

Preparing for the future – Defining and outlining your sustainability approach



This session

Social sustainability is an essential but often overlooked part of corporate ESG performance.

Explore developments of the new components in the ESG requirements.

Look at the latest regulatory trends defining social sustainability.

Learn about the alignment between company values, corporate culture, employees' expectations and ESG regulatory requirements.

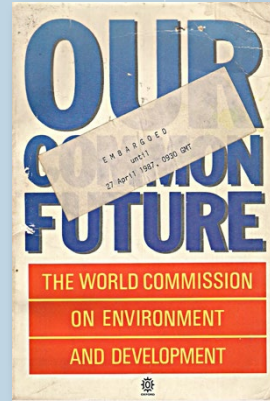




1. Development of the social component in ESG requirements

The birth of sustainability reporting

1972



In 1987, the Brundtland Commission published the landmark report "Our Common Future," defining sustainable development and promoting its integration into policies and practices, including the importance of reporting.

1970s

1980s

1990s



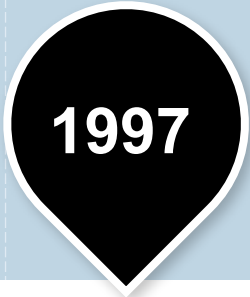
UN Conference on the Human Environment in Stockholm laid the foundation for global environmental governance.

1987

Early sustainability reporting efforts began to emerge in the 1980s and 1990s.

The evolution of EU reporting frameworks

In the 1990s, the European Commission introduced the Environmental Reporting Guidelines to encourage organizations to disclose environmental information.



1990s



The EU recognized the need for a standardized reporting framework, leading to the establishment of the Global Reporting Initiative (GRI) in 1997. The GRI pioneered the development of globally recognized sustainability reporting standards across economic, environmental, and social impacts.

The EU Non-Financial Reporting Directive

2014

In 2014, the EU adopted the Non-Financial Reporting Directive (NFRD) which required large companies to disclose non-financial information, including ESG matters.

- The NFRD aimed to enhance transparency, accountability, and comparability of sustainability reporting across the EU.
- Large EU companies are required to disclose information on environmental, social, employee-related, human rights, and anti-corruption matters in their annual reports.

Reporting standards: need for global alignment

- Move from soft law to hard law through mandatory disclosure requirements
- Increasing demand for uniform reporting standards driven by regulators and investors
- Despite convergence around a set of preferred guidelines, still many standards to choose from
- 600+ number of reporting provisions globally, including both regulations and voluntary standards

