

## **CSRD Directive - a revolution in ESG reporting**

**The adoption of the CSRD by the European Parliament means that companies will soon have to publish detailed information on ESG issues. This will make companies more accountable and facilitate the transition to a sustainable economy.**

The new act amends the 2014 Non-Financial Reporting Directive (NFRD) and strengthens existing provisions in this area to align them with the requirements of the EU's transition towards a sustainable economy. Thanks to the introduced changes, investors and stakeholders will have access to comparable, reliable and easily accessible information on ESG.

**Member States have 18 months to implement the CSRD into their national law.**

The new ESG reporting rules will large public interest companies with more than 500 employees (PLC), all large companies with more than 250 employees and a turnover of 40 million Euro per year, and companies listed on regulated markets, with the exception of micro-enterprises. These companies are also responsible for evaluating information about their subsidiaries.

The regulations also apply to SMEs, taking into account their specificities. For a transitional period, they can benefit from a derogation: they will be exempt from the Directive until 2028.

In the report, in the field of environment, social policy and corporate governance, the following issues should be taken into account:

- business model
- policies, including due diligence processes in place.
- the outcome of these policies
- risk and risk management
- key performance indicators related to the activity.

In addition, disclosures will need to be made about the business strategy and resilience of the business model to risks related to sustainability issues.

### **Carbon footprint in the supply chain**

The CSRD directive obliges 10 times more companies to report non-financial data for than from the current NFRD directive. One of the important elements of reporting CO2 emissions is the carbon footprint created in the supply chain.

Thus, companies with the obligation to report non-financial data will expect their suppliers to reduce the carbon footprint of their services and products so that they do not interfere with the emission reduction strategy. Suppliers will therefore have a choice – to reduce greenhouse gas emissions or accept the loss of contracts.

The change in the regulations regarding ESG reporting will make companies who fall under the CSRD directive pay special attention to who they sign contracts with. Therefore, measuring the carbon footprint may soon provide small and medium-sized companies with a competitive advantage on the market.

**A double - materiality perspective**

The NFRD (now superseded by the CSRD) introduced the concept of a double materiality under which both the risk to which the company is exposed to, and the impact exerted by it should be reported. In practice, this means that companies will have to report how their business activities affect the environment and how external factors of sustainability (such as climate change or human rights) affect the company. Of course, information relevant to both perspectives and information relevant to only one of them should be disclosed.

**ESRS – a single framework for non-financial reporting**

By the end of June 2024, the EU Commission is expected to adopt a coherent and comprehensive set of sustainability reporting standards developed by EFRAG (European Financial Reporting Advisory Group), addressing all sustainability issues from a double materiality perspective. ESRS indicators will be developed based on existing international initiatives, i.e. GRI or ISSB. The draft standards can be divided into general (obligatory for all reporting entities), sectoral and simplified standards for the SME sector.

These standards will address all major environmental factors, including impacts on and dependence on climate, air, land, water and biodiversity. They will specify the level and scope of greenhouse gas emissions and removals attributed to a given entity, including the extent to which the entity applies compensations and what is their source. Achieving a climate-neutral economy requires adapting standards for greenhouse gas accounting and offsetting. The drafted standards must be consistent with the Taxonomy.

Cross-cutting standards	E: Environmental Standards	S: Social Standards	G: Corporate Governance Standards
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General rules (ESRS 1)	Climate Change (ESRS E1)	Employees (ESRS S1)	Corporate governance, risk management and internal audit (ESRS G1)
General Disclosures on Strategy, Governance and Materiality Assessment (ESRS 2)	Pollution (ESRS E2)	Employees in the value chain (ESRS S2)	Business Practices (ESRS G2)
	Water and marine resources (ESRS E3)	Society (ESRS S3)	
	Biodiversity and ecosystems (ESRS E4)	Consumers and end users (ESRS S4)	
	Resource use and circular economy (ESRS E5)		

