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Master Thesis

An approach to improving ESG reporting frameworks with efforts on limiting green- and bluewashing practices

submitted by

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Affidavit

I hereby declare that I have authored this master thesis independently, and that I have not used any assistance other than that which is permitted. The work contained herein is my own except where explicitly stated otherwise. All ideas taken in wording or in basic content from unpublished sources or from published literature are duly identified and cited, and the precise references included.

I further declare that this master thesis has not been submitted, in whole or in part, in the same or a similar form, to any other educational institution as part of the requirements for an academic degree.

I hereby confirm that I am familiar with the standards of Scientific Integrity and with the guidelines of Good Scientific Practice, and that this work fully complies with these standards and guidelines.

Vienna, October 11, 2023 Moritz NEUGEBAUER *(manu propria)*

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Table of content

Abstract

In recent years, ESG reporting of companies' sustainability efforts has become more and more important. Not only investors and other company stakeholders want to know about a company's sustainability efforts, but also the European Union and other international bodies request companies to report about their business practices within the topics Environment, Social and Governance. Up to now, no specific reporting framework had to be used mandatorily, which led to very differing sustainability reports regarding content and structure. In turn, comparability between companies was hardly given. On behalf of the EU, the so-called 'ESRS' – European Sustainability Reporting Standards were developed, which in future will have to be used mandatorily by companies, depending on their number of employees, net turnover and the listing on the capital-market. Goal of those Standards is amongst others to make sustainability reporting of companies uniform and therefore comparable. Within this thesis, the ESRS development and two other globally well-accepted sustainability reporting frameworks are qualitatively analysed and discussed. As the ESRS reporting framework however still gives a lot of opportunities for green- and bluewashing, approaches to mitigate those shortcomings are elaborated within this thesis. Not only recommendations for an overall improvement of the ESRS are elaborated, but also additional sustainability criteria are presented, which should help with this and other problems and therefore should lead to an increased value and additional importance of the whole model. The created ESRS framework can therefore become a valuable tool to fight green- and bluewashing, if companies have to show up their sustainability efforts within the topics Environment, Social and Governance in a uniform and accurate way.

Kurzfassung

In den letzten Jahren gewann die ESG Berichterstattung der Nachhaltigkeitsbemühungen von Unternehmen immer mehr an Bedeutung. Nicht nur Investoren und andere Interessengruppen wollen über die Nachhaltigkeitsbemühungen von Unternehmen Bescheid wissen, sondern auch die Europäische Union und andere internationale Organisationen fordern Informationen zu den Geschäftspraktiken in den Bereichen Umwelt, Soziales und Unternehmensführung ein. Bisher musste kein bestimmtes Berichterstattungsmodell verpflichtend verwendet werden, was zu sehr unterschiedlichen Nachhaltigkeitsberichten hinsichtlich Inhalt und Struktur führte. Dies wiederum führte zu kaum Vergleichbarkeit zwischen Unternehmen. Im Auftrag der EU wurden die so genannten ‚ESRS' – Europäische Nachhaltigkeitsberichterstattungsstandards entwickelt, welche in Zukunft von einigen Unternehmen, abhängig von der Mitarbeiteranzahl, Umsatz und Börsennotierung, verpflichtend zu verwenden sein werden. Ziel dieser Standards ist es unter anderem, die Nachhaltigkeits-Berichterstattung von Unternehmen einheitlich und dadurch vergleichbar zu machen. In dieser Arbeit werden die Entwicklung des ESRS-Modells und zwei weltweit häufig verwendete Nachhaltigkeitsberichterstattungsmodelle qualitativ analysiert und diskutiert. Da das ESRS-Modell jedoch noch viel Spielraum für Öko- und Sozialschwindel zulässt, werden in dieser Arbeit Ansätze zur Limitierung dieser Schwächen erarbeitet und diskutiert. Es werden nicht nur allgemeine Verbesserungsvorschläge zum ESRS-Modell dargelegt, sondern auch zusätzliche Nachhaltigkeitskriterien vorgestellt, die gegen diese und weitere Probleme helfen und dadurch dem ganzen Modell zu Mehrwert und zusätzlicher Bedeutung verhelfen sollen. Das entwickelte ESRS-Modell kann so zu einem wertvollen Werkzeug im Kampf gegen Öko- und Sozialschwindel werden, indem Unternehmen ihre Nachhaltigkeitsbemühungen in den Bereichen Umwelt, Soziales und Unternehmensführung einheitlich und akkurat darlegen müssen.

1. Introduction

“At its essence, sustainability means ensuring prosperity and environmental protection without compromising the ability of future generations to meet their needs. A sustainable world is one where people can escape poverty and enjoy decent work without harming the earth’s essential ecosystems and resources; where people can stay healthy and get the food and water they need; where everyone can access clean energy that doesn’t contribute to climate change; where women and girls are afforded equal rights and equal opportunities.”

(Ban Ki-moon, 2014)

Former UN Secretary-General Ban Ki-moon found these words when he forecasted in 2014 the goals and trends for the years to follow (Ban, 2014). He was aware that sustainability wise, a lot has already been achieved, but still much more has to be done in the future in order to successfully fight poverty and improve working conditions around the world. He aimed on motivating all of us to make the change to a sustainable world happen. A change to a world, which gives the same ability to everybody in future generations, as he sees sustainability as the core of a better world (Ban, 2014). Hence, it’s time to make a change for the better through sustainable acting. Also within companies, attempts to increase sustainability are taken and are currently often referred to as ESG.

1.1. What is ESG?

The acronym ESG stands for the three sustainability topics ‘Environment’, ‘Social’ and ‘Governance’ and is of increasing managerial interest, as more and more stakeholders become aware of the importance of sustainability within companies. According to the Global Sustainable Investment Alliance (2021), globally about 36% of all professionally managed assets can be counted as sustainable investments, amounting to USD 35.3 trillion, with an average worldwide increase of 15% in just two years (from 2018 to 2020). Furthermore they state that the USA and Europe account for more than 80% of the global sustainable investment assets, whereas the most common sustainable investment strategy is the integration of ESG.

On the one hand, companies by nature try to maximize their financial profits. On the other hand however, voices rise, which demand a fair and responsible treatment with everything and everybody involved in the operation of companies. Not only the pressure for ‘greener’ production and carbon footprint reduction down to neutrality are nowadays demands, also employee rights and the treatment of those, primarily in seeing them as valuable and important parts of each company instead of a cheap production means, are in a rise. Therefore, according to Hill (2020), the trend in socially responsible investments has been growing during the last years and a continuing trend or even an acceleration of this sustainable investment trend is likely to be observed in the future.

Hill (2020) concludes that some of the main drivers for sustainable investments are amongst others climate change recognition, which becomes more tangible and acknowledged all over the world, shifting energy sources towards renewable energy, the growing importance of companies to use up-to-date technology in order to not to fall behind competitors, the influence of social media on social norms shifting to responsible consumption, changing demographics with younger generations pushing for ‘green’ development (also in the financial markets), government regulations which push for environmental friendlier production especially in Europe (e.g. nuclear power shutdown in Germany), and the fact that big multinational companies act globally and violations such as child labour or environmental misbehaviour can be punished by investors quickly. Despite those drivers for sustainable investment, Hill (2020) states that numerous investors are still of the opinion that ESG investments lead to a lower return, which however is not always the case. As Hill (2020) concludes, various studies have shown that companies, which perform well on ESG values, also can show high financial performance, which thus help to do something good and simultaneously perform well through ESG investing. Hill (2020) therefore sees the modern portfolio theory to change from a two-dimensional portfolio management with the two dimension of risk and return into a three-dimensional model, where risk, return and also social impact have to be balanced. The optimisation of social impacts through taking into account the ESG efforts of companies therefore should reflect the social impact dimension within an investor's portfolio (Hill, 2020).

As the term ESG still is rather unexplored and just started to become a synonym for sustainable investments during the previous years, a clarification of this term, including a review on how it developed shall be made in the subsequent paragraphs. Often, the terms sustainable development, corporate social responsibility and also ESG are used interchangeably, as those terms share the same values in their core. However, using them as synonyms is not completely correct. Therefore, it is important to explain ESG and its connection but also distinction to other sustainability related terms. As it is a rather new and still unstandardized economic term, there are a lot of different definitions of ESG. Schneider (2021, 48) for example describes ESG as "the combination of stewardship on ecological, social, and internal governance systems by economic actors". As we can see, this definition still is rather vague. The reason for that is that there is still neither a commonly defined concept nor a methodology for the implementation of ESG (Schneider, 2021).

Iamandi et al. (2019) describe sustainability and sustainable development as a broad concept, which can be present at various geographic scopes, starting from a regional level up to a global level. They furthermore conclude that if this sustainable development is applied by a company or organization through its behaviour and the actions an organization takes, it is regarded as corporate social responsibility – CSR. Assessing these CSR efforts and quantifying them additionally to the company's financial indicators then in turn makes the environmental, social and governance efforts tangible in the way of ESG criteria. ESG ratings and indicators are therefore methods to make the socially responsible behaviour of a company quantifiable and can be used by investors, who want to reflect their social impact within their portfolio (Iamandi et al., 2019).

Summing up, a mental model to describe the afore-mentioned sustainability terms could be imagined like that: sustainability and sustainable developments can be regarded as all sustainability efforts made on various levels, not being bound by geography, corporations, private sectors or any other constraints. If a corporation tries to incorporate sustainable development into its business and therefore longs to act sustainably and responsibly, it tries to exert corporate social responsibility. Finally, making this corporate social responsibility tangible through explanations, measurement and quantification of the company's efforts in all of the three sustainability topics environment, social and governance, ESG criteria and indicators are used, through which an overall ESG rating can be created. This ESG rating in turn can be used to present a company's ESG performance at a glance and make it comparable to other companies.

1.2. Beginning and development of ESG

An important milestone in the ascent of ESG investments was the 'United Nations Global Compact' – UNGC initiative in 2000, which was aiming at finding solutions for the challenges of globalization (UN, 2004). According to the United Nations, a responsible corporate citizenship should be established through voluntary collective action. The UNGC therefore defined 10 principles within the sectors 'human rights', 'labour', 'environment' and 'anti-corruption'. All participating companies of this UNGC are requested to adhere to and act to those 10 principles (UN, 2004).

Hill (2020) attributes the term 'ESG investments' to the UN Global Compact Leaders Summit in 2004, when twenty major globally acting financial companies committed to take environmental, social and governance efforts into account, when analysing and deciding on their investments. Furthermore, according to the UN (2004) in June 2004, 1500 companies already committed to the principles of the UNGC. As the adherence to the UNGC is voluntary only however, there cannot be sanctions against companies, which do not adhere to those principles.

Soon, other initiatives followed, which were striving for a greater amount of sustainable investments. For example, in 2005, the United Nations started the program 'Principles for Responsible Investments' – PRI, again with the goal to make investors consider and implement ESG criteria into their investment analysis and decisions. Through the investors' signatures to the PRI program, they should recognize and commit to ESG factors and therefore state that it belongs to an investor's fiduciary duties to its customers (Hill, 2020).

Also the 'Organisation for Economic Co-operation and Development' - OECD published guidelines for multinational enterprises (OECD, 2011), where they defined voluntary standards and principles for a responsible business conduct. Since the commitment to these guidelines is voluntary too, they are not binding neither. However, some principles might be covered by international law or national law in the respective country of the operating company anyway, as the OECD (2011) states. The goal of the guidelines was to publish recommendations, which would help to promote global progress in environmental, social and also economic matters of multinational enterprises (OECD, 2011).

Schneider (2021) states that sustainability is often defined by the United Nations Sustainable Development Goals. This attempt to further advance sustainable development was taken in 2015, when the UN developed 17 'Sustainable Development Goals' – SDGs, which can be seen in Figure 1 (United Nations, n.d.). They were created to be global goals which should help to end poverty, protect the planet and ensure peace and prosperity for all people all over the world by 2030 (United Nations Development Programme, 2022).

Figure 1. Sustainable Development Goals (Source: United Nations, n.d. Copyright by United Nations).

Also at different geographic levels, various initiatives were created and existing institutions try to propel sustainability within corporations. At the European level for example, the European Union promoted a European framework on corporate social responsibility in their 'Green

Paper', through which companies should be motivated to act more sustainably and go beyond legal regulations (European Union, 2001). Through their 'Green paper', companies should become aware of their social responsibility towards all of their stakeholders and therefore protect the environment, invest into human capital and promote open governance, thus raising quality and sustainability within the company. This in turn should strengthen and propel the European economy and hence lead to sustainable growth with socially responsible development (European Union, 2001). Furthermore, the EU (2001) suggests that doing more than legally required, for example through an investment in environmentally responsible technologies can be an important factor for the company's competitiveness. However, also this promotion is laid out on a voluntary basis, whereas any non-adherence – i.e. not committing to CSR, would not have any negative effects for the non-adhering company, as long as it obeys all the legal regulations and requirements.