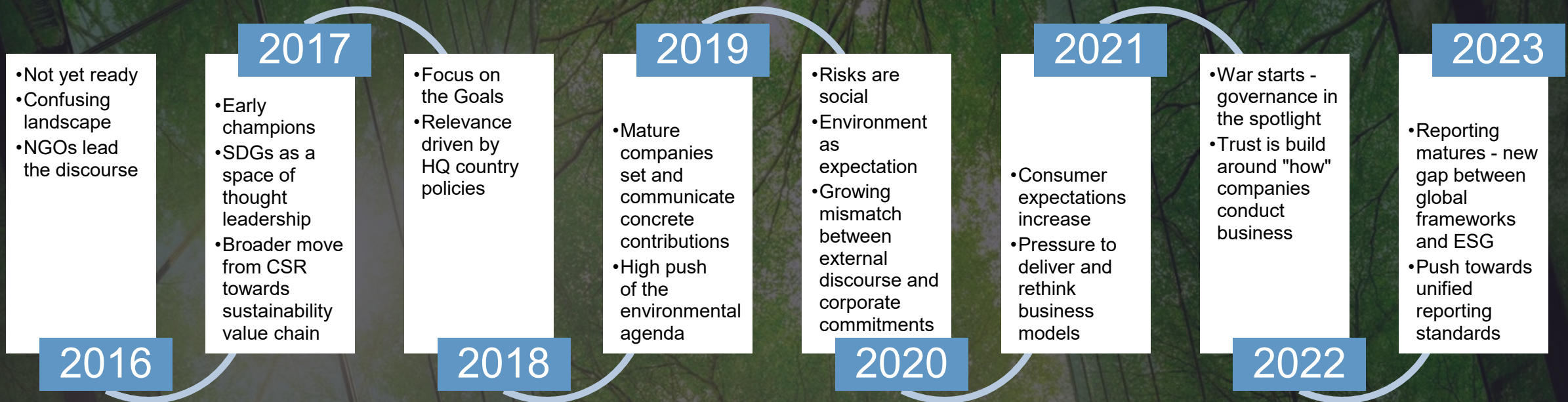


GREENHOUSE
GAS PROTOCOL



TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

10 years of research – corporate engagement and SDGs



Views from European customers and consumers

ESG is no longer just “nice-to-have”

Research by Brandr and Leidar examined the correlation between consumers’ perception of ESG performance and the trust they have in a particular brand.

Perception of corporate performance is increasingly seen in a holistic manner

15
Global Brands
4
Countries

E S G

AMAZON	56	60	65
APPLE	58	62	65
MERCEDES BENZ	57	61	64
BMW	60	60	63
COCA-COLA	53	58	64
DISNEY	58	56	59
FACEBOOK	54	58	64
GOOGLE	55	59	62
LOUIS VUITTON	53	58	62
MCDONALD'S	52	56	61
MICROSOFT	52	57	64
NIKE	56	58	60
SAMSUNG	56	59	63
TESLA	52	56	62
TOYOTA	52	52	52

■ HIGH RANKING
 ■ MEDIUM RANKING
■ LOW RANKING

Broad E S and G agenda

European consumers favour a holistic approach to ESG and sustainability



ENVIRONMENT

- Just Transition to low carbon society
- Carbon neutral, zero carbon, near zero, historically negative
- Science-Based Targets
- Companies as solution providers

SOCIAL

- Employee retention and development
- From internal staff issues to external social engagement: solidarity, equality, social movements and employee activism
- Human rights in the supply chain

GOVERNANCE

- Authentic transparency crucial
- Increasing demand for common reporting standards, and focus on materiality
- Boards / leadership teams to show real engagement