## Taxonomy

The taxonomy aims to help solve the problem of greenwashing by creating harmonised European rules defining what investments are environmentally sustainable. This regulation came into force at the beginning of 2022. It specifies that a given activity may be considered environmentally sustainable if it meets four conditions in total, i.e.:

- makes a significant contribution to at least one of the six environmental objectives (climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems);

- does not cause serious damage to any of the environmental goals
- is carried out in accordance with minimum guarantees
- meets the technical eligibility criteria

Taxonomy records are crucial primarily for entities from the financial industry and large companies. However, they can also be of great importance in practice for other entrepreneurs. It is likely that some banks or other money lending institutions will increasingly finance activities only or largely in accordance with the Taxonomy. In such a case, entrepreneurs wishing to obtain a loan on favourable terms may in practice be required to prove that their activity is compliant with the Taxonomy. Otherwise, they may not get the funds they need or get them on unfavourable terms.

### **Foreign companies operating in the EU are also covered by the directive**

Third-country entities with significant operations in the territory of the European Union will also be required to provide information on sustainability, in particular on their social and environmental impact (sustainability reporting standards for third-country entities will be developed). The rules will apply to companies that have a subsidiary or branch in the EU that generates a net turnover exceeding 40 million EURO.

### **When are the first ESG reports under the CSRD?**

In the first place, information will be presented in 2025 for the financial year of 2024 by the largest entities that already report the so-called non-financial information pursuant to the Accounting Act. These are large public interest entities that employ more than 500 people. A year later, the first reports will be presented by other large entities. Small and medium enterprises will submit reports for the first time in 2027 for the financial year of 2026.

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## ESG report - step by step

### Step 1: ESG strategy

The ESG strategy is planning the company's development based on three basic pillars - E (environmental), i.e., environmental issues, S (social) - social issues and G - (governance) - corporate governance issues. When developing an ESG strategy, remember that its effectiveness requires compliance with the company's long-term business strategy!

When building a company's ESG strategy, you can use:

- Sustainable Development Goals (SDGs) – a set of 17 goals set by the United Nations to promote peace and prosperity in the world and its inhabitants.
- SASB standards that highlight ESG challenges relevant to 77 different industries; and the SASB Severity Map - a tool for determining the financial significance of ESG issues.
- United Nations Guiding Principles on Business and Human Rights.

### Step 2: Impact research

Developing an ESG strategy starts with determining your company's impact on people and the planet. The aim is to identify areas of activity that involve a serious risk of impact on people and the planet.

It is worth dividing risks into three categories: environment, communities and employees. Each pillar should consist of indicators based on datasets that assess geographic, industry and commodity risk. A combination of quantitative and qualitative data from publicly available datasets can be used to assign a score to each risk.

This information is then used to determine the likelihood and severity of each risk at an overall score.

### Step 3: Assessment of materiality

A materiality assessment helps you determine your ESG priorities for your business. We start by defining the stakeholders – they can be investors, suppliers, service providers, local community, etc. For each stakeholder group, we should define the ESG indicators that will be particularly important for it.

What ESG metrics are important to stakeholders? By answering this question, we will find out which ESG issues should be prioritised in order to meet stakeholder expectations and even exceed them! The response will also help you tailor your communication to efficiently deliver information on topics that are most important to your specific target groups.

#### **Step 4: Starting point**

If we don't know where we're starting from, it's hard to measure our progress. That is why it is so important to take initial measurements to describe the current state of the company and assess the relative maturity of ESG across the organisation. At this stage, it is worth collecting information on the competition's ESG activities.

#### **Step 5: Set ESG goals**

Goals may include maintaining good performance, improving weak areas, and optimising performance or overall performance. ESG goals are not universal – they should be adapted to a specific business and the company's impact on the environment. It is helpful to set an ambitious goal with sub-goals that are measurable, easier and faster to achieve.