As can be seen by those examples of initiatives, companies do not necessarily have to commit to those sustainability principles, as all those examples are laid on a voluntary basis only. Only if national or international law and regulations exist, which would limit the companies in their acting, it will be binding to the respective companies. However, as stated above, not only institutions push for increased sustainability efforts, but also a growing number of investors want to see ESG efforts of (big) companies. Big companies for the reason that smaller companies usually don't have any investors besides banks. But for small and big companies alike, all kinds of a company's stakeholders should have interest in strong ESG efforts.

In the following chapter 2, the research questions of this thesis are stated, which will be answered within the progression of this thesis through various analytical approaches. Those approaches will be described thoroughly within chapter 3. Thereafter, the results of the literature review on ESG reporting, including an analysis of two state-of-the-art sustainability reporting frameworks will be given in chapter 4. For a basic understanding of the legal requirements related to sustainability reporting for companies operating within the EU, the major milestones of the relevant legislation will be described in chapter 5. Moreover, in chapter 5 the published versions of the new EU-wide to be used ESG reporting framework will be analysed and discussed, whereas special attention will be paid to shortcomings and possible improvements. In order to shed light on the required modifications in the sustainability reporting of Austrian companies with focus on breweries, the published sustainability information of 2 big breweries will be compared to the requirements of the upcoming legal requirements in chapter 6. In chapter 7, a critical review with general recommendations for improvement of ESG reporting frameworks will be given. These recommendations will be supported by ideas for additional ESG criteria, which are stated in chapter 8. Finally, a summary of the gained research results including a conclusion with answers to the research questions can be found in chapter 9.

2. Research questions

The previous chapter showed that efforts are taken by various governmental and non-governmental institutions in order to progress and push sustainable behaviour within companies. Those presented recommendations are not binding however, and common definitions and requirements of sustainable acting and ESG measures are not regulated enough yet. As various ESG projects are going on for several years, naturally there have to be some frameworks and guiding principles, which companies can use to progress and also to present their efforts to interested stakeholders. In order to help further improving this important topic and to promote an even higher acceptance of ESG standards in the future, the following research questions should be answered within this thesis:

How can existing ESG criteria and frameworks be improved in order to make them transparent and valuable for all involved stakeholders?

Which additional ESG criteria can be introduced in order to prevent green- and bluewashing by companies?

What are challenges for Austrian breweries, which will be required to report their sustainability efforts according to the upcoming EU regulations?

For a better understanding of an intrinsic problem connected to sustainability reporting, it is important to further explain the two terms ‘greenwashing’ and ‘bluewashing’. According to Lyon and Montgomery (2015), greenwashing can be understood as a broad umbrella term with various specific forms of misleading communication about an organization’s environmental products and practices, which is supposed to form overly positive beliefs. Similarly, the Oxford University Press (n.d.) defines greenwashing in their ‘Oxford Advanced Learner’s Dictionary’ as “activities by a company or an organization that are intended to make people think that it is concerned about the environment, even if its real business actually harms the environment”. Eliwa et al. (2021) furthermore specify ESG related greenwashing as a company’s practice, in which the level of a company’s ESG disclosure is increased above its actual level of ESG performance. In a nutshell, greenwashing can be understood as a company’s intentionally misleading communication about its activities, which are promoted to be environmentally friendlier than they really are.

As greenwashing originally referred to the misleading communication about environmental activities, the nowadays often used term ‘bluewashing’ more specifically refers to similar marketing practices, which are however associated with social and economic activities.

3. Methodology

In order to thoroughly analyse the current practices of ESG reporting of European companies and to improve the effectiveness of sustainability reports for stakeholders, this thesis uses various different approaches. As the aim of this thesis is to give qualitative answers to the above introduced research questions with recommendations for improvements of existing sustainability reporting frameworks, the first most fitting approach was regarded to be a qualitative state-of-the-art-analysis, with the use of primary as well as secondary sources. Since the terms 'sustainability', 'CSR' and 'ESG' are often used interchangeably, defining these terms with different meanings was regarded to be necessarily clarified in order to avoid ambiguous understandings. Moreover, a clear distinction of these terms was regarded to be essential in order to permit an accurate and target-oriented literature review. While 'ESG' nowadays is often used as an inflationary buzzword, as it opens doors for green- and bluewashing, it still is a rather new topic with limited literature resources only. The available literature thus had to be filtered carefully, in order to avoid taking into account published information with profit-generating intentions. Rating companies and large corporations tend to promote ESG in official publications, however with the lack of traceable assessment criteria. Therefore, the decision was made to consciously omit literature with commercial background and focus on literature from independent and non-profit organizations.

In a further step, the conducted literature review led to the analysis of pre-established sustainability reporting frameworks. In order to shed light onto state-of-the-art ESG reporting standards, two major and worldwide well-accepted sustainability reporting initiatives were analysed and will be discussed accordingly within the chapter covering the literature review. As the related legal requirements have been changing at a high pace during the last decade, also the major sustainability reporting milestones within the EU were analysed through the use of mainly primary sources, such as official communications and legislative texts published by various bodies of the EU. The major milestones of sustainability reporting within the EU were therefore depicted chronologically with focus on reporting requirements, independent of a company's industry sector. Hence, specific requirements which have to be adhered to by financial institutions exclusively were refrained from thorough analysis.

Besides the strictly legal requirements for sustainability reporting within the EU, literature review revealed the creation of a newly to be introduced ESG reporting framework. As the first draft of that new framework was just published when I started to write this thesis, I decided to accompany this development process and put focus on those soon to be mandatorily used requirements. Hence, the structure and also to some point the content of this thesis developed aside the creation process of this newly to be introduced sustainability reporting framework. Thus, this thesis incorporates all the major steps from the publication of two different draft versions starting in April 2022 up to the delegated regulation adoption into EU law in July 2023. Since the creation of this reporting framework used to be very dynamic with sometimes big changes during the published versions, also the structure of this thesis had to be modified accordingly.

All the information, which has been used within this thesis for analysis of the first draft version, the 'Exposure Drafts' published by EFRAG in April 2022 has been retrieved from the documents, which have been uploaded on the following website: https://www.efrag.org/lab3 (EFRAG, 2022ac). For the analysis of the second draft version, the 'Draft ESRS', which has been published by EFRAG in November 2022, all the information has been retrieved from the documents, which have been uploaded on this website: https://www.efrag.org/lab6 (EFRAG, 2022ab).

For the purpose of creating a basic understanding of this soon within the EU to be used sustainability reporting framework, the published ESG Disclosure Requirements were analysed by their main intrinsic nature. This intrinsic nature was classified to be either qualitative (in case descriptive information about the company's sustainability efforts is asked), quantitative (in case hard facts such as quantifiable figures are requested), or a mix of both. In a further step, the two draft versions were qualitatively analysed and compared to each other over the two developing drafting stages with an evaluation of the resulted changes. Thereafter, a strictly quantitative analysis taking into account the number of Disclosure Requirements per topic and the thereof resulting change in reporting burden was used to show up the numerical change of sustainability criteria. Afterwards, a content analysis of the two draft versions was regarded to help in understanding the change of requested information over the development of this new framework. In order to allow for an understanding of the legal surrounding conditions, which had to be adapted for the purpose of introducing the new reporting framework, also the changes of those directives were elaborated and will be highlighted accordingly.

Moreover, the corresponding transposition into national law of Austria will be discussed, in order to establish a connection between the ESG framework and the requirements and limitations of Austrian companies. In addition to that, in an attempt to understand the challenges of the reporting companies itself and their current ESG efforts, two big Austrian brewing companies were analysed by the content of their sustainability and annual reports (financial year 2021). The results then were compared with the upcoming legal requirements, of this currently sector-agnostic only framework.

In order to decide on which companies to analyse, a requirement profile with necessary minimum criteria was defined. Into consideration were taken breweries with operations in Austria, which were already required by law to report according to the NFRD/NaDiVeG, as this affects companies to report from the first possible year on under the CSRD and therefore in accordance with the new ESG reporting framework. Two Austrian brewing companies consequently were chosen for analysis, as they (respectively the parent company of an Austrian brewery on a consolidated basis) have to report their ESG information in line with the new reporting framework for the first time in 2025 for their financial year 2024.

As this thesis should help in understanding the challenges and also the benefits of sustainability reporting, not only the ESG reporting requirements of companies should be discussed, but also the perspective including some additional burden of the reporting companies itself should be shed light on. Therefore, a holistic approach was used by taking both sides of sustainability reporting processes into account. This is the ESG framework establishing part on the one hand, which sets the requirements to standardise sustainability reporting among companies, and on the other hand also the fulfilling part of the reporting companies, which has to provide all the requested sustainability information and present it in an acceptable way to the corresponding stakeholders.

The technical analysis of the brewing companies in Austria was done in a six step comparison process, which was necessary, since the analysed ESG framework was not in force at the time of writing this thesis and therefore, no mapping and linkages of the analysed version (Draft ESRS) to other sustainability reporting frameworks existed yet. Thus, in a first step, the Exposure Draft ESRS Disclosure Requirements were compared to the GRI Standards with the help of a published similarity mapping (GRI, 2022e) between GRI and ESRS, which however was prepared by GRI according to their Standards version of 2021. Moreover, as the analysed companies also referred to SDGs, these SDGs were in a second step again compared with the help of a by GRI (2022f) provided linkage table between SDGs and 'GRI Universal Standards 2021'. In a third step, the 'GRI Universal Standards 2021' were compared to the 'GRI Universal Standards 2016', as the analysed companies reported their sustainability information in accordance with the 'core' option of the 'GRI Universal Standards 2016'. As fourth step, the differences of the Exposure Drafts and the Draft ESRS were analysed and compared to the before analysed corresponding GRI Standards, as the most current ESRS version was regarded to be most suitable for an updated analysis. In a fifth step, the sustainability and annual reports of the analysed companies were cross compared with the Disclosure Requirements of the Draft ESRS. As soon as the information requested to be reported within any Disclosure Requirement was found to be stated either under GRI or SDG reference, it was marked to be reported by the company accordingly. Finally, as sixth step, a content analysis of the published sustainability information was conducted. Thus, the sustainability reports and one annual report were read and checked for ESG information requested by Disclosure Requirements, which was stated in plain language only without referring to any specific reporting framework. All the analysed findings were transferred into an Excel table and colour coded in order to facilitate an easy and direct visual assessment of the results.

Furthermore, as the technical analysis of the companies still allowed for interpretation of the results, a semi-structured expert interview was conducted with the responsible person for sustainability matters of one of the two analysed companies. The interview questions of this semi-structured expert interview can be found in Appendix A. The information which was gained through the expert interview was integrated into the explanatory analysis part of this company and therefore contrasts analysed results with the point of view of the company itself. This in turn should help to get a thorough picture of the company's ESG reporting efforts, but also its burdens.

Taking all the analysed information into account, a critical conclusion of the ESRS versions is drawn in the last chapters of this thesis. This conclusion comprises feedback as well as recommendations and ideas for an even stronger sustainability reporting framework. Moreover, additional Disclosure Requirements were created, which should help in making the framework more stable against green- and bluewashing practices by companies. Thus, the reported sustainability information of companies should become more valuable for investors and other stakeholders with interest in the reporting company, as the recommended additional criteria are supposed to be difficult to be tinkered in any way for the purpose of brightening a company's ESG results and therefore outperform other companies in terms of sustainability. Most of those additional requirements have the goal of providing more hard and quantifiable facts, which should also make comparison between companies easier. Hence, many of those additional criteria were created to be stated as a share/percentage, which in turn facilitates an easy and direct ESG comparison of companies.

Many of the additional criteria derive from already published criteria in any form and were made easier comparable through small adjustments. Of course, those criteria were referenced accordingly. Some criteria and recommendations were developed while reading sustainability reports or frameworks, which gave the idea for easy but powerful Disclosure Requirements with sustainability impact. Of course, also own observations of various companies, which do not always operate as sustainably as they pretend to, led to the creation of additional ESG criteria (mainly within the topics Social and Governance).

This thesis takes into account changes up to and including the adoption of the final ESRS by the European Commission through the delegated regulation, which took place on July 31 in 2023. According to the European Commission (2023d), they had to formally transmit the ESRS delegated regulation in the second half of August 2023 to the European Parliament and the European Council. In case the European Parliament or the European Council do not formulate any objections within a scrutiny period of two months, which can be extended by a maximum of two more months (European Commission, 2023d), the delegated act will enter into force on the third day after publication in the 'Official Journal of the European Union' (European Commission, 2023b; European Commission, 2023c). This thesis therefore comprises all the major steps from the first ESRS version (Exposure Drafts) up to the ESRS adoption by the European Commission.

4. Literature review

As ESG reporting became a prominent topic during the last years, the results of the literature review will be stated within this chapter. Hence, this chapter will give an overview of current ESG reporting practices. Besides the introduction of two current state-of-the-art ESG reporting frameworks, also a literature summary of the benefits and motives of ESG reporting will be given.