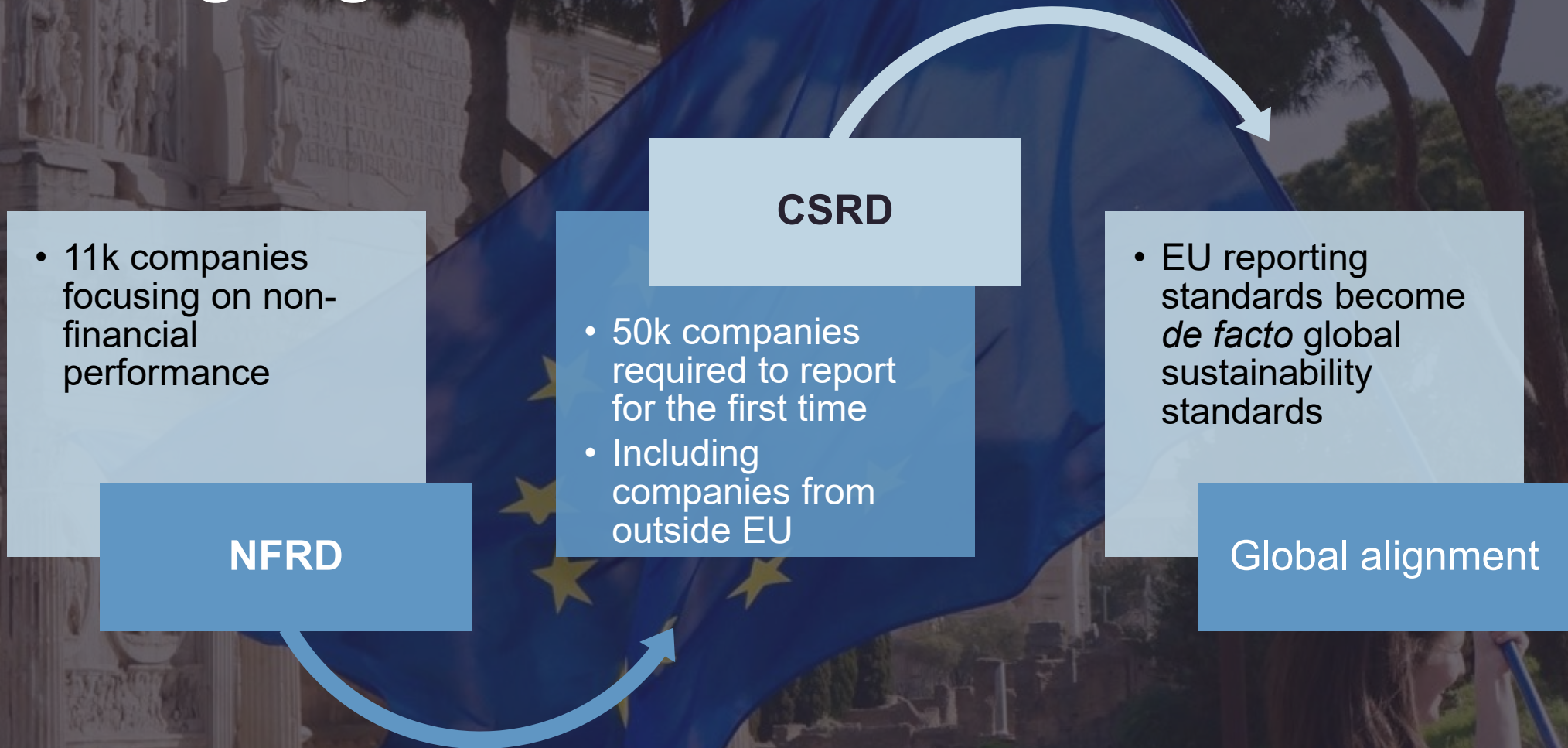
The ESG agenda in the European context



An aerial, high-angle photograph of a large, open public square or plaza. The ground is paved with light-colored, rectangular tiles. Numerous people are walking in various directions across the square. The scene is captured from a high vantage point, showing the diverse movement and density of the urban environment. The overall tone is slightly desaturated, giving it a professional and modern feel.

2. Latest regulatory trends defining social sustainability

Reporting regulation drives ESG definitions



The scope of the Corporate Sustainability Reporting Directive (CSRD)

The CSRD directive applies to large companies: listed companies, banks, and insurance companies.

Companies will need to meet at least two of the following criteria:

- Balance sheet total of €20 million or more
- Net turnover of €40 million or more
- Average number of employees of 250 or more

Selected small and medium-sized enterprises (SMEs) will also be required to report on a limited set of sustainability information.

For the first time, it will include companies from outside the EU but which operate inside the EU.

The new corporate sustainability due diligence directive (CSDDD)

Corporate Sustainability Due Diligence Directive (CSDDD) entered into force on 25 July 2024.

It establishes a corporate due diligence duty for companies to identify and address adverse human rights and environmental impacts in their operations and value chains.