Some goals may include industry certifications such as B Corp certification. Others may include moving the business to LEED-certified buildings or achieving sustainability goals.

#### **Environmental goals**

Environmental goals will generally focus on reducing total carbon emissions, reducing waste and water use. They can also focus on the transition to sustainable energy and supply chain management and increasing efficiency.

#### **Social goals**

Social goals may include closing wage gaps, better employee benefits, better working conditions and a safer working environment. Other social goals include improving the living conditions of the local community, supporting social causes and ethical sourcing of raw materials.

#### **Governance goals**

These goals include transparency of the board structure, diversity and decision-making. It is also data storage, security, good accounting practices, financial transparency and business ethics.

#### **Step 6: Create an ESG plan**

This is where you create your ESG development plan. What can you do right now? What is included in the annual, five-year or ten-year plan? Breaking down big ESG goals into a plan of achievable steps with realistic goals will greatly increase the likelihood of implementation.

### **Step 7: Implement the ESG plan and measure key metrics**

After defining the current state of the company and preparing the roadmap, it's time to start implementing ESG goals. Key Performance Indicators (KPIs) need to be defined to evaluate progress. Successful ESG strategies set measurable goals. It is worth getting acquainted with the proposed new European Sustainability Reporting Standards.

In order to successfully implement the previously developed ESG strategy, it is necessary to identify the place of data collection that we will report. Data resides at all levels of the organisation. Why? ESG is a very broad set of issues: from labour and governance issues to climate change, deforestation, water and waste management, to the supply chain. After appointing persons responsible for specific indicators, we can develop/choose the system in which we will report.

Various international institutions such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and the International Integrated Reporting Framework (IRF) provide templates for ESG reporting.

In order to standardise the integrated reporting framework, the EU adopted the CSRD Directive and commissioned the development of European Sustainability Reporting Standards (ESRS), which will consist of over 100 new indicators.

Regular monitoring and updates are essential. Using a centralised management system or KPI tracking software will make it easier to assess important sustainability metrics.

### **Step 8: Publish Regular ESG Reports**

Using the aforementioned frameworks and external assessment tools, plan an annual performance report for key stakeholders. In the first report, it is important to highlight the policies and programs that are already in place and to assess progress.

Reports can include organisation- or industry-specific metrics, as well as an assessment of commitment and progress on key sustainability indicators.

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## **ESG specialist urgently needed. What must they know? Where can you find them?**

**ESG is not fashion: it is a necessity for more and more enterprises. So, what does the transition to ESG look like in Poland? What does an ESG expert need to know and be able to do in a company? What kind of employees do companies need? What do they offer?**

Behind the abbreviation of ESG stand the company's activities carried out with care for the environment, society, and corporate governance. These are areas that should be of primary importance for companies in the short term. Why is that?

More and more often, not just the number of loyal consumers depend on ESG activities, but also investors and long-term employees, or job candidates. According to the study by Sustainable Brands, as much as 75 percent of millennials (the generation of people born in the 1980s and 1990s) consider environmental and social activities when making decisions about choosing a new job.

As the authors of the report point out, Polish companies often mention the topic of climate in their reports. It is noteworthy that 100 percent of the surveyed listed companies identify the main sources of carbon dioxide emissions and report greenhouse gas emissions. However, a quarter of WIG20 companies listed on the Warsaw Stock Exchange do not specify emission reduction targets and deadlines, and their sustainability strategies often lack important details, such as how and when they will be achieved.

An important point is that 7 out of 10 companies report information on occupational health and safety management, and 65 percent provide specific data on work-related injuries. These are indicators and parameters important for employees and job candidates in a given company.

Dr. Agata Rudnicka, from the Faculty of Management at the University of Lodz, very accurately diagnosed the problem.