4.1. ESG reporting standards and guidance for organizations

When organizations report their sustainability efforts, they could either just report them in any way they want to, or they can also follow pre-established frameworks and sustainability standards for reporting. Many companies therefore use sustainability standards and frameworks, which are well known and already used by many other companies and therefore give the possibility to make the company's efforts easier comparable to other companies. Consequently, companies which want to report their (voluntary) sustainability efforts can refer to one or several sustainability reporting frameworks, which hence give the opportunity to report in a standardized way and furthermore make benchmarking to competing companies easier. But as the phrase 'several reporting frameworks' already suggests, there is no single standard reporting method, but several different methods, which by nature use different concepts. Therefore, as an introduction to ESG reporting frameworks, two globally major and already well-accepted standards will be discussed.

One major initiative for sustainability reporting is the 'Global Reporting Initiative' – GRI, through which the 'Global Sustainability Standards Board' – GSSB sets sustainability standards with the aid of many different stakeholders from all over the world. They provide their developed standards to any organization in order to make the disclosure of an organization's impact on economy, environment and also its people publicly available which in turn increases the information quality and moreover makes various companies, which use the same reporting standards, easier comparable (GRI, 2022a). According to the GRI (2022a), their standards were developed on the basis of various intergovernmental expectations, such as the OECD – 'Guidelines for multinational enterprises', or documents issued by the UN like 'The Sustainable Development Goals Report 2018' (GRI, 2019), just to name a few.

Their standards are structured into three pillars, being the 'GRI Universal Standards', the 'GRI Sector Standards' and the 'GRI Topic Standards'. The first pillar, the 'GRI Universal Standards' specify the reporting principles, requirements, disclosures about the company and key concepts about sustainability reporting and therefore have to be used by all organizations which are reporting under these standards. The 'GRI Sector Standards' give the reporting organization information about important reporting topics and the information to be reported for those topics, which are substantial for the organizations' specific operating sectors. The 'GRI Topic Standards' specify disclosures for the reporting organization's particular topics, which have been identified by the company to be of high materiality (GRI, 2022a). Figure 2 (GRI, 2022a) shows a graphical summary of the three GRI Standards pillars and its usage for the reporting organizations.

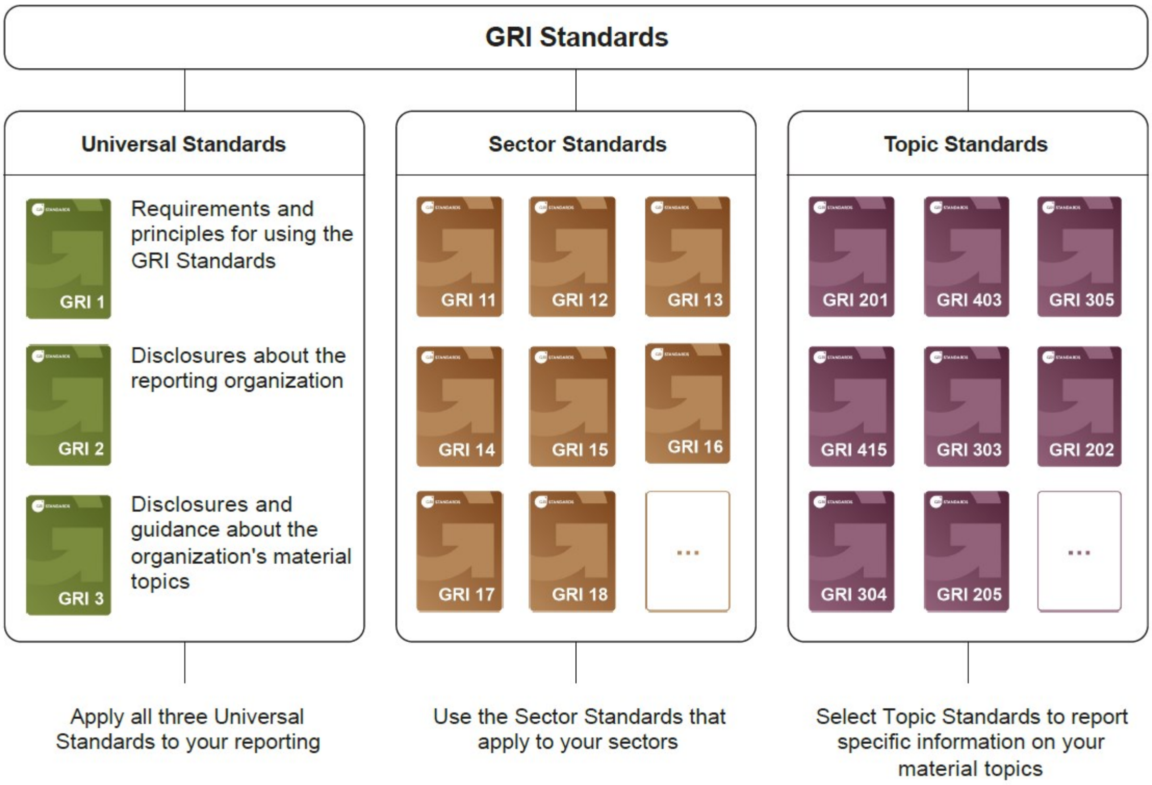

Figure 2. GRI Standards: Universal, Sector and Topic Standards (Source: GRI, 2022a, 6. Copyright 2022 by GRI).

Up to now, the GSSB has released GRI Sector Standards for the Sectors 'Oil and Gas (GRI11)', 'Coal (GRI 12)', which they regard to have the highest impact (GRI, 2022b) and also the Sectors 'Agriculture, Aquaculture, and Fishing (GRI 13)'. According to them, Sector Standards for in total 40 different Sectors are to be developed in the future. At the moment, also the Sector 'Mining' is under development (GRI, 2022b). In order to make the principle of defining material topics for any sector more easily understandable and tangible, as an example, the defined material topics with their connection to the SDGs for the Sector 'Oil and Gas' are listed in Figure 3 (GRI, 2022c). A description of the 17 SDGs referenced to in Figure 3 (GRI, 2022c) can be seen in Figure 1 (United Nations, n.d.), where all 17 SDGs are presented graphically. Each column of Figure 3 (GRI, 2022c) corresponds to one specific SDG, whereas each line corresponds to one specific topic within the Oil and Gas sector, which is regarded to be of material likeliness and consequently should be reported on by the corresponding reporting company. Each point in Figure 3 (GRI, 2022c) hence corresponds to an SDG that is linked to one specific topic regarded to be of material likeliness. Therefore, each material topic can have a connection to one or more SDGs and vice versa.

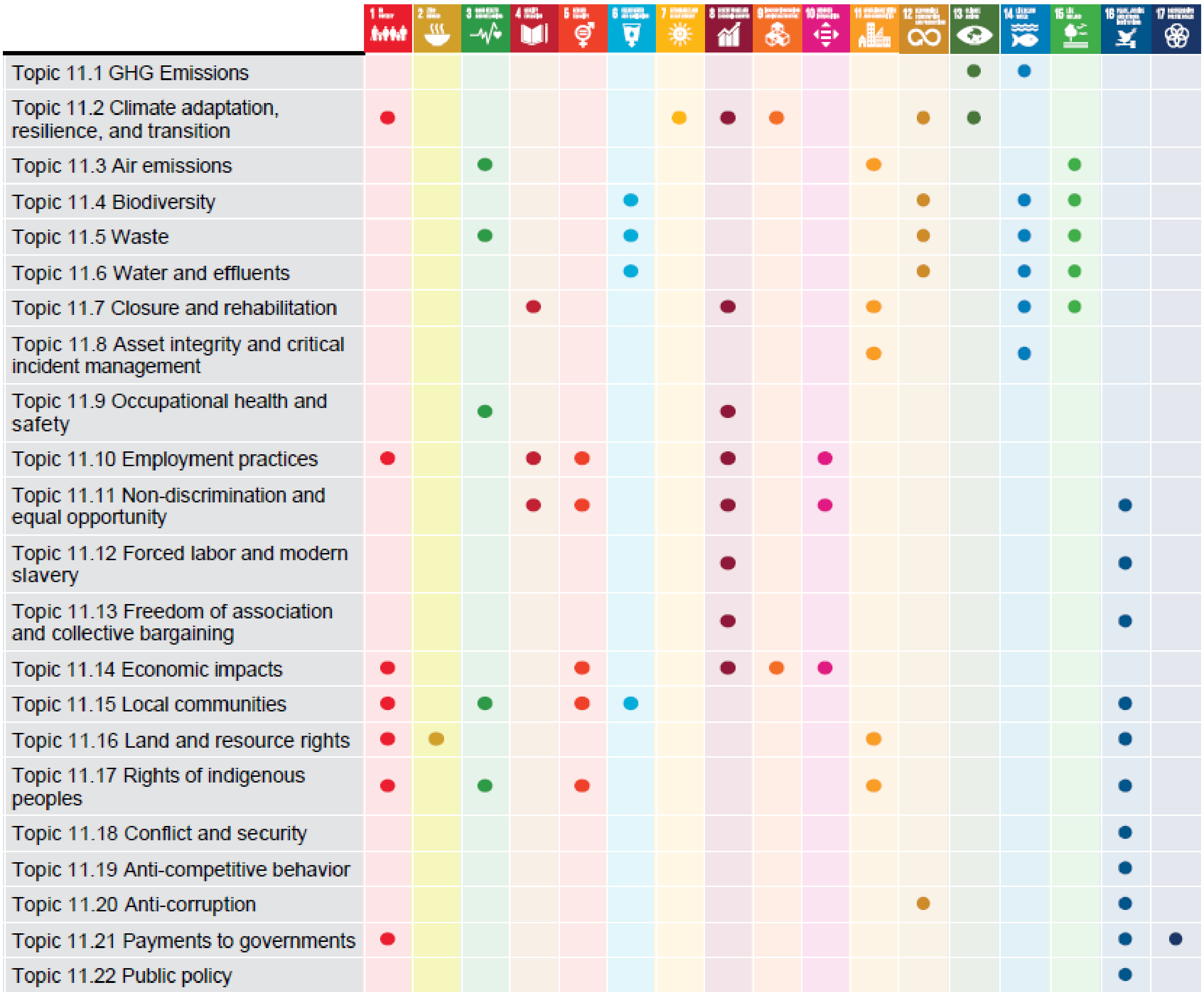

Figure 3. Links between the likely material topics for the oil and gas sector and the SDGs (Source: GRI, 2022c, 12. Copyright 2022 by GRI).

For example, Topic 11.1 GHG emissions covers the in the 'GHG Protocol Corporate Standard' (WBCSD/WRI, 2004) defined 3 Scopes of those emissions which are related to the activities of an organization. Therein Scope 1 corresponds to an organization's direct greenhouse gas (GHG) emissions, Scope 2 corresponds to energy indirect GHG emissions, and Scope 3 corresponds to other indirect GHG emissions of an organization's up- and downstream activities (GRI, 2022c). Only the emissions of Scope 1 are defined as direct GHG emissions, as Scope 2 and Scope 3 are defined as indirect GHG emissions. Those direct emissions are the only emissions, over which a company or organization has direct control (NZBCSD, 2002). According to WBCSD/WRI (2004), which published the 'Greenhouse Gas Protocol', companies which account and report their GHG emissions should do so by at least reporting Scope 1 and Scope 2 emissions. Moreover, reporting companies may divide their emission data in any possible way as deemed necessary for transparency and better understanding of its sources. Scope 3 emissions are to be reported only optionally. In order to calculate the GHG emissions, industry specific emission tools were created and can be used by the reporting organizations (WBCSD/WRI, 2004). One possibility of these emission calculation tools are for example tables, via which the organization can determine the resulting amount of GHG per unit of used fuel. Adding up the emitted GHG of the applicable fuel using processes leads to the overall GHG emissions per defined Scope.

For an easier understanding of the 3 GHG Scopes, Figure 4 (WBCSD/WRI, 2004) shows a graphical example for possible sources of the three different GHG emission Scopes of an exemplified company.

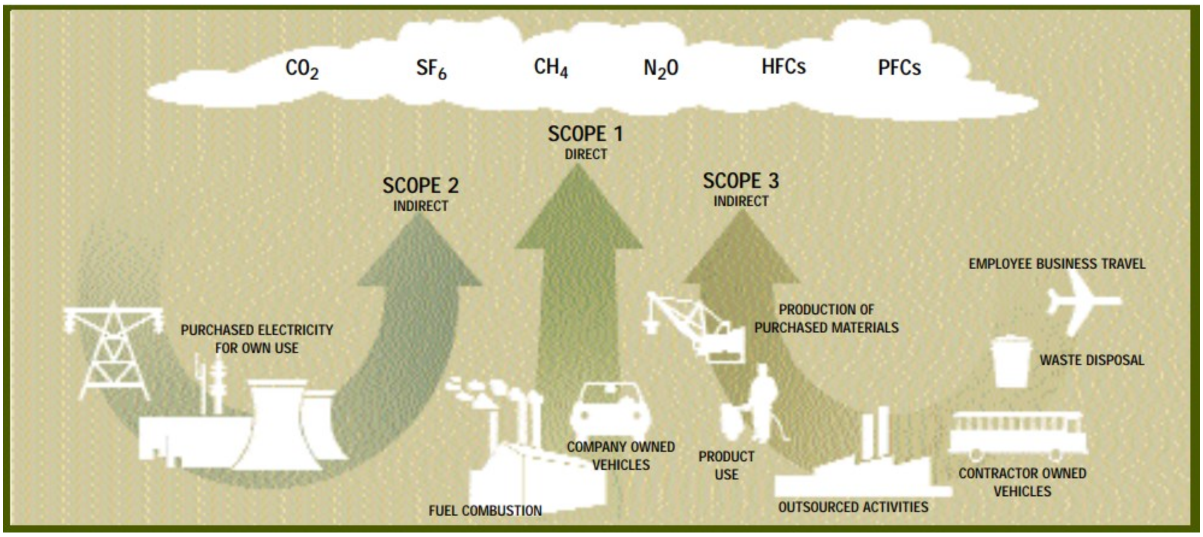

Figure 4. Overview of scopes and emissions across a value chain (Source: WBCSD/WRI, 2004, 26. Copyright 2004 by WBCSD/WRI).