The directive applies to large EU companies with over 1000 employees and €450 million turnover worldwide, as well as large non-EU companies with significant EU turnover.

Member states have until July 26, 2026, to transpose the directive into national law, with a staggered implementation approach until July 26, 2029.

Details of social sustainability regulations



The EU's ESG framework places significant emphasis on the social dimension:

- **The CSRD** requires companies to disclose information on workforce diversity, respect for human rights, and community engagement
- **The CSDDD** aims to improve living conditions for people affected by companies' operations and value chains

European Sustainability Reporting Standards

CROSS-CUTTING STANDARDS		ESRS 1 General Principles		ESRS 2 General, strategy, governance and materiality assessment disclosure requirements		
ISSUE SPECIFIC	ENVIRONMENT	ESRS E1 Climate Change	ESRS E2 Pollution	ESRS E3 Water & Marine Resources	ESRS E4 Biodiversity & Ecosystem	ESRS E5 Resource use & Circular Economy
	SOCIAL	ESRS S1 Own Workforce	ESRS S2 Workers in the value chain	ESRS S3 Affected Communities	ESRS S4 Consumers & end-users	
	GOVERNANCE	ESRS G1 Business Conduct				

Social sustainability

- Own workforce
- Workers in the value chain
- Communities
- Consumers and end-users

The key objectives



Improve the quality, comparability, and reliability of sustainability information disclosed by companies.

