewer 04:18

Okay, perfect. Thank you so much. So the second question is, what do you as a subject matter expert expect to result from the CSRD implementation in companies?

Interviewee 04:31

um that depends a little on what you mean do you mean like what it what it will result in in terms of reporting or do you mean performance improvement or i would say strategy in progress

Interviewer 04:44

I would say a holistic overview of expectations is also great.

Interviewee 04:49

Okay. Well, so I think first of all, it will result in a better understanding of the most significant impacts, risk and opportunities for these companies. More than they already may have. And for those companies that, let's say start with this reporting before they are now mandated, it will give them that initial baseline overview of how this is where we have the major impacts or risk opportunities. Although they, let's say, implicitly know that already, but it will be larger. Better. The second on the back of that will be that the information underneath will be of better, will get a better quality. Yes. Because it will be subject to assurance, et cetera, et cetera. That, I think the CSRD will also make companies aware that that it's really about the progress they make. And therefore it will be input for, it will be input for their action plans and setting targets and therefore connecting it closer to strategy, to what is it, what we really want to focus on, steer our own investments towards and with that get to better performance and become more sustainable. Final is a kind of, well, it is quite indirect is that we may see companies really becoming more sustainable because they start to change supply and change business models, et cetera. And they move towards, call it wider value beyond just the financial value.

Interviewee 07:02

But the latter is more, I think, a wish or a hope than what we may expect.

Interviewer 07:10

Yes, so actually I just want to come back to a term that you brought up which was strategy. Are you familiar with the term transition planning and do you think that has position within CSRD implementation?

Interviewee 07:29

Well, it has, particularly for climate, in a sense that it is part of the relevant topical standard. So it has a position, I think it will make companies more aware again of the relevance of a transition plan. The direct requirement is only to report on whether you have a transition plan. So if you don't have it, you just report, I don't have it and that is fine. But I would say even then it will make companies aware like, can we stay without a transition plan or should we really start to take action here. And that is what I already see because we're working with some companies who are already asking us like, can you help us with the transition plan.

Interviewer 08:38

Yeah, perfect. Thank you so much. And then the third question is, how does or how has the CSRD changed the landscape of sustainability reporting?

Interviewee 08:54

Well, first of all, of course, it has made sustainability reporting mandatory, whereas to date, even where we have global reporting initiative standards, these are still ultimately voluntary. They are ultimately voluntary, right? So this is the first time that sustainability reporting becomes mandatory, and the same for assurance. Also, this is the first time that assurance really becomes mandatory. So that has changed the landscape. The second is, it no longer focuses only on impacts, like GRI did in the past, but it also includes risk and opportunity. So content-wise, that is a change, and the whole concept of double materiality is there for now. What it also changes is more, let's say, beyond or outside of the EU, is a recognition by other jurisdictions and other standard sectors that they may need to act as well, and they may need to follow the CSRD, or let's say, the concept of mandating sustainability reporting and potentially aligning with CSRD or ESRS.

Interviewee 10:33

So, it has also created, I think, a next level of awareness amongst governments, because they get confronted with it if they have large businesses in Europe and they have therefore corporates in their jurisdiction that are subject to the CSRD. But I think they also look at it like, is the EU taking a lead here and should we therefore follow as quickly as possible? So, it has created quite some further, call it, debates considerations on follow suit and also start implementing certain regulations.

Interviewer 11:25

Yeah, thank you so much. And then you mentioned that it's the first time it becomes mandatory, so the reporting and assurance. Is this something that is explicitly stated within the directive?

Interviewee 11:36

Yeah, yeah, it is. Yeah. Yeah, yeah. So the director say it is a mandatory, mandatory reporting. And I should, well, in a way, correct myself a little or add a little which is, this is the first time it is mandatory, but it is the first time it is mandatory at this scale, or yes, or this scope. So we did already have in the UK, some mandatory reporting on climate. Yeah, we had similar things in Australia, we had in some Asian countries. But there were mostly bits and pieces, and most of the times focused on on climate. And this is really comprehensive for all the ESG issues you can think of.

Interviewer 12:27

Yeah, definitely. Thank you so much for clarifying that. So now moving on to our fourth question, which is, how is the outcome of a double materiality assessment intended to affect decision making at the board level?