Another widely used ESG reporting standard was developed by the 'Sustainability Accounting Standards Board' – SASB, which was established in 2011 (SASB, 2017). The SASB puts the focus on reporting the most critical sustainability factors which might have impact on a company's financial and operating performance (SASB, 2017). According to the SASB (2017), their industry-specific standards are created in a way to be incorporated directly into a company's financial analysis, being especially helpful for US companies, as the standards are aligned with US security laws. According to them, their reporting standards however are not limited to be used by US companies only, as the standards are a useful reporting framework for companies outside the US, too. Up to now, the SASB (2022) developed and published 77 industry reporting standards, ranging from 'consumer goods' via 'extractives & minerals processing', 'financials', 'food & beverage', 'health care', 'infrastructure', 'renewable resources & alternative energy', 'resource transformation', 'services' and 'technology & communications' to 'transportation'. With the SASB industry-specific standards, companies can analyse those standards, which are specific to its industry of operation and report according to them voluntarily. Moreover, it is also possible for any company to just report on some specific topics, as deemed necessary and useful (SASB, 2018).

The SASB created their industry-specific accounting standards with five sustainability dimensions, being 'Environment', 'Social Capital', 'Human Capital', 'Business Model & Innovation' and 'Leadership & Governance' (SASB, 2020). Each of these sustainability dimensions can have different disclosure topics according to the industry, such as for example the topic 'Greenhouse Gas Emissions'. In order to make this specific disclosure topic measurable, topic specific metrics were formulated (SASB, 2020). A graphically supported description of the SASB standards-structure can be seen in Figure 5 (SASB, 2020).

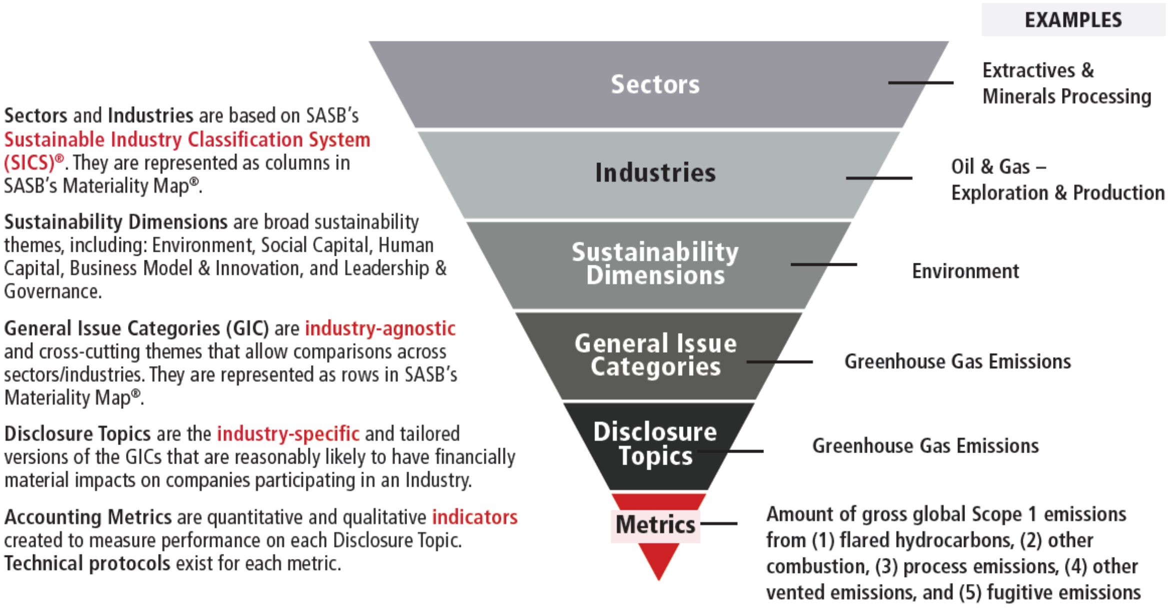

Figure 5. Structure of SASB Standards (Source: SASB, 2020, 2. Copyright 2020 by SASB).

A more specific example with its corresponding metrics and specifications can be seen in Table 1 (SASB, 2018), which was developed by the SASB for the Airline Industry. Table 1 (SASB, 2018) shows in the example three different accounting metrics for the topic 'Greenhouse Gas Emissions'. Furthermore, calculation methods for their defined quantitative metrics are suggested, which however do not have to be used exclusively. Hence, the topic 'Greenhouse Gas Emissions' for the Airline industry contains two quantitative metrics to be disclosed, being the gross global Scope 1 emissions and fuel specifications (total fuel consumed, percentage alternative, percentage sustainable). The third accounting metric to be reported consists of a discussion and analysis about the company's strategy to manage those Scope 1 GHG emissions in the short- as well as in the long-term.

Table 1: *Sustainability Disclosure Topics & Accounting Metrics* (Source: SASB, 2018, 6. Copyright 2018 by SASB).

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO_2-e	TR-AL-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	TR-AL-110a.2
	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	Quantitative	Gigajoules (GJ), Percentage (%)	TR-AL-110a.3

4.2. Benefits and motives of ESG reporting

As we have seen, reporting about ones sustainability efforts might require a lot of additional effort and for sure is a challenging and resource binding undertaking. Therefore, the question arises, why an organization would even want to report its sustainability and ESG specific efforts. One might say that a company just wants to do something good, therefore it takes efforts in taking ESG measures to improve its environmental, social and governance processes and standards, and then of course also wants to publish their efforts. However, this obviously will not be the only truth. Of course there can be also other motives behind ESG reporting.

The GRI (2022a) states that an organization's activities and business relations can have positive or negative consequences, also on the organization itself. Those consequences to the organization itself might be for example of an operational, reputational and in most cases also financial nature, even if the consequences are not of financial nature directly from the beginning. As the financial performance of a company is of high importance to its persistence, everybody who has interest in the company's financial performance in some way should also be aware that its activities consequently influence its long-term success (GRI, 2022a). The GRI (2022a) therefore argues that through an organization's activities and business relationships on environment, economy and the people and the thereof resulting consequences on the company's performance, the reporting of an organization's sustainability efforts hence plays an important role for the reporting of finance and value creation, as it gives an opportunity to identify financial risks and opportunities. For anybody who has interest in the organization's long-term success and its financial performance, the company's sustainability reporting should therefore be of interest too. Besides its importance from the financial point of view, according to the GRI (2022a), sustainability reporting is also important on its own, as a public interest activity.

Hahnkamper-Vandenbulcke (2021) states that it is necessary for companies to provide information about their ESG efforts in order to manage the change to a sustainable global economy, where long-term profitability, social justice and environmental aspects can all make ends meet. Hummel and Jobst (2022) state two different theories, giving possible explanations for the motivation of companies to voluntarily report sustainability information. There is once the economics-based theory, whereas a company would lower information asymmetries between managers and shareholders by providing sustainability information, if the benefits for example from lower estimation risk and higher market liquidity would outstrip disclosure costs (Hummel and Jobst, 2022; Leuz and Wysocki, 2016; Verrecchia, 1983). On the other hand, Hummel and Jobst (2022) state the legitimacy theory, which suggests that sustainability information might be provided voluntarily in order to influence perceptions of the company and to keep or gain legitimacy. In this case, disclosed sustainability information would be basic and more of a symbolic character only and thus not very valuable for investors (Cho et al., 2015; Hummel and Jobst, 2022). Similarly, Eliwa et al. (2021) recap two main approaches within their research paper, the substantive management approach and the symbolic management approach. According to their literature research, the substantive management approach aims on gaining legitimacy through 'real' ESG actions taken within the company, whereas the symbolic management approach is used as a means of greenwashing, as stakeholder's perceptions are affected through apparent sustainability actions only, in order to receive benefits associated with ESG practices.

Brogi et al. (2022) examined the relationship between ESG awareness and credit risk of 3331 companies from different geographical areas and different industries. They thereby concluded that a company's ESG score is at a strong significance negatively correlated to its credit risk for European and American companies, whereas statistical significance gets lost for the subsample of Asian companies. Brogi et al. (2022) therefore conclude that banks should consider to finance companies, which show ESG awareness, as the reduced firm risk could be used to mitigate credit risk. Supporting this theory, Eliwa et al. (2021) analysed a sample of 6018 observations of non-financial firms within 15 EU countries, with the finding that lending institutions granted lower cost of capital to companies, which showed increased levels of ESG disclosures. A research of more than 100 academic studies about ESG and sustainable investing by Fulton et al. (2012) delivered similar results, as all of their analysed academic studies showed that companies with high CSR and ESG ratings had lower costs of capital on debt and also on equity. According to Fulton et al. (2012), ESG practicing companies are therefore rewarded by the market with lower cost of capital, as their risk is regarded to be lower compared to their competitors without proclaiming ESG practices.

Of course, there is one more important motive for reporting sustainability efforts, which is the legal requirement. Similar to financial statements, which have to be declared mandatorily by companies, also mandatory legal requirements for sustainability reporting arise. However, as already mentioned in the introduction, the extent to which legal requirements in relation to sustainability exist, still is pretty manageable. Furthermore, as Brogi et al. (2022) found out within their studies, the level of sustainability awareness also seems to be related to geographical areas. As according to them, American and European companies showed highest correlation between ESG scores and credit risks, it makes sense that legal sustainability efforts are more important in those countries compared to others. Hence, also the development of legal requirements is faster and more developed in those countries.

5. Legal Context for companies within the EU

Within the European Union, many attempts have been made in order to make companies operate more sustainably. Therefore, EU institutions such as the European Commission, the European Parliament, the European Council and others were and still are working on laws, directives, actions and policies to foster sustainable growth within the EU. As the number of published laws, agreements and directives in regards to company sustainability and ESG reporting became very extensive during the last years, the intention of the following chapters is to highlight and review some major milestones that have been taken by EU institutions. Over the past years, some mandatory sustainability related regulations were adopted exclusively for the financial sector, such as ‘Pillar 3’ and the ‘Sustainable Finance Disclosure Regulation’ (Council Regulation (EU) 2019/2088), and therefore will not be regarded further in the next paragraphs. In order to keep this review manageable, focus of the following paragraphs hence will be put on sustainability reporting milestones, which are not exclusively applicable to companies within financial industry sectors.

The ‘Non-Financial Reporting Directive’ (Directive 2014/95/EU) - NFRD was adopted by the European Union as an amendment to the ‘Accounting Directive’ (Directive 2013/34/EU) in 2014 (Hahnkamper-Vandenbulcke, 2021). The requirements of the NFRD in turn had to be transposed into national law by each EU member state. The NFRD should ensure that entities with a large public interest (i.e. listed companies, banks, insurance companies) and an average size of more than 500 employees disclose their sustainability issues and make these entities discuss how those issues not only affect the company itself, but also the resulting impacts on people and environment (European Commission, 2021; European Parliament and Council of the European Union, 2014). As Hahnkamper-Vandenbulcke (2021) states in her ‘briefing on the Non-Financial Reporting Directive’, the NFRD was developed in order to increase the transparency of the reporting companies’ disclosed information on social and environmental efforts, which in turn should make them comparable in all EU member states and lead to a sustainable global economy.

As the NFRD however doesn’t require any specific reporting format, but instead only refers to voluntary reporting standards of independent organizations (Hummel and Jobst, 2022), such as the ones already introduced within the literature review of this thesis, the European Commission published in 2017 the non-binding ‘Guidelines on non-financial reporting’ (Commission Guidelines 2017/C 215/01), which should help companies to report according to the requirements of the NFRD (European Commission, 2017). These non-sector specific guidelines explain some general principles and also should help companies to find out which thematic aspects might be material and thus be relevant for the reporting companies and their particular business operations. The thematic aspects are grouped into ‘environmental matters’, ‘social and employee matters’, ‘respect for human rights’, ‘anti-corruption and bribery matters’ and ‘others’. For the aspect ‘others’ they state as examples ‘supply chain’ and ‘conflict minerals’. Furthermore, the European Commission (2017) gives examples of key performance indicators, which could be reported by the companies.