Ensure companies report on a broader range of sustainability topics, including ESG factors.

Align sustainability reporting with internationally recognized standards, such as the GRI, ISSB (SASB) and TCFD.

Facilitate investment decision-making by providing investors with reliable and comparable sustainability information.

The key reporting requirements

The CSRD introduces **mandatory** sustainability reporting



Companies will need to **disclose information** on various ESG topics

- Environmental matters (e.g. emissions, resource use, biodiversity)
- Social matters (e.g. employee-related issues, human rights, community engagement)
- Governance matters (e.g. board diversity, remuneration policies, anti-corruption measures)

Disclosures will need to be based on **predefined** reporting **standards** or **frameworks**

Reporting standards and mandatory assurance

The CSRD aims to **align** reporting with internationally recognized standards

The European Financial Reporting Advisory Group (EFRAG) will develop **European sustainability reporting standards**

Companies will have the **option** to use recognized international standards until the European standards are ready

External assurance of the reported information will become mandatory to enhance credibility

Implications and benefits



Enhanced transparency and comparability of sustainability information

Potential for better identification and management of sustainability risks and opportunities

Improved decision-making for investors, stakeholders, and consumers

Alignment with global sustainability reporting trends and frameworks

Increased accountability and responsibility of companies regarding ESG factors

Support for the ambitions of the EU




The CSRD will **strengthen** sustainability reporting and disclosure in the EU

It will **enhance** the availability of reliable and comparable sustainability information to support informed decision-making

It will **expand** the scope and requirements of the existing non-financial reporting

The CSRD will **contribute** to the EU's sustainability and climate objectives

It will **encourage** companies to integrate sustainability into their strategies, leading to improved performance and risk management

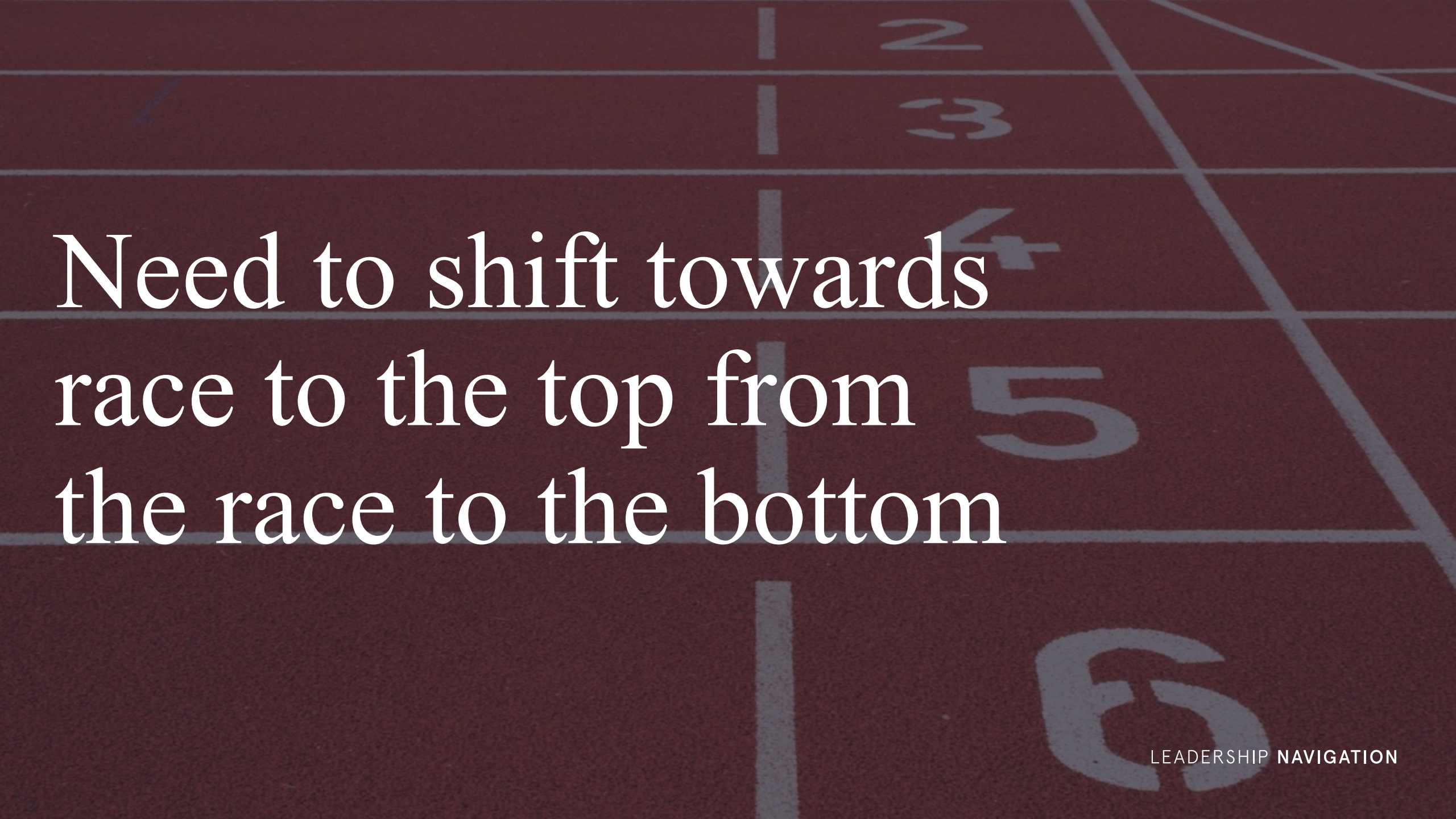
A woman and a man in business attire are looking at a tablet together. The woman is on the left, wearing a light blue blazer and dark pants. The man is on the right, wearing a grey sweater over a white collared shirt. They are both smiling and looking at the tablet. The background is a blurred outdoor setting with a building structure.