“The starting point for assessing an organization in terms of ESG is good recognition of the environment, understanding its needs and juxtaposing them with current operations. In the environmental sphere, such expectations may include: reducing emissions, dropping out from the use of raw materials that generate pollution, changing the methods of production, etc. The social sphere primarily considers the need to assess risks related to human rights, creating conditions for development with respect for community rights, or ensuring transparent communication with the community. Activities in the field of organizational governance include, among others: analysis of documents, relationships, roles, and responsibilities in the decision-making processes. In ESG activities, it is equally important to go beyond the boundaries of the organization and examine the value chain. Only in this way will companies be aware of their actual impacts. Taking responsibility for the value chain requires a lot of determination and trust on the part of all partners, but it is an essential element in creating a framework for sustainable business. Only through recognising the expectations and needs, can there be space for further action.” says Dr. Agata Rudnicka.

The above assessment shows one thing: working as an ESG expert in a company will not be easy, light work, or pleasant, although in the long term it can give both material and intangible satisfaction. Looking at the assessment of the expert from the University of Lodz, the competences that such a specialist must have set a very high bar; this may result in a recruitment problem.



People responsible for the area of ESG have a difficult task of estimating organizational resources in the context of the planned sustainable development goals, not only in the short term, but also in the long term. From this moment on work begins on the operations related to conscious interventions, aimed at minimising negative social and environmental impacts, implementing desired solutions, checking, and verifying their effectiveness.

The market of ESG specialists is in its infancy. The global consulting company Deloitte is looking for a person who "would like to support our clients in designing and implementing an ESG strategy, integrated with their business strategy".

The qualifications that a candidate for a job at Deloitte must have include:

- About 2-3 years of business experience. A big advantage is if the experience comes from within the consulting industry.
- Experience in working in the business strategy department, in the implementation of strategic projects.
- Ability to analyse the market and competition.
- The ability to think logically, translate the collected knowledge and conclusions into synthetic information.
- The ability to learn quickly and use the newly acquired knowledge in practice.
- Ability to coordinate several streams of work simultaneously.
- The ability to prepare conclusions from analysis and recommendations in the form of PowerPoint presentations.
- The ability to use Excel in practice in order to, for example, analyse and build simple financial models.

Additionally, it would be great if the candidate has:

- Experience in designing and implementing strategies in the field of sustainable development and ESG.
- Experience in financial analysis or evaluation of enterprises from the perspective of a fund or a bank.
- Experience in assessing companies in terms of ESG ratings (Sustainalytics, Ecovadis, S&P, MSCI, etc.)
- Experience in implementing projects in selected areas: ESG, improving the efficiency of business processes, increasing company value, increasing brand value, climate protection and decarbonisation, circular economy, innovation, building organisational culture, implementing solutions)
- Basic knowledge of regulatory issues related to sustainable development (e.g. EU Green Deal, CSRD, Taxonomy, SFDR, TCFD/TNFD Guidelines, Digital Product Passport, etc.)
- Experience in researching consumer and industry trends.
- Experience in change management.

An ESG specialist is no joke. How many such experts are there in Poland? Good question.

The selection of a person responsible for ESG issues is currently one of the important issues for companies in the context of sustainable development. These aspects will have a significant impact on the image and long-term stability of the company. It is extremely important to find a person with the right skills and passion who will be able to effectively manage this area. The times when companies delegated someone to handle certain processes, on the principle of 'Now you will be our OHS or GDPR expert', are long gone.

What did Velma ESG LTD. require from candidates for the position of an ESG specialist?

- Minimum of 2 years of professional experience in the ESG area (necessary condition)
- Have a working knowledge of ESG tools and methodologies.
- Experience in developing and creating documents for the needs of individual organisational units of the company, and for a non-financial report.
- Ability to establish and maintain good professional relationships with colleagues.
- Knowledge of basic guidelines, concepts, and taxonomy.
- Proficient knowledge of the English language.

Again, level hard, as the aforementioned millennials say.