Interviewee 12:43

Well, maybe two answers to that. In principle, there is no impact envisioned on that decision-making because the DMA is meant to inform the identification of material impacts risks and opportunities for reporting. The underlying intent is that companies connected to their strategy and therefore will consider it at board level in the sense of what does it mean for our business, our strategy, our focus. Literally or strictly speaking, there is no expectation. Underneath is an expectation that all of this will drive companies to consider sustainability in everything they do.

Interviewer 13:47

And do you think, well, was the CSRD then created in that way in a sense to implicitly imply this need or do you think maybe that's a limitation that it's not explicitly said that they used to do this?

Interviewee 14:00

need? No, it is, well, it is part of the bigger scheme of the European Green Deal. Yeah. In the, how do you call it again, the, what's it called again, the recital, I was looking for the right word, sorry, in the recital to the CSRD, so that, you know, all the considerations why the CSRD is needed, etc. Yeah. There is reference to, to this, you know, Green Deal and that information is necessary, etc. So, in the, in the, in the introduction, if you like, to the CSRD, there are explicit considerations. Yeah, the CSRD itself is then the result of that, which is focused on reporting and is, of course, very straightforward, right, that does not, does not go beyond, if you like, its intention, which is set reporting standards. Yeah. And therefore, you don't see it there, because, you know, it will be against the nature of the directive. Yeah. But if you look at the, at the, the recitals, you'll find it. If you look at the ESRS, they don't have recitals, because they are just part of that CSRD in a way, and the CSRD requires further standards to be set by EFRAG Sustainability Reporting Board. But the, in the ESRS, you can see in ESRS 2 that the company is required to report the, the relationships, if you like, between their impact risk opportunities and the strategy. So you ask for that if you think that there should be a relationship or otherwise you would not not ask for it. So that is not explicitly saying you need to consider it you know you need to report but of course the fact that you ask it means that you think that it is relevant to make these links.

Interviewer 16:20

Yeah, perfect. So if I understand then we can equate the board to more so the strategy making of the company or the organisation. Okay, just so that I can have that. Yes, perfectly. So now we're moving on to our last question for you, which is how can decision makers allow for the successful implementation of the double materiality assessments in their companies, which I think maybe we covered it a little, but we can maybe expand on it.

Interviewee 16:49

Well, yeah, definitely we have to expand. I think the double materiality analysis provides, as known, I think, the input into what are the material topics based on their impact risk opportunities that we need to report upon. That DMA outcome needs to be validated by the board. And that, I think, is where the board could allow for its success by looking at the underlying objectives, as we discussed, and integrate it into their strategic and also performance management discussions, and use it as a basis to prioritize their efforts. So to say, given that these are our material topics, what do they mean for our strategy? Where are we concerned most on this short term? Where do we have the biggest impact, and therefore should work on first, where do we see the highest risks or the highest opportunities? And therefore, we need to prioritize and to use it, therefore, as input into such a strategic conversation. I think that is how companies could build a success out of the DMA, that in itself can also be quite a technical exercise, if you like. Not at all against the CSRD, you can do it. But then I think you don't get the maximum out of it.

Interviewee 18:46

I think if you do it well you would consider what does it mean for our business, where do we lack measurement or where do we lack action plans and therefore we would need to look on where to direct our investments and put our money first.

Interviewer 19:08

Okay, well that was. Thank you so much. Well we've really sped through all the questions. Okay, great.

Appendix 7: Interview 5 Coded

Wed, 05/29 15:56PM · 34mins

Transcript

Interviewer 00:01

Good afternoon. Thank you for taking the time to be here for the interview. First, I would like to ask you to just provide your verbal consent to be a part of my research.

Interviewee 00:13

Yes, of course. I will consent with the research and the interview.

Interviewer 00:17

Thank you so much. With that said, I will begin with the first question. So question number one is what is the corporate sustainability reporting directive? So the CSRD.

Interviewee 00:33

So the CSRD is coming from the EU and it's actually going to be the basic legislation for us to start reporting on all our ESG topics and the CSRD provides requirements as well as a basic for the reporting.

