

SMART EDUCATION FOR CORPORATE SUSTAINABILITY REPORTING

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Abstract “The European Green Deal” (EGD) is an integral part of the EU’s strategy to implement the United Nations Agenda 2030. Companies with more than 500 employees are required to include non-financial reporting (NFR) on their operational, social, and environmental data. In 2023, the Corporate Sustainability Reporting Directive (CSRD) extends reporting to all companies over 250 employees and certain SMEs, which will be required to report on nonfinancial aspects of their business since 2024–2028. The number of companies, subject to reporting will quadruple. Managers and responsible employees will have to cope with new challenges. Erasmus+ project Smart Education for Corporate Sustainability Reporting (SECuRe) is filling a gap in VET programmes dealing with knowledge in sustainability reporting, building up a common approach for VET teachers and learners across the EU to respond to the requirements of the future job market. The project started with a knowledge repository, a questionnaire about stakeholder’ needs and wishes, and state-of-the-art in reporting. Job profiles and training course with 6 learning units were prepared. An interactive e-learning platform, a gamification approach, and experimental online training will bring the final contents of the course.

Keywords:

corporate reporting, e-learning, EU directive, education, sustainability

JEL:

I29, M53, Q56

1 Introduction

The Brundtland Commission defined sustainable development but did not provide guidance on how to implement action (Baumgartner and Rauter, 2017). Many concepts have been developed that address corporate sustainability and consider the triple bottom line (people, planet, profit), including corporate sustainability reporting. However, mainstreaming corporate sustainability, e.g., with the circular economy concept, can lead to different results depending on whether the company selects SDG targets or indicators (Opferkuch et al., 2022).

For this reason, many authors have emphasised the need for alignment of different reporting frameworks (Kücükgül et al., 2022). Mandatory disclosure of information is usually accompanied by an increase in its credibility and a focus on a wide range of stakeholders, not just shareholders (Ioannou and Serafeim, 2017). As a result, companies also tend to disclose more social and environmental information (Madaleno and Vieira, 2020). A need has emerged for companies to communicate their sustainability in corporate reports also in a graphic way with symbols (Bovea et al., 2021). The next step in corporate sustainability reporting is a paradigm shift from standardised disclosures to an understanding of sustainability as a way to stay within the planet's boundaries (Shaer and Hussainey, 2022; Erlandsson et al., 2023). The creation of new job profiles with corresponding competencies can support the implementation of sustainability concepts in the value chain (Walińska and Dobroszek, 2021).

The EU launched the ambitious initiative “The European Green Deal” (EGD) as an integral part of the United Nations Agenda 2030 and its sustainable development goals (SDGs). Reliable, comparable, and verifiable information plays an important part in enabling consumers to make more sustainable decisions and reduces the risk of ‘greenwashing’. As a part of the EGD initiatives, large companies are required to report against a standard methodology and to assess their impact on the environment. In current practice, the Non-Financial Reporting Directive (NFRD, EP&CD 2014) lays down the rules on disclosure of non-financial information by companies and is fully transposed in all EU Member States (including partners’ countries – Czech Republic, Poland, Romania, Slovenia, Spain). However, as the reporting obligation applies to companies with over 500 employees, only, the proportion of businesses disclosing non-financial information is low. Moreover, several problems were identified, regarding companies’ capacity in delivering such

reports; various analyses reveal that in many cases, information is provided at a general level and/or data are incomplete and non-comparable.

In 2022, the EU reached an agreement to replace the NFRD with the Corporate Social Reporting Directive (CSRD) that extends its scope to companies with over 250 employees and certain SMEs that will be required to report on nonfinancial aspects of their business since 2024–2028 (EP&CD, 2022). The number of companies, subject to the mandatory reporting will thus increase from 11 700 to approximately 50 000 (EC, 2023). The managers and responsible employees will have to cope with new challenges.

The project Smart Education for Corporate Sustainability Reporting (SECuRe) is dealing with knowledge in sustainability strategy and reporting and builds up a common approach for vocational education and training (VET) across the EU to respond to the requirements of the future and maintain a flexible job market.