In 2019, the European Commission (2019) communicated on ‘The European Green Deal’ (COM(2019) 640 final), which according to their own words should “transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of GHG in 2050 and where economic growth is decoupled from resource use” (European Commission, 2019, 2). Again, also in the European Green Deal, the European Commission (2019) communicates that Europe should become sustainable not only in environmental matters, but also in regard to its people and society, by putting effort for example into the improvement of employee rights, consumer protection and also environmental measures. According to them, these goals should be achieved through a financial system, which supports sustainability. Therefore, the European Commission (2019) postulated that all future actions and policies of the EU have to contribute to the European

Green Deal objectives, which in turn should also be measures and tools to reach the United Nations SDGs. Important insights of the European Green Deal (European Commission, 2019) are that the NFRD has to be reviewed in order to increase disclosure of companies' sustainability issues, and also to increase opportunities in order to facilitate sustainable investments. A review of the NFRD uncovered according to the European Commission (2021) that comparability and reliability of companies' disclosed information were not developed enough and additionally many companies failed to report material sustainability information on all of the requested topics.

In order to reach the goals of the European Green Deal and therefore also to help foster sustainable investment, necessary conditions were defined which should help investors, policymakers and companies to find out which economic activities are regarded to be environmentally sustainable (European Commission, 2022). In June 2020, this 'Taxonomy Regulation' was published in the 'Official Journal of the European Union' (European Commission, 2022) officially as 'Regulation (EU) 2020/852'. Since being in force, according to Article 8 of the Taxonomy Regulation (European Parliament and Council of the European Union, 2020), non-financial undertakings therefore have to report on their proportion of turnover, their proportion of capital expenditure and their proportion of operating expenditure associated with environmentally sustainable economic activities.

Since the NFRD was regarded as not being sufficient to fulfil its purpose, the European Commission mandated the 'European Financial Reporting Advisory Group ' – EFRAG to work on the creation of possible non-financial reporting standards (EFRAG, 2021). Hence, their Project Task Force was examining the NFRD and seeking for recommendations on how to create a useful set of sustainability standards that could be used by companies within the EU. In February 2021, the Project Task Force of EFRAG published 54 main recommendations on how to improve the NFRD (EFRAG, 2021). One of their improvement recommendations contains a sustainability reporting target architecture, which should clearly group required sustainability reporting information into pre-defined areas and topics which are shown in Figure 6 (EFRAG, 2021):

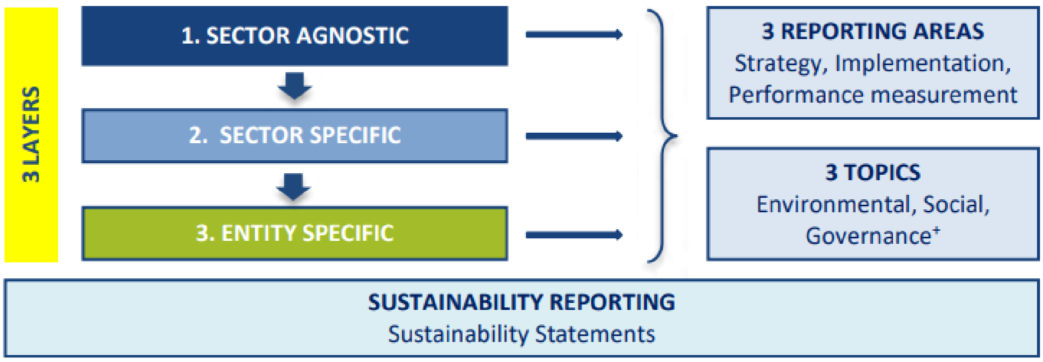

Figure 6. Target architecture of EFRAG sustainability standards (Source: EFRAG, 2021, 9. Copyright 2021 by EFRAG).

As can be seen in Figure 6, EFRAG (2021) therefore recommended to develop a reporting system, which consists of three reporting layers (sector agnostic, sector specific, entity specific), three reporting areas (strategy, implementation, performance measurement) and three topics (Environmental, Social, Governance^{+}). Eye-catching is the fact that out of the three ESG topics, the topic Governance was changed from the commonly described Governance to Governance^{+}, which should highlight a broader interpretation of governance than usually considered, as it should mirror the full spectrum of a company's relevant sustainability aspects, which belong to the entity itself (EFRAG, 2021). They therefore included into their improvement recommendation "governance, business & ethics, management of the quality of relationships with stakeholders, organisation and innovation, and reputation and brand management" (EFRAG, 2021, 10) into the topic Governance^{+}.

Moreover, EFRAG (2021) proposed to create a list of sub-topics for each of the three topics Environment, Social and Governance+, under consideration of EU legislation and policies, combined with existing standards, frameworks and also by integrating experts' and scientific consensus on international sustainability trends. A summary of sub-topic proposals made by the Project Task Force of EFRAG is given in Figure 7 (EFRAG, 2021).

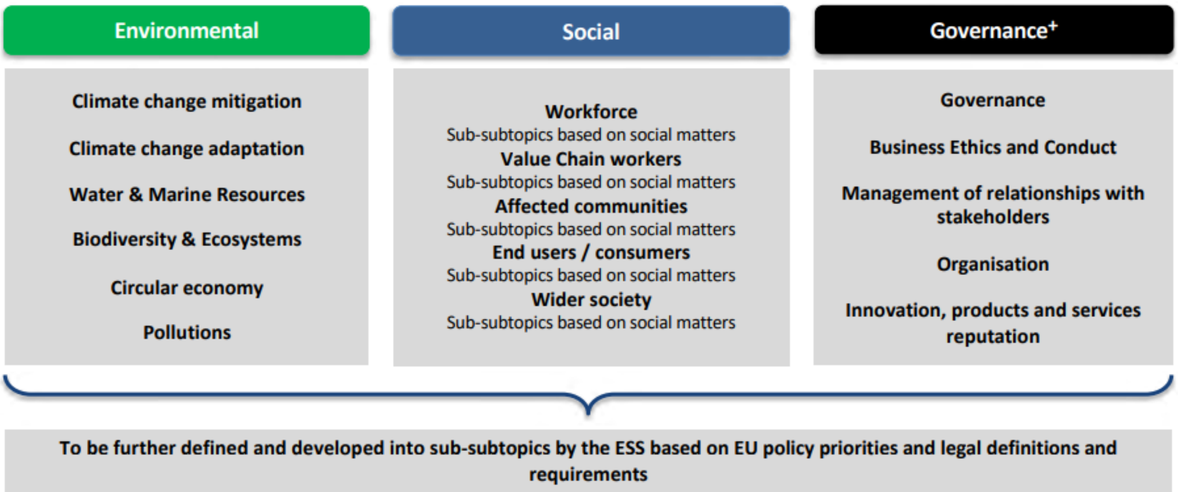

Figure 7. Proposal for a detailed structure for sustainability reporting topics and sub-topics (Source: EFRAG, 2021, 102. Copyright 2021 by EFRAG).

Following the recommendations of EFRAG, the European Commission published a proposal for a 'Corporate Sustainability Reporting Directive' – CSRD (COM(2021) 189 final) in April 2021 (EFRAG, 2022b). As the European Commission (2021) stated that after having examined the existing NFRD thoroughly, they came to the conclusion that the adopted NFRD would not be sufficient for the intended usage and therefore should be revised. Furthermore they proposed that all listed small and medium-sized companies on regulated markets additionally to all large companies should have to disclose their sustainability efforts.

The CSRD proposal demanded that those companies, which would be obliged to disclose their sustainability information as part of their management report would have to do that according to 'European Sustainability Reporting Standards' – ESRS, which in turn would have to be technically developed by a Project Task Force of EFRAG and eventually have to be adopted by the European Commission (EFRAG, 2022b). EFRAG thus prepared ESRS exposure drafts on the basis of the CSRD legislative proposal from April 2021, by taking into account the best practices of already available international reporting frameworks (EFRAG, 2022b). According to EFRAG (2022b), their exposure drafts, which were published in April 2022, already incorporate European law and initiatives, such as for example Article 8 of the Taxonomy Regulation (EFRAG, 2022b). After the public consultation period of 100 days, which was scheduled to end on August 8 in 2022, a fine-tuning and modification of the ESRS was set to be done by EFRAG, as they were aware that setting up sustainability reporting standards would not be possible and perfect by the first attempt, but have to be developed over various reviews through checking adequacy of the Disclosure Requirements and by understanding and in turn incorporating the needs of its users (EFRAG, 2022b). The modified version of the exposure drafts was released by EFRAG in November 2022 as 'Draft ESRS'.

Moreover, the 'Corporate Sustainability Reporting Directive' – CSRD was adopted in November 2022 and later on published on December 14 in 2022 in the 'Official Journal of the European Union' as 'Directive 2022/2464/EU'. Therefore, in 2025 for the first time, companies, which were already required to report under the NFRD, will have to disclose their sustainability information in accordance with the ESRS for the financial year 2024. Furthermore, all other large (starting 2026) and also small and medium-sized undertakings (starting 2027) which are listed on EU regulated markets, with the exception of micro undertakings, will have to disclose sustainability information in the future. Hence, the number of companies, which will mandatorily have to disclose sustainability information increases compared to the NFRD. Compared to the NFRD, the CSRD further clarifies the requirement of 'double materiality', whereas a topic is regarded to be material if it not only affects the company itself, but also has impact on people and the environment.

In order to get a better understanding of the reporting company's development, performance, position and impact as a whole, the CSRD demands that sustainability information will be integrated into the management report and therefore cannot be published as a separate sustainability report anymore (European Parliament and Council of the European Union, 2022). Moreover, the CSRD states that sustainability information needs to be assured and also marked up in order to be valuable information. Hence, for the time being, reporting companies should get an opinion on their sustainability reporting based on a limited assurance engagement by independent auditors, which however should be changed to a reasonable assurance engagement in the future. Furthermore, sustainability information should be made digitally available and supplied free of charge to the readers. The ESRS therefore should be the basic and mandatory framework, according to which companies within the EU have to disclose their sustainability information in a harmonised and comparable way, which should gradually develop to reach the same standards as required for financial reporting.

According to EFRAG (2022ab), the plan was to adopt the Draft ESRS as delegated acts by the European Commission in June 2023, after having consulted EU bodies and also EU member states. On June 9 in 2023, the European Commission published the draft of their delegated regulation, which comprised some modifications to the by EFRAG published Draft ESRS. According to the European Commission (2023b), after a feedback period of 4 weeks during which citizens and other stakeholders could submit their feedback on the modified ESRS version, an overview of the received feedback had to be presented to the relevant committee, before a decision had to be taken whether the delegated act would be adopted or further changes had to be made. Eventually, on July 31 in 2023, the European Commission adopted the ESRS as delegated regulation (European Commission, 2023c). The European Parliament and the European Council can state objections to this delegated act within a maximum of 4 months (European Commission, 2023d).

In order to facilitate the understanding of the development of sustainability reporting within the EU, I created Figure 8, which gives an overview of the most important milestones, depicted on a timeline. The major milestones of EU sustainability reporting legislative are depicted correctly on the timeline regarding the year in which the milestone was set, however the milestones are not depicted to scale during the year in order to allow for a less compressed image and hence give a more 'polished' overview. Additionally, Figure 8 provides some major inputs and hints to the legislative development process of those milestones, which were already discussed within this chapter, in order to facilitate an understanding of the development process.

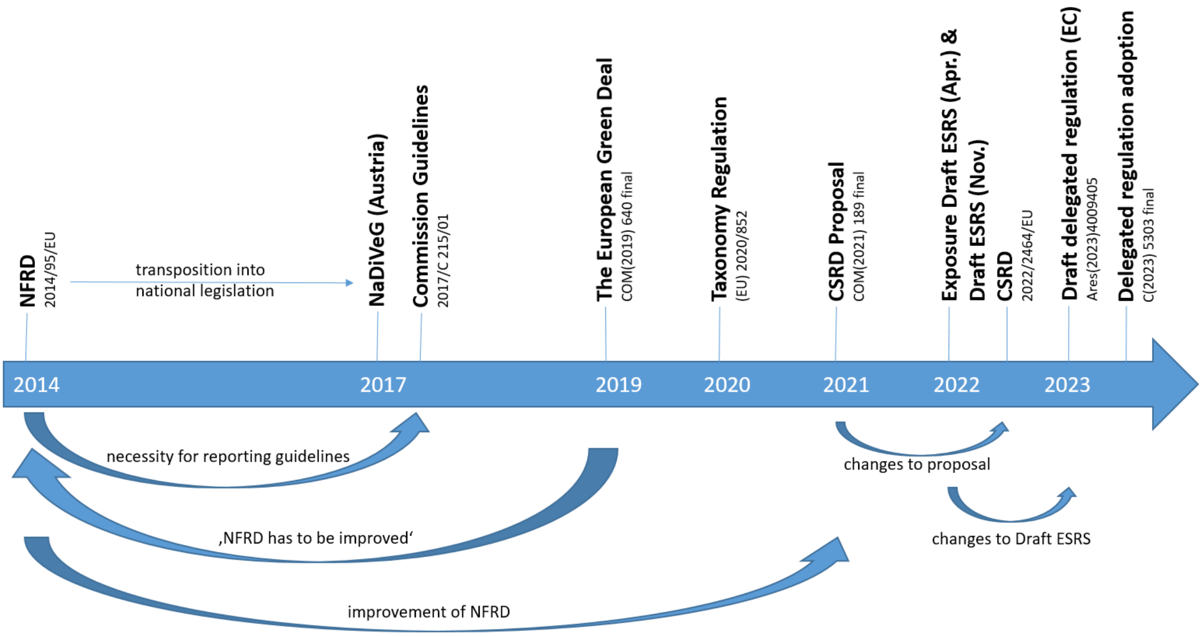

Figure 8. EU sustainability reporting milestones.