Gobarto SA, in addition to the specified requirements for a candidate for an ESG reporting specialist, offers, for example, 'coffee with the boss', as well as:

- Various development opportunities: training, promotions, internal recruitment.
- Celebrating successes
- Social fund
- Integration
- Medical care and life insurance
- Sports package
- Transparent employment conditions, employment contract: stable work for longer.

'Coffee with the boss' or 'celebrating successes' sounds encouraging, may be worth considering.

Job offers for specialists are currently posted by the largest firms on the market, which may mean that before ordinary entrepreneurs start looking for such professionals, many may already be taken up by the 'big game' players.

Many companies in Poland simply need people who will explain the idea of ESG to management boards, employees, or clients, and only then we can try to deepen the issues around ESG strategies, until an expert stage is reached, in line with the requirements of the largest firms for such job candidates.

Global companies are looking for ESG specialists, ESG managers, lead risk specialists. This is a good thing, although awareness among smaller companies is still insufficient, just like among most Poles. This has to change. Education, awareness, and market requirements are the most important. The rest will come along on its own in due time.

It is worth noting that the obligation to report ESG sooner or later will apply to every Polish company, so it is worth taking an interest in it now. New regulations introduced in the EU will have consequences for the entire market.

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## **Cooperation and integration of knowledge and practices from within various areas: how can one become an ESG specialist?**

**ESG covers a number of factors that affect the organisation's operations and their impact on the environment, including environmental (e.g., greenhouse gas emissions, management of natural resources), social (e.g., employee rights, employee safety and health, relations with local communities) and management aspects (e.g., governance structure, transparency, ethics). Effective management of ESG issues, from strategy building and implementation; through operational management and coordination of activities in this area; to performance monitoring and reporting, requires an interdisciplinary approach.**

Environmental graduates can provide environmental expertise, engineers can develop technology solutions, lawyers can ensure compliance, and human resources experts can implement social policies in organisations.

ESG (Environmental, Social, and Governance) requires consideration of different perspectives and stakeholders. The impact of an organisation on the environment, local community and financial markets requires a holistic approach, considering economic, environmental, social and management aspects.

If you want to become an ESG specialist, i.e., an expert dealing with issues of sustainable development, corporate social responsibility, and management, you do not have to abandon your studies and interests, it is worth expanding them to include ESG aspects.

### **First: theory**

At the beginning, it is worth deepening your knowledge in the field of ESG. Literature related to the subject of sustainable development, ESG reporting standards (e.g., Global Reporting Initiative and EU reporting standards) as well as the latest research and trends in this field will be helpful. There are many sources of information, such as reports from international organisations, market reports, and websites that provide up-to-date information on the latest ESG trends and events (e.g., ReportCSR.pl).

It is worth focusing on the most important environmental, social and management aspects that affect business operations. There are many postgraduate studies that can provide relevant knowledge and skills in this area (e.g., 'CSR Manager. Sustainable development and ESG' by Collegium Civitas in cooperation with CSR Info.)

Courses directly related to sustainable development, such as environmental protection, focus on analysing the impact of business activities on the environment and society, and on how to manage these aspects. This often includes the opportunity to obtain useful certificates, e.g., ISO 14001 (standard for environmental management systems).

Studies in environmental economics will provide knowledge of the economic aspects of sustainable development, including ways to measure the social and environmental impact of business activities. In addition, there are many trainings and webinars in the field of non-financial reporting available on the market that can provide more advanced knowledge in this area.

## Second: practice

Having theoretical background, you can move on to practice. It is worth checking which companies carry out ESG activities, what their goals are and how they report their results. Analysing sustainability practices and strategies helps understand how ESG activities affect an organisation's financial performance and reputation.

For a potential employer, it will be important to have practical experience in the ESG area. Therefore, paid internships or work shadowing at companies, non-profit organizations, rating agencies, or consulting companies dealing with ESG may be a good idea. You can apply the acquired knowledge in practice and gain valuable skills.