The project started with a knowledge repository, an online database that systematically captures, organizes, and categorizes knowledge-based information, helping learners to connect with information and expertise globally. State-of-the-art reviews in partner countries, and a questionnaire, returned by 77 stakeholders, presenting their needs and wishes. Based on the analysis phase, the SECuRE Manager job profile has been built, aligning the learning outcomes in terms of knowledge, skills and competencies. The training course with 6 learning units was prepared: 1) European legislation and sustainability standards, 2) sustainability management, 3–5) environmental, social, and corporate dimensions, 6) sustainability reporting. An interactive e-learning platform with gamification approach, several multiplier events, a pilot application, experimental online training together with other activities will bring the final contents of the course.

2 Theoretical Background

EU law requires all large companies to disclose information on their risks and opportunities arising from social and environmental issues, and the impacts of their activities on people and the environment. This helps investors, civil society organisations, consumers, and other stakeholders to evaluate the sustainability performance of companies. Under the NFRD, large companies must publish information related to: a) environmental matters, b) social matters and treatment of

employees, c) respect for human rights, d) anti-corruption and bribery, and e) diversity on company boards.

Guidelines on NFR were published by European Commission (EC, 2017, 2019) to help companies disclose environmental and social information. These guidelines are not mandatory, and companies may decide to use international, European, or national guidelines according to their own characteristics or business environment.

On January 2023 the CSRD entered into force. This directive modernises and strengthens the rules about the social and environmental information that companies must report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability.

New rules will ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues. They will also create a culture of transparency about the impact of companies on people and the environment. Finally, reporting costs will be reduced for companies over the medium to long term by harmonising the information to be provided.

The first companies will have to apply the new rules for the first time in the financial year 2024, for reports published in 2025. Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS). The CSRD also makes it mandatory for companies to have an audit of the sustainability information that they report. In addition, it provides for the digitalisation of sustainability information. The rules introduced by the NFRD remain in force until companies must apply the new rules of the CSRD.

The *EU taxonomy* (EC, 2023) is a classification system, establishing a list of environmentally sustainable economic activities. It could play an important role to help the EU scale up sustainable investment and implement the EGD providing companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In this way, it will create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help to shift investments where they are most needed. The Taxonomy Regulation

establishes 6 environmental objectives: 1) climate change mitigation and 2) adaptation, 3) sustainable use and protection of water and marine resources, 4) transition to a circular economy, 5) pollution prevention and control, and 6) protection and restoration of biodiversity and ecosystems.

3 Methodology

The first part of the methodology consists of literature search which is collected in the Knowledge Repository (KR). It is an online database that systematically captures, organizes, and categorizes knowledge-based information. KR has a user-friendly structure and is included in the web site of the project as an open access, to establish an active link between the project and the users' community.

The second part of methodology includes partners' overviews of the situation in their countries regarding the state-of-the-art in the usage of NFRD, and preparative activities for the CSRD introduction. Stakeholder needs and barriers were collected by applying a questionnaire with at least 15 respondents from each partner country. The developed course will be tested, evaluated, and improved in several consecutive steps: a) 5 multiplier events, one in each country with at least 20 participants, b) joint staff event Train the trainers with 15 participants, c) Course pilot application, and d) Experimental online training – final test with 80 individuals.

4 Results

4.1 State-of-the-art review

Overviews from partner countries indicate that most large companies are publishing annual NFR information, either nationally or as a member of an international group. The following trends in Environmental, Social, and Governance (ESG) reporting have been observed for the companies included in the survey:

- Reporting companies have a clear preference for communicating ESG information via a separate report.
- There is a growing interest in using recognized reporting standards like the Global Reporting Initiative (GRI).

- Only for few reports an opinion is issued by an independent verifier. In most cases, the opinion is of limited assurance and relates to a narrow set of indicators.
- Concerns about climate change are increasing at the local level with targets for reducing greenhouse gas (GHG) emissions. But only a few companies are reporting at the local level on the risks associated with climate change.

The results show that companies are increasingly following the Task Force on Climate-related Financial Disclosure (TCFD) by accepting their recommendations (TCFD, 2022).

4.2 Questionnaire results

To understand the state of knowledge in companies, the needs, and the main barriers of companies, a questionnaire with 37 open and closed questions was sent to stakeholders in each partner country. 77 of them responded. Most of them were managers or experts on sustainability issues from large companies and SMEs. The environmental dimension and sustainability management are the most frequently reported issues, while the social and governance dimensions are less frequently reported. 52 % of the companies are not familiar with the CSRD guidelines. Customers are the most important stakeholder, followed by company owners, stakeholders, investors, or banks. 43 % of companies are not required to report non-financial data, and 55 % of them do not have a person responsible for sustainability reporting. The most important constrains in corporate sustainability reporting are missing knowledge (30 %), and lack of data (25 %).