3. Alignment between corporate culture, employees' expectations and ESG regulatory requirements



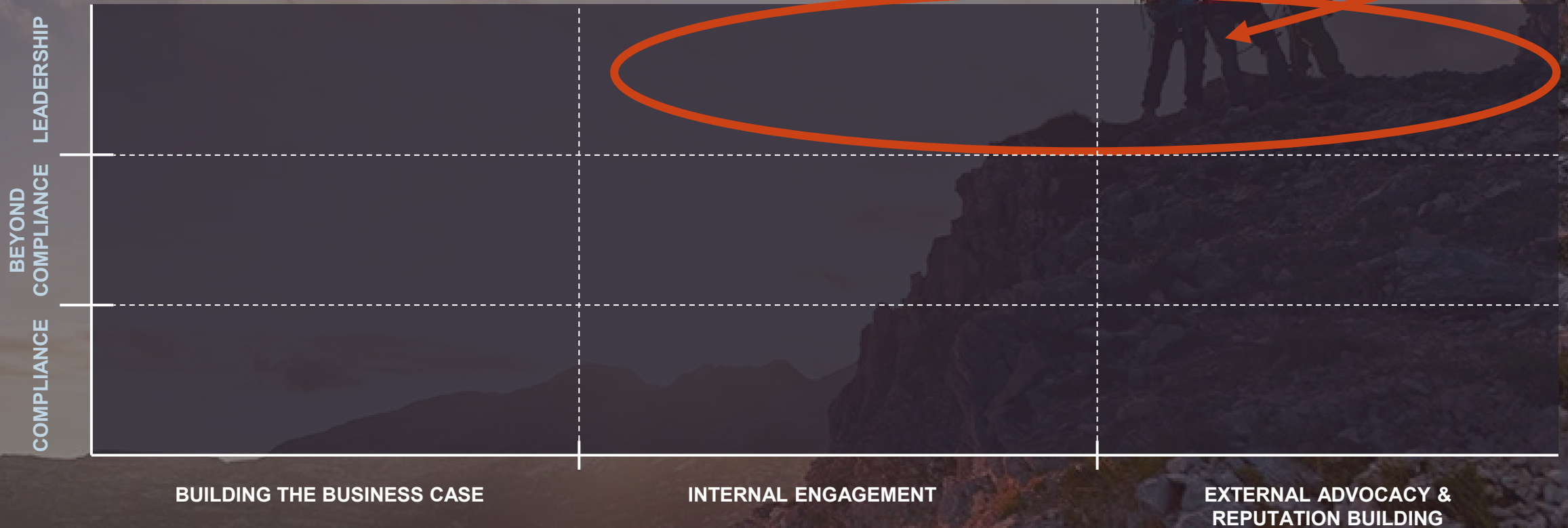
Global expectations gap

LEADERSHIP NAVIGATION



Need to shift towards
race to the top from
the race to the bottom

Social sustainability strategy: moving to the top



ESG corporate maturity model

NORTH STAR – ORGANIZATIONAL VISION AND PURPOSE

BEGINNING

Lack of articulated company vision.

Values might be mentioned but not aligned with the strategic framework.

CONSERVATIVE

Vision and mission developed in top-down manner.

Focus on financial performance and companies' inward view.

MODERATE

Vision and mission integrating ESG aspects implicitly.

Vision includes societal aspects and contributions.

PROGRESSIVE

Explicit integration of ESG aspects in company North Star.

North Star integrated throughout the corporate business strategy.

LEADING

Purpose-driven company.

North Star and vision as the drivers of business decisions, structures and operational processes.

STRATEGIC PRIORITIZATION AND GOAL SETTING

BEGINNING

Lack of explicit sustainability aspects, priority areas and goals.

Some sustainability messaging might be included in overall financial performance goals.

CONSERVATIVE

Sustainability goals prioritized based on regulatory compliance.

Articulation of goals in line with CSR compliance standards.

MODERATE

Clearly articulated long term ESG strategy with set goals and contributions.

Integrated sustainability strategy.

PROGRESSIVE

Short and mid-term sustainability goals defined and developed.

ESG aspects as one of the key drivers for business development, new ventures and overall activities.

LEADING


Business strategy driven by ESG considerations.

Permanent evaluation of ESG priorities and needs.

*Becoming “fit for ESG”
requires an integrated
approach
organizationally,
strategically
and at a tactical
engagement level*

Getting it
right, getting
it on purpose





There is a
great gap
but equally
great potential

Employees expect
authentic leadership



Flip 1

From: *Follow Best Practices*

To: *Share Your Failures*



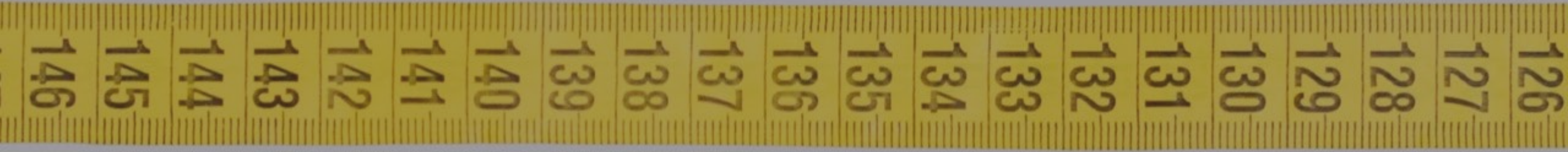
Flip 2

From: *If It Ain't Broke Don't Fix It*

To: *Fix It Anyway*



Flip 3



From: *Control Your Assets*

To: *Share Your Assets*



Navigating the complexity: the risks around social sustainability communications

A hand holding a vintage-style compass against a blurred background of green foliage. The compass is a circular, dark-colored instrument with a white face and a blue needle. The hand is positioned in the center-right of the frame, with the thumb and index finger holding the compass. The background is a soft-focus view of green leaves and branches, suggesting an outdoor setting. The overall tone is natural and focused.

An aerial photograph of a lush, dense green forest. A dark, winding river or stream flows through the center of the forest, creating a meandering path. The trees are vibrant green, and the overall scene is a natural, serene landscape.