Interviewer 00:48

Perfect. So you mentioned that it's for all the ESG topics, maybe because I know there's a huge history with ESG and now I think it's kind of moving into CSRD. Can you maybe just further elaborate that relation between ESG and CSRD?

Interviewee 01:09

Ooh, now you're going to challenge me.I'm going to go into the more. Theoretical part. I am so done for that. We can definitely do that.

Interviewee 01:19

No, no, no, no. So ESG stands, of course, for environmental, social and governmental. So the influence of that, actually the influence you have as an organization on those three main topics. And the CSRD is actually, in my opinion, also the way how you, well, as an organization, because as [redacted] we're advisors, we also have to comply with certain things, but how you as an organization can take and should take your social responsibility within the broader context of the topics of environment, social and governmental, like we are used to the old ESG topics.

Interviewer 01:57

Okay. So then you mentioned the social responsibility. My previous interviewees kind of mentioned that the CSRD then goes beyond. So that social responsibility. So do you view that CSRD does that or maybe have a different opinion on the social responsibility aspect?

Interviewee 02:20

Well, personally, I think, and I also have to refer back to a conversation I had with [redacted], with [redacted] also in line with the research and the article we had on DMA and ERM, and I personally think that the CSRD forms the basic and gives us guidelines and handholds to work on social responsibility, the corporate social responsibility. In that sense, it's black and white to me, but that doesn't mean that the intention behind the CSRD is to go beyond CSRD indeed, so to improve your performance on the material topic and to be more aware of your impact on society as a whole. So, I think if you look very narrowly to CSRD, it is guidelines and principles, but the intention behind the CSRD is to give a broader impact on society and to stimulate organizations to behave in a corporate social responsible way, because they are reporting on their performances in those areas, and most likely, all stakeholders will go and review how they are performing and they will ask questions, so that's just the side effect to it.

Interviewee 03:43

okay nice so perfect okay I'm absorbing that move on to the next question

Interviewee 03:51

actually curious do you see that as well like this or do you get any other responses from the interviewees?

Interviewer 03:55

Yes because what you're saying is very in line with what some of my into what the previous two previous interviews I've had actually because this idea of businesses aligning themselves to be more sustainable to be more green in a just way so without greenwashing is kind of like the end goal which leads to circularity which is something that was brought up and the other one was like you were saying that there are these explicit measures like this black and whiteness of the regulation but then there are these great implicit matters of how do you want to then as an organization as a company go beyond the CSRD how do you then effectively like apply yourself or apply you know the DMA which is something we'll actually get into to ensure that you actually then transition justly so you're really on par with what is what what I what has been said

Interviewee 04:46

And I think, I think in that sense that your stakeholders, organization stakeholders will request this more and more because they gain insight, because they gain knowledge, because they see the figures. And then this will raise questions from your stakeholders like, okay, but why are you not improving or why are you not doing anything on this one?

Interviewer 05:14

You mentioned stakeholders, right? Because there's multiple stakeholders and you said that more stakeholders will request this information. Is there, in your experience, do you know which stakeholders tend to ask for this information as opposed to others?

Interviewee 05:36

Well, what you will see probably going on is that from the financial sector, so that means from investors, but also from banks who are providing loans, et cetera, they will be asking more and more for organizations to showcase and to prove how they are acting on the CSRD and if they're improving and if they're performing the proper investments and if they're going to invest or ask for a loan, where are they going to use the money for? Okay. So that will come from banks, that will come from, for example, the Netherlands pension funds, because pension funds are going to be pushed more and more to be greener, because also the stakeholders for pension funds, like the ones who are receiving a pension, ask actually for pension funds to behave in a proper way. So I think one factor or one side of that story is really the financial side, so really again, what I said, investors, banks, pension funds, et cetera. Another side of that will be, of course, also the public action groups, I will call them for a moment, like you see in the Netherlands with Milieudefensie, so they have been doing already, they already sued, for example, Shell, etc. So they will be triggered by this information and this data as well to act.

Interviewee 06:54

and I think they are a prominent stakeholder. Another one is what you see in overall in society is that people are more and more interested, especially also the younger generations, they have a higher demand both for information but also on responsible behavior of the various organizations in the world out there, so to say. So I think that will be a group as well. And then fourthly, because of course CSRD is coming from regulations and the impact from regulations, I think also the regulators will form a group which is interested in this and which will go to check and challenge.