In the following paragraphs, the two by EFRAG developed ESRS versions, which were published in April 2022 (Exposure Drafts) and in November 2022 (Draft ESRS) respectively, will be analysed. First of all, these two draft versions will be analysed by their 'to be reported' content, which can be either mainly of a descriptive nature, a quantitative nature, or a mixture of both. Some Disclosure Requirements ask for a quantitative estimation for future results, which can be regarded as a mixture of descriptive and quantitative information, too. Thereafter, it will be assessed, whether some Disclosure Requirements of this sector-agnostic framework might give opportunities for green- and/or bluewashing by a company and therefore call for further fine-tuning, in order to make those Disclosure Requirements/criteria less prone to be adapted to desired values by a company. Moreover, ideas and hints for additional criteria will be given, which might be used for a sector-specific framework of the brewing and beverage industry, which has to be developed in future. At the end of this chapter, the delegated regulation for the adoption of the ESRS and its proposal by the European Commission will be analysed. Thus an overview of major modifications made to the Draft ESRS including some conclusions will be given for the purpose of identifying by EU institutions propelled trends in the development of those sustainability reporting standards.

5.1. Exposure Drafts published in April 2022 – EFRAG

EFRAG initially developed 13 exposure drafts of the ESRS in order to make companies disclose their sustainability information in accordance with the CSRD, on which standards company specific information has to be reported. Table 2 lists these 13 Exposure Drafts, which have been published by EFRAG in April 2022. These Exposure Drafts are supposed to cover the whole value chain of the reporting company (EFRAG, 2022a). Moreover, the number of Disclosure Requirements per Exposure Draft as well as the number of Disclosure Requirements per Topic are included in Table 2 in order to give an overview of the extent of each Topical Standard. In total, EFRAG thus initially has developed 136 ESG Disclosure Requirements, which are covered within the following 13 Exposure Drafts:

Table 2: *Overview of ESRS Exposure Drafts* (Source: EFRAG, 2022a, adapted from "Table 2 – Overview of ESRS Exposure Drafts and SFDR Principal Adverse Impacts indicators", 3).

		Number of Disclosure Requirements per Exposure Draft
	Cross-cutting Exposure Drafts	**22**
ESRS1	General principles	0
ESRS2	General, strategy, governance and materiality assessment	22
	Topical standards - Environment	**50**
ESRS E1	Climate change	17
ESRS E2	Pollution	7
ESRS E3	Water and marine resources	7
ESRS E4	Biodiversity	10
ESRS E5	Resource use and circular economy	9
	Topical standards - Social	**44**
ESRS S1	Own workforce	26
ESRS S2	Workers in the value chain	6
ESRS S3	Affected communities	6
ESRS S4	Consumers & end-users	6
	Topical standards - Governance	**20**
ESRS G1	Governance, risk management and internal control	10
ESRS G2	Business conduct	10
		136

For the scope of this thesis, emphasis will be put on the topics Environment, Social and Governance only, while omitting the Cross-cutting Exposure Drafts published by EFRAG (2022a) from further discussion, as those Exposure Drafts are related to reporting requirements and provisions for the disclosure of information, and are not directly connected to the informational content of the herein discussed topics Environment, Social and Governance. In order to get a thorough overview of the sustainability criteria used by EFRAG, the proposed Disclosure Requirements of the topics Environment, Social and Governance are listed in Table 3.

In addition to the Disclosure Requirements of the Exposure Drafts of April 2022, also the Draft ESRS version, which was published in November 2022 is depicted in Table 3, including a classification of the Disclosure Requirements according to their intrinsic informational nature. In case the Disclosure Requirement mainly asks for descriptive information about the company's sustainability efforts, its type of criterion therefore was marked as 'D'. If mainly quantitative information is requested, which would be hard facts such as quantifiable figures, it was marked as 'Q'. The term 'quantitative estimation' was used, in case an estimation of future results due to potential financial effects is requested, and can be regarded as a mixture of quantitative and descriptive information, as the reporting company has to describe how it concludes the estimation, which is reported as a figure. Table 3 thus should give an overview of the type of criteria used and also help in facilitating an easy comparison between the two differing ESRS versions and show at a glance the changes, which were made after the feedback period. A deeper analysis of the draft ESRS version of November 2022 and its corresponding changes will be given in sub-chapter 5.2.

Table 3: *ESRS Disclosure Requirements* (versions of April 2022 and November 2022) (Sources: EFRAG, 2022a; EFRAG, 2022f; EFRAG, 2022g; EFRAG, 2022h; EFRAG, 2022i; EFRAG, 2022j; EFRAG, 2022k; EFRAG, 2022l; EFRAG, 2022m; EFRAG, 2022n; EFRAG, 2022o; EFRAG, 2022q; EFRAG, 2022r; EFRAG, 2022s; EFRAG, 2022t; EFRAG, 2022u; EFRAG, 2022v; EFRAG, 2022w; EFRAG, 2022x; EFRAG, 2022y; EFRAG, 2022z; EFRAG, 2022aa; EFRAG, 2022ab; EFRAG, 2022ac).

Exposure Drafts (April 2022)	**Draft ESRS (November 2022)**	**Type of criterion**
E1 - Climate Change		
DR E1-1 Transition plan for climate change mitigation	E1-1 Transition plan for climate change mitigation	D
DR E1-2 Policies implemented to manage climate change mitigation and adaptation	E1-2 Policies related to climate change mitigation and adaptation	D
DR E1-3 Measurable targets for climate change mitigation and adaptation	E1-4 Targets related to climate change mitigation and adaptation	D
DR E1-4 Climate change mitigation and adaptation action plans and resources	E1-3 Actions and resources in relation to climate change policies	D
DR E1-5 Energy consumption & mix	E1-5 Energy consumption and mix	Q
DR E1-6 Energy intensity per net turnover		
DR E1-7 Scope 1 GHG emissions	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions	Q
DR E1-8 Scope 2 GHG emissions		
DR E1-9 Scope 3 GHG emissions		
DR E1-10 Total GHG emissions		
DR E1-11 GHG intensity per net turnover		
DR E1-12 GHG removals in own operations and the value chain	E1-7 GHG removals and GHG mitigation projects financed through carbon credits	Q
DR E1-13 GHG mitigation projects financed through carbon credits		
Optional DR E1-14 Avoided GHG emissions from products and services	omitted	Q
DR E1-15 Potential financial effects from material physical risks	E1-9 Potential financial effects from material physical and transition risks and potential climate-related opportunities	quantitative estimation
DR E1-16 Potential financial effects from material transition risks		
DR E1-17 Potential financial effects from climate-related opportunities		
	E1-8 - Internal carbon pricing	D
E2 - Pollution		
DR E2-1 Policies implemented to prevent and control pollution	E2-1 Policies related to pollution	D
DR E2-2 Measurable targets for pollution	E2-3 Targets related to pollution	D
DR E2-3 Pollution action plans and resources	E2-2 Actions and resources related to pollution	D
DR E2-4 Pollution of air, water and soil	E2-4 Pollution of air, water and soil	D, Q
DR E2-5 Substances of concern and most harmful substances	E2-5 Substances of concern and substances of very high concern	D, Q
DR E2-6 Pollution-related incidents and deposits impacts and risks, and financial exposure to the undertaking	E2-6 Potential financial effects from pollution-related impacts, risks and opportunities	D
DR E2-7 Potential financial effects from pollution-related impacts, risks and opportunities		
E3 - Water and marine resources		
DR E3-1 Policies implemented to manage water and marine resources	E3-1 Policies related to water and marine resources	D

DR E3-2 Measurable targets for water and marine resources	E3-3 Targets related to water and marine resources	D
DR E3-3 Water and marine resources action plans and resources	E3-2 Actions and resources related to water and marine resources	D
DR E3-4 Water management performance	E3-4 Water consumption	Q
Optional DR E3-5 Water intensity performance	omitted	Q
DR E3-6 Marine resources-related performance	omitted	Q
DR E3-7 Potential financial effects from water and marine resources-related impacts, risks and opportunities	E3-5 Potential financial effects from water and marine resources-related impacts, risks and opportunities	quantitative estimation

E4 – Biodiversity and ecosystems		
DR E4-1 Transition plan in line with the targets of net zero loss by 2030, net gain from 2030 and full recovery by 2050	E4-1 Transition plan on biodiversity and ecosystems	D
DR E4-2 Policies implemented to manage biodiversity and ecosystems	E4-2 Policies related to biodiversity and ecosystems	D
DR E4-3 Measurable targets for biodiversity and ecosystems	E4-4 Targets related to biodiversity and ecosystems	D
DR E4-4 Biodiversity and ecosystems action plans	E4-3 Actions and resources related to biodiversity and ecosystems	D
DR E4-5 Pressure metrics	E4-5 Impact metrics related to biodiversity and ecosystems change	D
DR E4-6 Impact metrics		
DR E4-7 Response metrics	omitted	D
Optional DR E4-8 Biodiversity-friendly consumption and production metrics	omitted	Q
Optional DR E4-9 Biodiversity offsets	omitted	Q
DR E4-10 Potential financial effects from biodiversity-related impacts, risks and opportunities	E4-6 Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities	quantitative estimation

E5 - Resource use and circular economy		
DR E5-1 Policies implemented to manage resource use and circular economy	E5-1 Policies related to resource use and circular economy	D
DR E5-2 Measurable targets for resource use and circular economy	E5-3 Targets related to resource use and circular economy	D
DR E5-3 Resource use and circular economy action plans	E5-2 Actions and resources related to resource use and circular economy	D
DR E5-4 Resource inflows	E5-4 Resource inflows	Q
DR E5-5 Resource outflows	E5-5 Resource outflows	Q
DR E5-6 Waste		
DR E5-7 Resource use optimisation	omitted	D, Q
DR E5-8 Circularity support	omitted	D
DR E5-9 Financial effects from resource use and circular economy-related impacts, risks and opportunities	E5-6 Potential financial effects from resource use and circular economy-related impacts, risks and opportunities	quantitative estimation

S1 - Own workforce		
DR S1-1 Policies related to own workforce	S1-1 Policies related to own workforce	D
DR S1-2 Processes for engaging with own workers about impacts	S1-2 Processes for engaging with own workers and workers’ representatives about impacts	D
DR S1-3 Channels for own workers and workers' representatives to raise concerns	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns	D

DR S1-4 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	D
DR S1-5 Taking action on material impacts on own workforce and effectiveness of those actions DR S1-6 Approaches to mitigating material risks and pursuing material opportunities related to own workers	S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	D
DR S1-7 Characteristics of the Undertaking's Employees	S1-6 Characteristics of the undertaking's employees	Q
DR S1-8 Characteristics of non-employee workers in the undertaking's own workforce	S1-7 Characteristics of non-employee workers in the undertaking's own workforce	Q
DR S1-9 Training and Skills Development indicators	S1-13 Training and skills development indicators	Q
DR S1-10 Coverage of the health and safety management system DR S1-11 Performance of the health and safety management system	S1-14 Health and safety indicators	D, Q
Optional DR S1-12 Working hours	omitted	Q
DR S1-13 Work-life balance indicators	S1-15 Work-life balance indicators	Q
DR S1-14 Fair Remuneration	S1-10 Adequate wages	Q
DR S1-15 Social security eligibility coverage	S1-11 Social Protection	Q
DR S1-16 Pay gap between women and men DR S1-17 Annual total compensation ratio	S1-16 Compensation indicators (pay gap and total compensation)	Q
DR S1-18 Discrimination incidents related to equal opportunities	S1-17 Incidents, complaints and severe human rights impacts and incidents	Q
DR S1-19 Employment of persons with disabilities	S1-12 Persons with disabilities	Q
DR S1-20 Differences in the provision of benefits to employees with different employment contract types	omitted	D
DR S1-21 Grievances and complaints related to other work-related rights	omitted	Q
DR S1-22 Collective bargaining coverage	S1-8 Collective bargaining coverage and social dialogue	D, Q
DR S1-23 Work stoppages	omitted	Q
DR S1-24 Social dialogue	S1-8 Collective bargaining coverage and social dialogue	Q
DR S1-25 Identified cases of severe human rights issues and incidents	S1-17 Incidents, complaints and severe human rights impacts and incidents	Q
DR S1-26 Privacy at work	omitted	D, Q
	S1-9 Diversity indicators	Q