## Networking

Build your network: meet other ESG professionals and be part of this growing community. Participation in conferences, industry meetings, and networking events will help to establish contacts and share knowledge. You can also consider a membership in ESG organisations that offer the opportunity to meet other experts and participate in industry projects (e.g., Responsible Business League: a free educational program on CSR/ESG/sustainability for students in Poland).

The ESG world is dynamic, so it's important to stay up to date with the latest trends, regulations, and initiatives. You constantly need to educate yourself and follow international initiatives and regulations in this area. The CSRD directive and the related legal changes that will soon be implemented in Poland, as well as the principles of the United Nations Global Compact for Responsible Investment (UN PRI), the Global Reporting Initiative (GRI) and initiatives related to green finance, are important to look into further.

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## What is work life balance?

Our company noticed the term work life balance pop up more often after the COVID-19 pandemic, as after lockdown individual and family priorities changed – people wanted more than repetition in their daily life and work. Work life balance can mean different things to different people. To an employer, it may simply be the fact that their employees work five out of seven days, with a free weekend. On the other hand, a single parent of two children could prefer to work on those weekends, but to maintain a balance would need longer mornings to send the children to school. Work life balance refers to the convenience of work entangled with personal life. The ability to book off holidays, to come home before the standard rush hour, or to leave the work phone in the office allow for equal time between personal and professional pursuits.

One of the deliverables of the European Pillar of Social Rights is the Work-life Balance Directive, addressing the challenges faced by working parents and carers, both men and women. The directive considers the shift in demographics over the past decade as well as the future, with an aging and growing population in EU Member States. The purpose of the directive is to encourage a better sharing of caring responsibilities between women and men, supported by legal policy.

## Why is work life balance important?

The Work-life Balance Directive states that “Work-life balance policies should contribute to the achievement of gender equality by promoting the participation of women in the labour market, the equal sharing of caring responsibilities between men and women, and the closing of the gender gaps in earnings and pay”. It highlights the fact of women in the labour market having difficulty in balancing work and family obligations, spending more time fulfilling unpaid caring responsibilities, with some women dropping out of the labour force entirely. Furthermore, the lack of paid paternity leave means men are less likely to fulfil their duty of care to the child, creating a disproportion in responsibility. Work life balance aims to solve these issues.

Even to individuals with no children, or additional people to care for, work life balance has a significant impact on an individual's overall well-being and therefore the economic success of organisations. Maintaining a balance between work and personal life helps reduce stress and burnout: chronic stress can to problems such as cardiovascular issues or depression. In turn, reduced stress means improved productivity, as individuals can focus and concentrate only on the work, rather than worrying on how they will juggle other responsibilities at home. They are less likely to experience fatigue and are better able to concentrate on their tasks. This can lead to enhanced job satisfaction, as employees are more likely to hit targets quicker and enjoy spending time at work, creating higher morale and a more positive work environment. This creates the bottom line of employees being less likely to take leave (due to chronic stress or burnout) and therefore keeping steady workflow, beneficial to the company, the overall economy, and health services.

## How do the CSRD and Work Life Balance Directive link?

Article 2 of Regulation 2019/2088 defines “sustainability matters” as “environmental, social and human rights, and governance factors, including sustainability factors”. Work life balance can fall under all these aspects:

**Environmental:** Companies committed to reducing their carbon footprint may facilitate remote or hybrid work options to reducing commute times by reducing travel during peak times and to work around public transport scheduling.

**Social:** Includes initiatives that can promote work life balance such as flexible work hours, health and wellness programmes, internal mental health support, or stress management training. Benefits of flexible work also mean a more comfortable work environment.

**Governance:** Development of family-friendly policies (often better than the basic provisions set out by member state law and in line or exceeding EU directive recommendations), such as extended parental leave, on-site childcare, or monetary support for employees with caregiving responsibilities.