Interviewer 07:36

Nice perfect, and these are regulators at the national level or at the European.

Interviewee 07:42

Yeah. I think both. I'm very interested, but that's a side step. I'm very interested in how the new political circumstances in the Netherlands will influence this because the new cabinet and their whole agreement, what they call the hoofdlijnenakkoord (agreement) 2024 at this point of time, is not really in favor or appears not to be really in favor of CSRD regulations and the environment, et cetera.

Interviewee 08:11

So I'm very interested in how that will turn out. So I think that the group of stakeholders who is interested in CSRD reporting the outcomes, the data and the performance of companies on those material topics and our KPIs is only growing. Okay.

Interviewer 08:28

Perfect, thank you so much. And then, going on to the next question, is what exactly is the CSRD intended to do?

Interviewee 08:38

Well, for me, the CSRD is intended to provide on the one hand side guidelines for reporting on your sustainability topics, so your corpus is the CSRD topics which are defined within there. So on the one hand side guidelines, on the other hand side, because there are guidelines and reporting is now going to be expected, it can also grow into a sort of enforcement. So what we just said on regulations but also oversight, etc. So this can also become a sort of stick, so not only a carrot on the reporting side but also a stick on the other hand side. And as was mentioned in the beginning of this interview, I think, I hope and I do think so that it will also create an intrinsic motivation for organizations so that the side effect of the CSRD, so to say, what we mentioned at the beginning of the interview, of enhancing and improving their performance on these topics, because there will be questions, etc. So I think it's multiple folders how the CSRD will impact organizations and what the effect of CSRD can be.

Interviewer 09:52

Okay. Thank you so much. And then moving on to question two now, what do you as a subject matter expert expect to result from the CSRD implementation in companies?

Interviewee 10:14

I hope it will bring what it intends to bring, like we've discussed the improvement, etc. I am a little bit skeptical still, I'm going to be honest on that as well, I'm a little bit skeptical still on the actual effect because I'm a little bit afraid that it also could turn out to become a sort of bubble in which we're all trying to fight and work hard and invest a lot to achieve it but then find it unrealistic and then it becomes a sort of bubble which is not going to fly.

Interviewee 10:47

if you follow what I yeah try to say yeah it's not with the best wording at this point of time I'm sorry

Interviewer 10:53

I get that. And then when you say that it becomes unrealistic, which aspects of the CSRD do you think have maybe like unrealistic in that regard then?

Interviewee 11:08

Well, I'm curious to what you see now, or at least what I see in organizations is that being able to report on ESG and CSRD in that respect is a very big investment from both money as well as resource side to be compliant with everything which is required. While I don't know if the real effect for the world out there, so to say, will be coming from being compliant with the CSRD or being aware of your material topics and your KPIs and improvement on that, as well as the effect which we just mentioned on potential greenwashing which can start to exist. So that makes me at least, although I would like to be enthusiastic positive and I have that vibe, gives me a critical note to the CSRD as well.

Interviewer 12:06

Okay, thank you so much for your honest answer about that. So moving on to question three, how does or how has the CSRD changed the landscape of sustainability reporting?

Interviewee 12:22

I think we are at this stage at the forefront of the impact of CSRD okay It has changed already a lot because you see more and more attention at the bigger companies coming for it But also the relatively smaller companies whow were not yet obliged to report via the CSRD are interested are looking and it has opened up the door So to say so it could be that we are on at the forefront of the impacts and that it's going to indeed create the change Which we're looking for however Again, my also critical note is in here that it also could become a bubble Yeah, because at this point of time looking at the CSRD it comes from the European Union and we're not the only ones on The world. Yeah, so it's also questionable how this will go beyond our borders because of course also companies operating here and with Companies in other countries outside of the EUneed to comply etc So yeah I'm very curious if the ball is going to roll further so to say and what are going to be the global expectations of CSRD Or ESG reporting which instance you would like to follow on this because I'm using them now interchangeably

Interviewer 13:35

Yeah, thank you for clarifying that as well. And thank you for your answer. Yes, no, I think that answer was quite clear, so I don't have any follow-up questions.