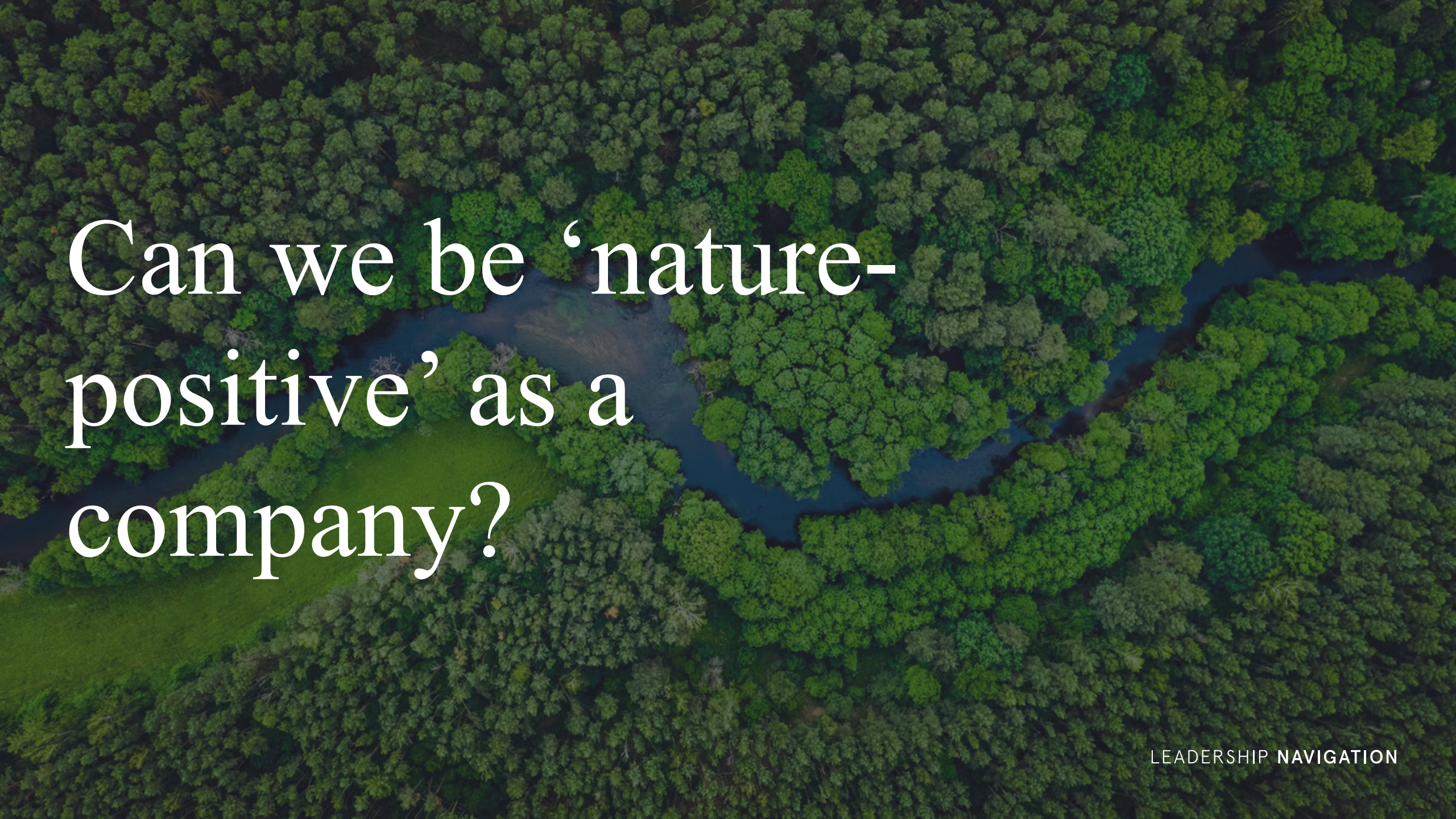
Greenwashing and the risks around sustainability communications



Controversies around sustainability claims



What does sustainability
mean according to the
regulations?

An aerial photograph of a lush, dense green forest. A dark, winding river or stream flows through the center of the forest, creating a meandering path. The trees are vibrant green, and the overall scene is a natural, serene landscape.

Can we be 'nature-
positive' as a
company?

Integrated approach: ESG and communications





LEADERSHIP NAVIGATION

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