## Groups of economically active people who may need other working arrangements

- Students
- Parents
- Carers
- Elderly
- People with disabilities

## How do Ireland and Poland compare to average working hours?

In 2022, the EU average working week was 37.5 hours per week, with Ireland falling below the rate at 36.9 hours per week and Poland averaging the second highest number of hours worked, just behind Greece (41), at 40 hours per week (Notes from Poland, 2023). Poland has always been in the top four member states for working hours since Eurostat began collecting data in 2008. In 2022, most Poles, 75.3%, worked 40 or more hours weekly, which is nearly 20% more than EU average (45.8%). In addition, less than 10% of the workforce worked between 1-39 hours per week in Poland and only around 5% worked under 24 hours per week, compared to over 55% and 15% in Ireland respectively (Eurostat, 2023).

## Implementation of work life balance into your company standards

In order to encourage workers who are parents, and carers to remain in the work force, such workers should be able to adapt their working schedules to their personal needs and preferences. The EU specifies “they have the right to request flexible working arrangements for the purpose of adjusting their working patterns, including, where possible, using remote working arrangements, flexible working schedules, or a reduction in working hours, for the purposes of providing care,”.

Forbes (2022) recommends of providing your employees with a definition of work life balance that is “relevant to the current business environment” to give clarity to internal policy making as well as guide employee behaviour.

Making work hours more flexible can benefit all parties by accommodating individual needs:

- **Flexible start and end times:** Allow employees to choose when they start and finish their day. For example, they might have the option to begin between 8am and 10am and end between 4pm and 6pm.
- **Compressed workweeks:** Option of working longer hours on fewer days (a 4-day workweek with 10-hour days) or even try implement a 4-day workweek with less hours. This can provide longer weekends for employees and cut down costs for office running.
- **Part-time and job-sharing arrangements:** Allow employees to work part-time hours or share a full-time role with another employee.
- **Remote work and Hybrid work:** Give the option to employees to work from home or another remote location, reducing the need for commuting and offering a more comfortable work environment.
- **Results-oriented work:** Shift the focus from having to work a set number of hours, to outcomes achieved or results. With communication, clear expectations, and guidelines it means employees can increase their own productivity and engagement as they are incentivised by the possibility of additional time off, whilst the employer can maintain benefits of clients receiving results earlier.

From EDU SMART TRAINING CENTRE LIMITED Aleksandra Marcinkowska says: "As a mother of three children, wife, and owner of two dogs I understand what it is like to be a parent and run a business. From my own experience, I decided to build an entity that is inclusive towards parents, different nations, people working in different time zones, with different personalities, skills, and talents. We follow the diversity and inclusion directives and talk to our staff on a regular basis to remain compliant with their needs and our business targets. To effectively follow CSRD, I recommend every company to implement ISO2600 and follow its guidance,".

What is your understanding of the topic? Leave a comment below or any questions you may have.

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## **The employer's corporate social responsibility to participate in the EU's facilitation of lifelong learning within their business – how does it link to the new CSRD?**

Currently you may have seen news headlines relating to the Corporate Sustainability Reporting Directive (CSRD), which entered into force on 5<sup>th</sup> January 2023 in the European Union. The CSRD must become essential knowledge for every business owner in the EU sooner or later, as it provides the basis of non-financial reporting standards. The CSRD is designed on the basis of environmental, social, and governance activities – ESG – a term becoming increasingly used. EU undertakings are required to report on a variety of topics, including the adaptability of their business models and strategies to sustainability risks, the opportunities presented by sustainability factors, and the plans in place to guarantee that the business model is consistent with the shift to a sustainable economy. Under the social aspect of the acronym, falls corporate social responsibility (CSR) and lifelong learning - but what does it really mean in the context of business and why is it important to implement?

The European Commission defines CSR as “the responsibility of enterprises for their impact on society”, specifying that such efforts such be company led. Ways that a company can become socially responsible include the integration of “social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations [and] following the law,”.