Interviewee 13:53

And if there's any follow -up question at the later stage, please let me know. And again, if I'm completely off compared to your previous interviews, I'm very curious as well because... No, I...

Interviewer 14:03

I think I'm at the point where I'm reaching kind of information saturation so like I'm getting kind of the same responses and that's why it's kind of like okay okay this is kind of confirming things so that's that's always a nice thing. And then my fourth question is how is the outcome of a double materiality assessment intended to affect decision making at the board level?

Interviewee 14:29

Well, I think that's a very interesting one to start with because if I look at double materiality assessment and the timing of the double materiality assessment, in essence, on the one hand side you would like to see that the double materiality assessment, so the DMA, will impact your strategy setting as an organization, at least that's I think one of the intentions of the CSRD to be able to affect strategy setting, but on the other hand the strategy setting of an organization also influences where an organization will go and which areas are of relevance and of impact, so which areas are of relevance and which areas will be impacted by what an organization is doing, so I think there's a sort of trade off and back and forth between DMA and strategy setting and they will be intertwined in the long run, so if you look at the timing of the DMA I think that's an interesting question on how it is intended and how it will work out in reality looking at how businesses operate.

Interviewer 15:43

Interesting so now it's like so strategy setting is something that has that has come a lot especially in regards to you know decision makers and decision-making maybe you can expand on if you have any ideas of maybe strategies like No, wait, let me rephrase this Yes, so These transition planning as I think a strategy, right? Do you think that transition planning has a place in the DMA process would you say? Yeah

Interviewee 16:17

Well, what you just see, what I see at least normally is that strategy setting is not something that occurs every year on, so to say. So strategy is being set for a long run. There might be a revive of a revamp of your strategy, like in two, one, two, or three years, but it's not like you're setting your strategy per se again, every year, again, and again, and again. And I think for the DMA that will hold the same, so to say, so you will do a bigger DMA assessments once you have put out a new strategy and then do a maintenance of your DMA throughout the upcoming years. But once you have ideas about changing your strategy, you will also, or should, or would expect to also have a new look or a renewed look at your DMA.

Interviewer 17:07

Yeah, I think it makes sense because what you're saying is that the strategy setting is more for the longer run, right? And that's I think something that's always kind of it comes up in literature, like you have your short terms, your medium terms and your longer terms, and that's what the strategy setting is for. And then it's nice to know that the process of the DMA can happen every time you change a strategy or then there's the maintenance aspect of it. I think those are two things that was nice to differentiate.

Interviewee 17:36

I think it's relevant to do the maintenance as well, but also as well because the DMA is focusing on a more longer run as well, of course.

Interviewer 17:49

And then, now we have reached our last question, question five. How can decision makers allow for the successful implementation of the DMA in their company or organization?

Interviewee 18:07

And just to clarify from my perspective, with that you mean that decision makers within an organization take into account the outcomes of the DMA or how they influence the DMA.

Interviewer 18:21

So basically, how they can facilitate the successful implementation of those outcomes. So after you've completed the DMA, how do you facilitate those outcomes into the company?