4.3 Training course contents

The course is addressing the area of VET, and combines academic perspective with hands-on practical work, giving the participants the knowledge, skills and experience they need to develop a career in sustainability and specifically in being able to develop sustainability management and reporting services. The training content is designed to give participants the opportunity to develop clear alternatives for professional organizations to secure a sustainable future in economic, environmental, and social terms.

Six learning units are being developed. Each one starts with expected learning outcomes – knowledge, skills, and competences. The learning outcomes are structured in accordance with the standards outlined in the European Qualifications Framework, EQF and the European credit system for vocational education and training, ECVET. Each learning unit has a value of 5 ECTS (European Credit Transfer and Accumulation System).

The four main topics of the course are including:

- 1) *Sustainability management* (characteristics, strategy, business models). Sustainability and environmental protection are already at the foreground of economic and political debate, after spending decades on the periphery of public and corporate concerns. The capabilities to complete sustainability is increasingly regarded as a sign of a well-managed organization. As the private sector shifts toward more sustainable practices, we are getting closer to reaching a critical mass that can have a significant impact on the global economy. Sustainability management can also be defined as economic production and consumption that reduces environmental impact while increasing resource conservation and reuse.
- 2) *Environmental dimension* (use of resources, pollution, climate change). Companies are expected to provide detailed information on their environmental policies, strategies, targets, and performance, as well as risks and opportunities related to environmental issues. The environmental dimension of ESG reporting is becoming increasingly important as businesses and investors recognize the importance of sustainability and the need to mitigate the impact of human activities on the planet. The learning unit introduces basic knowledge regarding natural capital and its actual status, how to manage natural resources and biodiversity and why it is important; what are the key elements of climate change, its risks, and opportunities, how business can assess their emissions, and plan for climate change mitigation and adaptation. Further, the overall business impact on the environment is presented by using specific indicators. Finally, the unit presents the key requirements of environmental reporting and how to assess the overall environmental performance.
- 3) *Social dimension* (diversity and equality, consumer protection, human rights). Human rights, cultural and other fundamental rights and freedoms represent a substantial part of SDGs as well as the European Social Charter and future

EU sustainability legislation. Business enterprises can profoundly impact the human rights of employees, consumers, and communities wherever they operate. These impacts may be positive, such as increasing access to employment or improving public services, or negative, such as polluting the environment, underpaying workers, discriminating gender, racial or social groups, or forcibly evicting communities.

- 4) *Corporate governance dimension* (management structure, employee relations). It refers to the relations between the company's management, its board, shareholders and broader stakeholders, as well as the way in which the company's goals are achieved, the structure of its bodies and the guiding principles (internal policies) directing all of its operations – from compensation, risk management, and employee treatment to financial results, reporting, and dealing with impact on the climate, environment, human rights, etc. Corporate governance that calls for upstanding and transparent company behaviour leads a company to make ethical decisions that benefit all its stakeholders.

5 Discussion and conclusion

Step-by-step guide on how to integrate sustainability in a company outlines the key components, objectives, and goals of an effective and efficient reporting system focused on sustainability. The goal of such a guide for a sustainable reporting system is to provide a roadmap for companies to enhance their sustainability reporting, improve the transparency and credibility of their sustainability practices, and to create a more sustainable future for all.

Sustainability reporting is the essential aspect of corporate responsibility and sustainable development. It enables companies to identify and manage risks and opportunities, build trust and reputation, align with the SDGs, and contribute to sustainable development. As the demand for sustainable products and services continues to grow, companies that report on their sustainability performance will be better positioned to meet the needs of their stakeholders and succeed in the long-term.

Standardization and digitalization of data ensure that it is accurate, consistent, and reliable. Standardization helps to establish a common set of rules and guidelines for collecting, storing, and reporting data, while digitalization improves the efficiency

and effectiveness of data management. However, digitalization also has its own set of challenges, such as ensuring the security of the data and the significant investment in technology, personnel, and processes.

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