S2 - Workers in the value chain		
DR S2-1 Policies related to value chain workers	S2-1 Policies related to value chain workers	D
DR S2-2 Processes for engaging with value chain workers about impacts	S2-2 Processes for engaging with value chain workers about impacts	D
DR S2-3 Channels for value chain workers to raise concerns	S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns	D
DR S2-4 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	D
DR S2-5 Taking action on material impacts on value chain workers and effectiveness of those actions DR S2-6 Approaches to mitigating material risks and pursuing material opportunities related to value chain workers	S2-4 Taking action on material impacts on value chain workers, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	D

S3 - Affected communities		
DR S3-1 Policies related to affected communities	S3-1 Policies related to affected communities	D
DR S3-2 Processes for engaging with affected communities about impacts	S3-2 Processes for engaging with affected communities about impacts	D
DR S3-3 Channels for affected communities to raise concerns	S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns	D
DR S3-4 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	D
DR S3-5 Taking action on material impacts on affected communities and effectiveness of those actions	S3-4 Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	D
DR S3-6 Approaches to mitigating material risks and pursuing material opportunities related to affected communities		

S4 - Consumers and end-users		
DR S4-1 Policies related to consumers and end-users	S4-1 Policies related to consumers and end-users	D
DR S4-2 Processes for engaging with consumers and end-users about impacts	S4-2 Processes for engaging with consumers and end-users about impacts	D
DR S4-3 Channels for consumers and end-users to raise concerns	S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	D
DR S4-4 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	D
DR S4-5 Taking action on material impacts on consumers and end-users and effectiveness of those actions	S4-4 Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	D
DR S4-6 Approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users		

G1 - Governance, risk management and internal control		
DR G1-1 Governance structure and composition	omitted	D
DR G1-2 Corporate governance code or policy	omitted	D
DR G1-3 Nomination process	omitted	D
DR G1-4 Diversity policy	omitted	D
DR G1-5 Evaluation process	omitted	D
DR G1-6 Remuneration policy	omitted	D
DR G1-7 Risk management processes	omitted	D
DR G1-8 Internal control processes	omitted	D
DR G1-9 Composition of the administrative, management and supervisory bodies	omitted	D
DR G1-10 Meetings and attendance rate	omitted	Q

G2 - Business conduct		
DR G2-1 Business conduct culture	G1-1 Corporate culture and business conduct policies	D
DR G2-2 Policies and targets on business conduct		
DR G2-3 Prevention and detection of corruption and bribery	G1-3 Prevention and detection of corruption or bribery	D

DR G2-4 Anti-competitive behaviour prevention and detection	omitted	D
DR G2-5 Anti-corruption and anti-bribery training	G1-3 Prevention and detection of corruption or bribery	D
DR G2-6 Corruption or bribery events	G1-4 Confirmed incidents of corruption or bribery	D, Q
DR G2-7 Anti-competitive behaviour events	omitted	D
DR G2-8 Beneficial ownership	omitted	D
DR G2-9 Political engagement and lobbying activities	G1-5 Political influence and lobbying activities	D, Q
DR G2-10 Payment practices	G1-6 Payment practices	D, Q
	G1-2 Management of relationships with suppliers	D

5.1.1. Analysis of Exposure Drafts

In general, as can be seen in Figure 6 (EFRAG, 2021), the published Exposure Drafts were designed to contain 3 reporting areas with Disclosure Requirements for the description of a company's strategy, the corresponding implementation, and also performance measures in order to make the efforts tangible. Each descriptive section contains various explanatory criteria, whereas performance measures have to be stated by using (additionally) quantitative indicators.

The Exposure Draft ESRS E1 – 'Climate Change' (EFRAG, 2022q) consists of 17 Disclosure Requirements, of which the first 4 are designed in a descriptive nature, i.e. the disclosing company has to describe and explain its plans, expected results and list its actions which are taken against Climate Change. The Disclosure Requirements E1-5 to E1-14 are of a quantitative nature, for which the company has to list its energy consumption, mix of energy, energy intensity, GHG emissions and intensity, GHG removals, purchase of carbon credits and avoided GHG. These Disclosure Requirements give a good opportunity to compare disclosing companies, as many of the criteria also have to be stated as percentages. However, the risk of 'greenwashing' of figures exists, for example through the purchase of carbon credits, which might be created in-house through the set-up of a subsidiaries. Those subsidiaries might be primarily set-up for the purpose of receiving carbon certificates, which in turn can be sold to the parent company. Moreover, no specific calculation method is specified for the 3 GHG Scopes. This gives the opportunity to reporting companies to use a calculation method, which leads to the most favourable (lowest) GHG results. Of course, this option would be available to all reporting companies likewise, however it has to be considered that some companies do not want to invest additional time and money in using new GHG calculation methods, which in turn might lead to worse results compared to other companies, which use more favourable calculation methods. Hence, it would be favourable to clearly define a method for GHG calculation, which has to be used mandatorily by all reporting companies. Disclosure Requirements E1-15 and E1-16 ask for an assessment of potential financial effects from material physical and material transition risks. Disclosure Requirement E1-17 requests an estimation of expected cost savings and potential market size for low carbon products. As Disclosure Requirements E1-15 to E1-17 are related to potential effects, quantitative estimation values can be given with an explanation of why the company reasons those results. The Disclosure Requirements E1-6, E1-11 and E1-13 are designed in a way, which makes them directly comparable criteria for different companies within the same industry, as they are more or less independent of the company size, under the presumption that marginal costs per produced unit can be neglected.

The 7 Disclosure Requirements of Exposure Draft ESRS E2 – 'Pollution' (EFRAG, 2022r) are predominantly set-up to describe a company's pollution preventions, action plans, targets and effects. Disclosure Requirements E2-4 and E2-5 require the reporting company to list its generated or used pollutants and information on substances of concern and therefore also ask for quantitative figures. These are very well fitting criteria for sector-agnostic frameworks, since they can be used for any company regardless of the industry it is operating in. Therefore, the reporting company can choose by itself, which substances and pollutants it regards as harmful and hence disclose on them. However, as specific industries have specific pollutants and substances of concerns, in a further step, those harmful substances and pollutants could be pre-defined for respective sector-specific frameworks, in order to make a disclosure on those sector-typical pollutants mandatory. The advantage thereof again would be that these indicators would make companies within the same sectors easier comparable to each other in regards of their sustainable behaviours. For example for the brewing industry, the by sector-specific-criteria enriched framework could require the reporting companies to report their amount of harmful detergents used for their operations (e.g. resulting through bottle cleaning, cleaning of machines…) as a percentage of total produced beer and so on.

Also the 7 Disclosure Requirements of Exposure Draft E3 – 'Water and marine resources' (EFRAG, 2022s) ask for both descriptive information (E3-1, E3-2, E3-3), as well as for quantitative information (rest). These Disclosure Requirements are all well suitable for a sector-agnostic framework used by any company regardless of its industry sector. Furthermore, for the brewing industry, a closer look on a brewery's recycled or reused water as a percentage of the total water usage would make sustainability efforts in terms of a brewery's water management even more interesting to compare, as water makes up for a great percentage of a brewery's production inputs and also its final product.

Most of the 10 Disclosure Requirements of Exposure Draft E4 – 'Biodiversity and ecosystems' (EFRAG, 2022t) are only principle-based and therefore of a descriptive nature only. Reason for this is according to EFRAG (2022t) that the development of performance metrics for biodiversity and ecosystems were subject to many ongoing projects at the time of the release of the Exposure Draft. Furthermore, EFRAG (2022t) states that the metrics should be robust and verifiable and at the same time should scientifically mirror a cause of the disclosed criteria onto the issue of concern in order to make it legitimate to use these metrics. It therefore should be the goal to develop criteria, which are for sure correlated to the target that needs to be measured and should be improved in order to increase sustainability (EFRAG, 2022t). Anyway, the two optional Disclosure Requirements E4-8 and E4-9 give a good idea as basic criteria to measure efforts on enhancing biodiversity and ecosystems, as they are optionally asking for third-party certification schemes, but also the tracing of supplied raw materials from ecosystems, which have been managed in a way in order to maintain or enhance biodiversity. Putting these indicators in relation to the total produced volume might give a great comparable indicator for companies in order to express their efforts to enhance biodiversity. As breweries use agricultural products which affect biodiversity, all of the listed Disclosure Requirements make sense to be reported by breweries, even if most of them are just of a descriptive nature.

The Disclosure Requirements of Exposure Draft E5 – 'Resource use and circular economy' (EFRAG, 2022u) again are a mixture of descriptive and quantitative criteria. The Disclosure Requirements E5-4, E5-5 and E5-6 are of a quantitative nature, whereas E5-7 asks for descriptive as well as quantitative information. Regardless of a company's industry sector, all of the Disclosure Requirements of Exposure Draft E5 are useable for any company. However, in order to make those Disclosure Requirements fit even better to a specific industry, a more specific version of those requirements might ask for sector-specific information, which could for the brewing industry for example be the re-use of brewer grains in order to generate energy, or the reuse of waste heat, as well as the recycling and re-usage of yeast. Of course, these are only examples and the list of additional sector-specific indicators might be elaborated to a much deeper extent. In general, the Disclosure Requirements of Exposure Draft E5 are well suitable for a brewery, as well as for any other industry sector, as it also comprises criteria, which make companies of the same industry easily and directly comparable.

The highest number of Disclosure Requirements is listed in Exposure Draft S1 – 'Own workforce' (EFRAG, 2022x), listing in total 26 different Disclosure Requirements, which are supposed to shed light on the reporting company's own employees. The DR S1-13, which was named ‘Work-Life Balance indicators’ asks for the percentage of own workers who are entitled to and use family-related leave. This seems to be a good indicator, however in order to assess the work-life balance of employees, much more information would be necessary, such as for example average overtime hours, days of paid leave, etc. One more interesting Disclosure Requirement, which however is critical to assess is DR S1-14, where the reporting company is supposed to give information on the percentage of own workers, who receive a remuneration which is below the fair wage. In my opinion this would be a very valuable criteria, if there was a fair wage calculated by an independent authority for the purpose of this framework, such as EFRAG for example. However, in the scope of this Disclosure Requirement, the reporting company is supposed to calculate the fair and also lowest wage and just has to disclose its methodology. Therefore, this requirement gives companies the chance to define a fair remuneration themselves, instead of setting up or dictating minimum fair wages that the companies would have to pay to their own workers. In my opinion, the Disclosure Requirement S1-14 would have to be reformulated and enhanced by an independently pre-calculated fair remuneration, which might be adapted to the laws, standards and conditions of the country of operation. The Disclosure Requirements S1-7 and S1-8 ask for the employment situation of a company’s workforce in absolute values. If these values were additionally used to calculate the percentage of non-employees (e.g. self-employed workers or workers under other employment activities), this criteria could easily be used to be compared with other companies and therefore get a measure of a company’s employment standards and preferences. Disclosure Requirements S1-7 to S1-26 are of quantitative nature with the exception of S1-20, which asks for information on the difference on benefits for full-time employees compared to part-time employees. Furthermore, the Disclosure Requirements S1-10, S1-22 and S1-26 are of a descriptive as well as of a quantitative nature.

All the Disclosure Requirements of the Exposure Drafts S2 – ‘Workers in the value chain’ (EFRAG, 2022y), S3 – ‘Affected communities’ (EFRAG, 2022z) and S4 – ‘Consumers and end-users’ (EFRAG, 2022aa) are descriptive only and similar to the first six Disclosure Requirements of Exposure Draft S1. However, as their titles suggest, they are not related to their own workers, but instead to workers in the value chain, affected communities and consumers and end-users respectively. Therefore, no quantitative criteria are requested in the Disclosure Requirements of Exposure Drafts S2, S3 and S4, which in turn makes it hard to directly and easily compare a company’s provided information with the provided information of other companies. As already stated above, Exposure Draft S1 – ‘Own workforce’ already contains some good Disclosure Requirements for the topic ‘Social’. However, of course, all the other stakeholders affected by any company shouldn’t be neglected when reporting on a company’s social efforts or shortcomings. Of course, the degree to which different stakeholders are affected, depends a lot on the reporting company’s industry sector, which in turn makes it more difficult to develop a general sector-agnostic reporting framework for those stakeholder groups. On the other hand however, this shouldn’t be an excuse not to report on those efforts with hard facts (which should be quantifiable and easily comparable with other companies), too. Hence, in my opinion, at least some quantifiable social Disclosure Requirements for the other defined stakeholder groups, i.e. workers in the value chain, affected communities and consumers and end-users, should be developed and the according information requested from the reporting companies, too.