Interviewee 18:35

So once you have identified the material topics, how to enable your organization to, so to say, improve the performance on your material topics. Just to make sure that we're on the same page. No, perfect, yeah. So I think that has to do with a couple of factors. At first, and I'm a consultant, you know, so "Tone at the Top" is one of our first advisors in that always. But I think that as long as, that a good starting point is that decision makers and board level are really also at the forefront of these topics. Stipulate the importance, showcase the importance, also show that they take it into account in their decisions, refer to it, etc. So that's "Tone at the Top" in combination with communication around the topic. So don't make it a silent topic, but make it aware and make it create, give it a place within the organization. So I think that's really more on the higher level side of it. And of course, also link it back to your strategy and to see if your strategy needs to be updated or focused differently based on the outcome of the material topics. And then also, of course, again, communicate on that. Then I do think that's also very important, a operational side and our operational part to this one. Because in essence, most of the time it will be likely that improving on your material topics and your KPIs is something that comes out of the day to day business of your organization. Because, for example, if you would say that you would need to reduce energy consumption, then it's not likely that for your CFO or your CEO to improve his or her behavior will have a big impact on the overall energy consumption of your organization. So then I think next to that is also see and identify where in your operation you can actually turn pages or have levers you can turn on to make sure that you are improving that performance. So I think it's very important to also make it concrete. And for example, to what I said, identify in the organization where you can impact that certain KPI or material topic. So once you know where you can impact that you also create a plan and approach on how to do so. And then from my personal point of view, as I'm working more in risk and control, then it comes over to defining policies, procedures, controls, ways of working to make it practical for the organization as well to change something. And sometimes that can be solutions changing machines in production sites or creating more awareness underneath under all your employees on the impact they have. But also, for example, what you see at [redacted], all gasoline and diesel cars are being abandoned out of the lease policy because we're all going to drive electric cars. So on the one hand side, I think it's the whole "tone at the top", communication, awareness and perception. And on the other hand side, it's also really making it practical, finding out where you can impact and then actually also doing it and making that impact and changing behavior.

Interviewer 22:03

Yeah, and so would you say this comes into then what you mentioned earlier about responsible behavior?

Interviewee 22:11

Yes, I think so. Yeah, because I think so. Yeah, no, I was I was thinking in my head for myself, and it's indeed responsible behavior. But I think also sometimes you need to any or sometimes you will also need to enable your organization to act responsible. I like what I said, for example, with [redacted] with the lease car example, it's a very easy example. But just by stating that you can only drive electric cars from now on. Yeah, you are also enabling your workforce to act responsibly. And so there are multiple examples like this, I think also, for example, it's really basic. And again, we're a consultant company. So most impact we have is on what we drive, what we eat, where we work. Yeah. But also looking at your facilities you offer to your staff on on eating, but also your analysis you're performing on equal pay. All those topics, I think it's very important for organizations to also enable their workforce to be able to do so.

Interviewer 23:25

Yeah, and these are all decisions and kind of like strategies that come from, you were saying, the tone at the top, right? So they set the precedence for the rest of the organization to follow suit.

Interviewee 23:37

Yeah. Okay. But I think also, and maybe this is a strange remark, but also I do think the tone at the top should be open for suggestions and input and ideas which come from within the organization, right? Because I always find one of the most interesting examples to this that, for example, in a factory location, if you as a CEO have never had a walk on the factory grounds, how will you know what's best to improve?

Interviewer 24:09

Yeah, definitely, definitely. And so then, because the CSRD builds on the ESGs, right, I think this is the social component of the ESG, so now these, I think the material topics come from the ESG, and so now we see that in implementing the CSRD, you start to kind of get into those topics as an organization.

Interviewee 24:33

Yes, and you're making them more explicit, and that's the advantage, I think, of the CSRD. It will give room to make it more explicit. It doesn't mean that it, per se, is the best always, but at least it gives an opportunity to make it more explicit, to do analysis on it, and to make it more tangible, instead of just stating, okay, we're going to go for green. And what does it mean?

Interviewer 24:56

Yeah, yeah. Okay, perfect because I think what you just said links to what a previous interviewee said because I mentioned that during my interview process I found out that some economies in Europe are much more mature than others, which means that they then Adopt the CSRD faster than others because of bigger listings and then she said well to some extent Yes, that may be true But even smaller and medium enterprises can begin by targeting the things that they already have So usually it's mostly the social aspects and the governance aspects that are more attainable And this is basically what you're saying, right? like there are these things that are already readily available for you to be able to target if the Environmental aspect may take a little bit longer to get to okay. Yeah, perfect Nice well those conclude that concludes the questions that I had for you And now the last question of today is if you have any questions for me

Interviewee 26:01

Well, I think what would interest me, you've been reading literature, you're having interviews now, you've done your work within [redacted], so you've seen something, you've seen what's happening over there as well. If you combine all that, how do you think the CSRD will evolve over time?