The European Employment strategy definition of lifelong learning reads: “all purposeful learning activities, whether formal or informal, undertaken on an ongoing basis with the aim of improving knowledge, skills and competences,”.

Now, what exactly is the link between the two? It is simple – the responsibility to educate employees, shareholders, or investors on ESG matters which concern the company both directly and indirectly. Without lifelong learning, one cannot respond to new market trends, economic changes, digital transformation, or properly comply with new regulations. One cannot implement new policies, in particular on aspects such as diversity, without prior knowledge. In today's world, there is an abundance of knowledge: you must research, adapt, discuss, evaluate information to understanding the CSRD and make changes to your non-financial reporting. Ways to integrate CSR with lifelong learning include seminars or training days, volunteer days, more frequent meetings to develop business strategy to be not only compliant with the law, but also to go above and beyond with own their efforts or offering your employees further qualifications in relation to ESG.

Depending on the size and turnover of the business, the CSRD will apply during different years, but that does not mean that those in charge of change within the company should wait until the last minute. It is important to have a clear plan, implementation strategy, as well as the necessary resources to adhere to the non-financial reporting standards soon to come within the next 5 years. SMEs in particular – who do not necessarily have separate staff or divisions to oversee non-financial reporting – need to start their research and training now to not fall out of the market. Large companies, to maintain their own transparency, will require their partner to also be transparent, whether or not they are yet obliged to adhere to the CSRD. To produce this report, companies need to appoint someone to facilitate this process. Many questions arise, as after all, who is responsible for producing this report, and, making sure it is compliant with the CSRD? There is one short answer: this is the employer's governance responsibility i.e., making sure the firm is compliant with the laws and regulations, but also their social responsibility; as head of the business, they are in control, the business relies on them to make advantageous decisions for the stakeholders, employees, and the community. They are leaders of the company, no matter if it has 2000 employees or just five. The CSRD states it is the director's duty to appoint an auditor when necessary.

The current issue at hand, is that many employers or businesses operating within the European Union are not aware of the CSRD, or do not completely understand what it entails. According to a survey

carried out by Compliance Institute, the professional body for compliance professionals in Ireland 41% of companies said they will struggle to provide the data required by the CSRD, 7% do not understand the new rules, 46% were unaware that independent auditing is a CSRD requirement (Morrey, 2023). A further study by Microsoft (Marguerite and Nyhan, 2022) on Assessing the Readiness of Irish Businesses in regard to sustainability transformation showed less than half (43%) have a dedicated Sustainability Strategy or Policy with over a third (35%) “not at all aware” of the CSRD. Nearly three-quarters (71%) do not have someone tasked with identifying environmental sustainability priorities – this shows how vital lifelong learning is as without it you cannot get ahead of competitors or create a coherent sustainability report. Business Insider Poland (2022) reports that only 5% of tech companies in Poland currently measure their carbon footprint, and two thirds do not have a code of ethics or have implemented anti-corruption actions: all falling under separate pillars of ESG.

The idea of lifelong learning is key in relation to the CSRD in many ways. Firstly, if as the director you decide to facilitate the process yourself, there are many new aspects which you will have to research. If you decide to appoint an auditor, there are clear guidelines on the competence and certification required of them in the CSRD. Secondly, it is beneficial to learn how to use free resources available online and to monitor the progress of Member State legislation. Market research is more important than ever as the company’s sustainability image or ranking significantly decides the economic position.

The CSRD has updates, as well as its own implementation plan and legal interpretation depending on the EU country member partner. Member states have until 16 June 2024 to transpose the CSRD into their national laws. As the employer, it is your responsibility to educate yourself as well as your staff on what is, or will be, required. We encourage you to use free resources available to you as well as utilise the knowledge of your staff to stay on top of the latest standards, requirements and possible actions your company can take in relation to ESG activities.

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