Interviewer 26:25

Hm, that's a really interesting question. Yeah, because also today, like I've had three, well, today, well, in the past two days, I've had three very interesting, like there, there's a red string in the interviews, but their opinions were so different. And I think because this is something like we're literally undergoing a paradigm shift, right? So the incumbent regime is very difficult to kind of break away from. So you have people who are ahead of the curve and are jumping ship now, and you have people who are lagging behind. But at some point, I feel like everybody will, obviously, as the CSRD progresses, will be on ship, right? Whether they like it or not, because it is mandatory. But then you right now kind of gave me a different perspective because you've brought up this idea that, well, you're afraid that it might become a bubble. And prior to this interview, I was like, I think the CSRD has the potential to be applicable in other markets outside of Europe. Given the fact that the interview, interview, interview that I had just before you talked about how the kind of the same, there's been remnants of the CSRD in Asia, in Australia, and in some of my literature, it said that board members in the US were more competent in ESG topics at board level than in Europe. But I think they like you do have to look at this in a two sided way, right? So then in as much as it has these benefits, what are some of the downsides for the CSRD? And so right now I'm at a point where I'm just sitting on the fence, really assessing these two things, because that's part of what my research is about. But I don't know, I mean, I have to be hopeful, right? I'm a part of the generation that wants to change. I'm a part of the generation that is kind of pioneering this change, right? So I have to be hopeful and say that I think it will work out. And I just really don't, I hope it doesn't turn into like a newer form of greenwashing somehow, where organizations are not held responsible. Or like I discussed responsible assurance with a different interview, interviewee, that hopefully then organizations can abide by responsible assurance. So yeah, that's kind of where I am right now. I wanted to say something, but then it just left my mind. Yeah, but that's what I think, because for me, I ultimately would like for and I think we can as humans, to some extent, change our economy from this linear kind of economy that we have, which is an input in and then out with a lot of waste to a circular economy. I think we have the capability to do so. A lot of it has been happening on small scale. And that's the nice thing about circularity that it needs to happen on a small scale. It doesn't want to be big and industrious. So I think with time, it will happen. Will it happen? And like it will probably happen in like my grandchildren's generation. But I think we're making the right steps to get to that point. That's how I feel. And hopefully CSRD will be able to be kind of applicable around the world. Obviously, not as a copy paste, but as a modification to those specific regions, given their differences. So yeah, that's how I feel about it. I hope I answered your question.

Interviewee 29:52

Yeah. Yeah. I think one of the biggest challenges will be that the investment should not outweigh the benefits and the outcomes. Yeah. And I think we're at this point challenged by that because the impact is very significant on organizations and in the end, although I believe it's not only purely more purely anymore about making profit and making money. Yeah. In the end, in a certain way, there is money and profit needed to make investments to improve and to build on that future as well.So that's why the investment should not be bigger than the benefit.

Interviewer 30:38

yeah yeah i see that i like that actually i'm gonna quote that just write it here

30:43

Yeah, but maybe I'm too, maybe I'm too cynical and too critical.

Interviewer 30:50

That can also be the case. No but I mean also that's important right because I think what I've been seeing is that yes and I remember what I wanted to say because the CSRD has been perceived as you know this game changer it's really changed the landscape of reporting it's really changed the landscape of how business should be done I think in as much as you know we can see the benefits of CSRD and its importance we also have to weigh its downsides what does it mean for all the stakeholders involved what does it mean for whoever right because right now the reason like right now there's a lot of people who are sitting on boards who for the past 40 years have only had to look at financial things and now being told immediately you have to change so there's all of these things that you have to look into and yeah these dynamics these relationships between regulators stakeholders people who sit on boards investors and so forth so I think it's it's also an important rhetoric I think to have within my interviews as well so thank you for that yeah

Interviewee 31:52

And especially if you're going to look at scope three, etc, etc, how much that will bring for organizations to get that information. Yeah. And is having that information going to change their behavior on those scope three emissions, etc. I'm curious.

Interviewer 32:14

I have noted that done and that's definitely something I will be in my in my discussion about the scope three. No no no it's all right it's absolutely all right because the way that I've set up my thesis is that my interviews are actually also a part of my literature review because there's not that much literature academic literature on CSRD so I'm using these interviews as a way to compile what you call it my literature review so this will definitely be a part of the discussion because it doesn't necessarily answer the the literature aspect but it's nice to have these different things because also I can't research everything right so it allows for other people to look into these other aspects for further research.