16 out of the 20 Disclosure Requirements of the Governance Exposure Drafts G1 – ‘Governance, risk management and internal control’ (EFRAG, 2022v) and G2 – ‘Business conduct’ (EFRAG, 2022w) are exclusively of a descriptive nature. The Disclosure Requirements G2-6, G2-9 and G2-10 can be classified as a mixture of descriptive and quantitative information, as they request information regarding corruption and bribery events, political engagement and lobbying activities and also payment practices (EFRAG, 2022w). Disclosure Requirement G1-10 asks for quantitative information, as the number of meetings of the company’s administrative, management and advisory bodies and committees and its attendance rate have to be reported (EFRAG, 2022v). Within the descriptive Disclosure Requirements of the topic Governance, the reporting companies are requested to provide

information amongst others about its governance structure and composition and nomination processes, its diversity policy, information regarding its administration, management and supervisory bodies, as well as further information relating to corruption, bribery and anti-competitive behaviour. As most of the Governance Disclosure Requirements are just of a descriptive nature, it's difficult to compare a company's information to other companies directly. Furthermore, as just very little quantifiable information is requested, companies might try not to report important, however obnoxious information, if not explicitly requested within the framework. Hence, I suggest to improve and also extend the Disclosure Requirements for both Governance Exposure Drafts in order to make a reporting company's information more tangible. This could be done by developing Disclosure Requirements, which demand 'hard facts', which cannot be circumvented through a smart description of information, but which instead makes a company's questionable governance practices visible to the reader of the reported information.

5.1.2. Conclusion of Exposure Drafts

Many criteria are designed as an explanation and description of a company's plans and measures. Most of these criteria are not quantifiable however and therefore will not give the opportunity to be directly compared between companies. This does not depict a problem per se, as descriptive information is an important part for understanding a company and getting the big picture. However, it also has to be stated that it gives the disclosing company the opportunity to disguise some important sustainability facts. Therefore, this framework gives in its qualitative descriptive parts the impression to be interesting information for all stakeholders, however with a big room for manoeuvre for companies to disguise ESG shortcomings. Big parts of the requested sustainability information could be answered with basic content and therefore being of more or less symbolic character only, which in turn wouldn't be very valuable, as recapped within the literature review. In my opinion, a sustainability reporting framework, which demands the disclosure of hard facts which are directly measure- and quantifiable would lead to a big quality increase, as the actions of the company could be made visible through the resulting figures.

Up to now, there seems not to by any validation mechanism, which would check the correctness of the companies' disclosed sustainability information. As the European Commission (2021) states in their Commission Report in April 2021, reaching the required level for assuring sustainability disclosures should start with a progressive approach, by beginning with a limited assurance opinion carried out by a statutory auditor or an audit firm. According to the European Commission "*this opinion should cover the compliance of the sustainability reporting with Union sustainability reporting standards, the process carried out by the undertaking to identify the information reported pursuant to the sustainability reporting standards and compliance with the requirement to mark-up sustainability reporting. The auditor should also assess whether the undertaking's reporting complies with the reporting requirements of Article 8 of Regulation (EU) 2020/852"* (European Commission, 2021, 37). In other words, the first step of this progressive approach lies mainly in auditing the process for identifying the reported information and if the reporting company adheres to the sustainability reporting standards and requirements. However, verifying the correctness of the reported information seem not to be required yet.

As the European Commission (2021) already detected significant evidence that many companies were not fully disclosing material information on all sustainability-related topics under the NFRD, it has to be assumed that not all companies always disclose material sustainability information to the best of their knowledge. A beneficial factor to this behaviour might be that companies don't have to worry about any negative effects from official authorities. Therefore, strong measures have to be taken in order to improve the quality of disclosed sustainability information under the CSRD. Hence, for the long-term success of sustainability reporting, it will be essential to establish an auditing requirement, which checks and verifies the correctness of the disclosed information, in order to avoid negative effects of (in-) voluntarily reported inconsistent information. Of course, this increased auditing effort will lead to increased costs. However, for the sake of a proper working sustainability-reporting-system, a mechanism, which ensures correct and consistent information disclosure seems to be inevitable.

In general, if descriptive information is requested by the framework, the application guidance, which should help the company when reporting according to the ESRS framework often requests to provide "relevant" information. In my opinion, it should not be the reporting company's responsibility to decide on which information is relevant and therefore has to be reported, and which information is irrelevant, as this gives a too big room to manoeuvre and again in turn the chance not to report material information, which however is of high importance and therefore should be reported. As already stated above, the idea of an ESG reporting framework should be to state all relevant ESG information in order to progress on sustainability. However, if the responsibility on deciding which information is relevant is transferred to the reporting company itself, probability might be high that not all for stakeholder relevant information is provided, as the company might have interest not to report information with negative effects to the company. Of course, a sustainably operating company that does not have any information to hide, would be happy to share all of its information, as it might outperform its competitors and would gleam in direct comparison. This kind of company also might want to share easily comparable data in order to highlight their sustainability efforts and make them measureable. However, any company, which might be still weak in regards to sustainability efforts on the contrary would try to provide minimal information and make comparison with better performing companies more difficult. I therefore suggest to improve the whole framework onto another level, where hard facts are demanded, which cannot be circumvented and therefore highlights the efforts of sustainable operating companies.

5.2. Draft ESRS published in November 2022 – EFRAG

After the 100 day consultation period of the Exposure Drafts had ended on August 8 in 2022, EFRAG (2022ab) considered the received feedback in order to improve the ESRS framework and therefore submitted 12 draft ESRS in November 2022 to the European Commission. Until June 2023, the European Commission was requested to consult EU bodies and Member States on these Draft ESRS, in order to eventually adopt the final standards (EFRAG, 2022ab).

In the following section, an analysis of the Draft ESRS, which were released in November 2022 will be conducted. This analysis should not only show the intrinsic content value of the Draft ESRS, but should also show up the development and changes from the Exposure Drafts released in April 2022, which are a result of public consultation and the thereof received feedback. Additionally to the following analysis and therefore the description of the changes, all the modifications between these two versions can be retraced in the tabular overviews of Table 3 and Table 4.

From previously 13 Exposure Drafts, the Draft ESRS only contains 12 Exposure Drafts, as the Exposure Draft G1 – 'Governance, risk management and internal control' was completely removed from the framework. Moreover, many Disclosure Requirements were changed, grouped together or removed. Therefore, the Draft ESRS only contains 82 Disclosure Requirements compared to a total of 136 in the Exposure Draft version of April 2022.

In Table 4, a tabular overview of the remaining Draft ESRS Exposure Drafts and the number of the corresponding Disclosure Requirements can be seen. Furthermore the absolute cut of Disclosure Requirements per Exposure Draft are indicated in brackets and red coloured font. In total, the number of Disclosure Requirements of the Draft ESRS version of November 2022 was diminished by 54, compared to the Exposure Draft version of April 2022.

Table 4: *Overview of Draft ESRS with indication of change* (adapted depiction - Sources: EFRAG, 2022d, adapted from "Table 2 – Overview of [draft] ESRS", 3; EFRAG, 2022a, adapted from "Table 2 – Overview of ESRS Exposure Drafts and SFDR Principal Adverse Impacts indicators", 3).

		Number of Disclosure Requirements per Exposure Draft
	General	**12 (-10)**
ESRS1	General principles	0
ESRS2	General, strategy, governance and materiality assessment	12 (-10)
	Topical standards - Environment	**32 (-18)**
ESRS E1	Climate change	9 (-8)
ESRS E2	Pollution	6 (-1)
ESRS E3	Water and marine resources	5 (-2)
ESRS E4	Biodiversity and ecosystems	6 (-4)
ESRS E5	Resource use and circular economy	6 (-3)
	Topical standards - Social	**32 (-12)**
ESRS S1	Own workforce	17 (-9)
ESRS S2	Workers in the value chain	5 (-1)
ESRS S3	Affected communities	5 (-1)
ESRS S4	Consumers and end-users	5 (-1)
	Topical standards - Governance	**6 (-14)**
~~ESRS G1~~	~~Governance, risk management and internal control~~	~~0 (-10)~~
ESRS G1	Business conduct	6 (-4)
		82 (-54)

According to EFRAG (2022e), the first set of draft ESRS, which was released in November 2022, was further aligned with other sustainability reporting frameworks. This further alignment should make sustainability reporting under the ESRS easier for companies, which already reported according to one of the various existing sustainability frameworks. This in turn should help the companies to not only save costs but also workload. Furthermore, according to EFRAG (2022e), the draft is also supposed to be aligned with international instruments, such as for example the OECD Guidelines for Multinational Enterprises, as necessary to fulfil the CSRD. A further big change to the exposure drafts published in April 2022 is that according to EFRAG (2022e), reporting companies will not mandatorily have to report on all ESRS Disclosure Requirements anymore. Instead, in addition to having to report mandatorily on the Disclosure Requirements of ‘Climate Change’ and some Disclosure Requirements of a company’s ‘Own workforce’ in case the company has more than 250 employees, other subsets of the ESRS will have to be reported on only, if those specific sustainability matters are considered to be material for the reporting company (EFRAG, 2022e; EFRAG, 2022p). Therefore, the majority of reporting companies will not have to report on all of the published Disclosure Requirements. Thus, the materiality assessment should play a more prominent role, as additional reporting burden and resulting benefits should be balanced.

5.2.1. Analysis of Draft ESRS

The Disclosure Requirements of ESRS E1 – 'Climate Change' (EFRAG, 2022f) seem at first glance to have shrunk from 17 to just 9. However, when analysing the new draft of 'Climate Change', one can see that most of the updated Disclosure Requirements have just been reworded and sometimes specified, whereas some with similar content have been grouped together. Therefore, as the content of this topic was in its old version already usable for a sector-agnostic reporting framework, the content still is very usable, and didn't shrink considerably. Only the optional DR E1-14 asking for avoided GHG emissions was removed from the in November 2022 updated Draft ESRS version. However, on the other hand, the additional Draft ESRS DR E1-8 'Internal Carbon pricing' was shifted into the topical standards, as it was before to be reported within the 'General, strategy, governance and materiality assessment' section. Hence, the natures of the different Disclosure Requirements stay more or less unchanged. However, as some requirements are grouped together, the distinctive nature of single DRs is not given at all times anymore, as they now might be part of a bigger DR group. In other words, a Disclosure Requirement, which used to be well applicable to be directly compared between different companies now might be harder to directly address, as it might no longer be a distinctive requirement, but instead a fraction of a bigger Disclosure Requirement. Nevertheless, it should still hold up its comparability benefit, even if greater effort may be needed in order to pick it out of a set of Disclosure Requirements. Examples are the former DRs of ED E1-6 'Energy intensity per net turnover', ED E1-11 'GHG intensity per net turnover' and ED E1-13 'GHG mitigation projects financed through carbon credits', which are now grouped within the new draft respectively under the big DR groups of E1-5, E1-6 and E1-7 as sub-requirements.

Draft E2 – 'Pollution' (EFRAG, 2022g) only counts 6 Disclosure Requirements compared to 7 in the Exposure Draft of April 2022. However, some requirements were grouped together. Hence, no major content went missing. In general, most of these updated Disclosure Requirements got reworded and shorter in length, which comes with the disadvantage that less information will have to be reported and therefore leads to a quality decrease. For example DR E2-4 asks for pollutants which are generated and used. This used to be a good criteria in the Exposure Draft of April 2022. As less information is requested in the new draft, a lot of information will be lost for interested stakeholders. I therefore recommend to stick to the former Disclosure Requirement ED E2-4 instead, as this would maintain the requirement to report specific information about a company's pollutants, which by the way was also a valuable basis to create further indicators which could be compared between companies.

The number of Disclosure Requirements for Draft E3 – 'Water and marine resources' (EFRAG, 2022h) shrunk from 7 in April 2022 to 5 in November 2022. The remaining 5 Disclosure Requirements are mainly of informative and therefore descriptive nature, except for DR E3-4, which asks for water consumption, reuse and storage in absolute amounts. Unfortunately, the well-fitting (optional) Disclosure Requirement ED E3-5 'Water intensity performance' was omitted from the draft. It's a pity, as it could be well used to compare different companies' water usage directly. I therefore recommend to readopt this Disclosure Requirement to the ESRS. Furthermore, the Disclosure Requirement ED E3-6, which was asking for marine resource related performance was deleted from the updated version of November 2022. This used to be a Disclosure Requirement which was well suitable for companies of specific industries, however not that useable for a sector-agnostic framework. Therefore, I recommend not to delete this Disclosure Requirement completely, but to either make it an optional Disclosure Requirement or to keep it for a sector-specific framework.

Similar practice was used for the draft ESRS E4 – 'Biodiversity and ecosystems' (EFRAG, 2022i), which shrunk from 10 Disclosure Requirements to 6, which are mainly of descriptive nature only with the exception for potential financial effects, which is supposed to be a quantitative estimation. Unfortunately, again, the quantitative criteria were removed from the draft ESRS. Hence, also for this draft ESRS, I recommend to keep the former Disclosure

Requirements ED E4-8 ‘Biodiversity friendly consumption and production metrics’ and ED E4-9 ‘Biodiversity offsets’ at least as optional Disclosure Requirements in order to keep quantifiable efforts on enhancing biodiversity and ecosystems within the framework. Furthermore, also the former Disclosure Requirement ED E4-7, which was asking for an explanation of a company’s responses to decreasing biodiversity and ecosystems was omitted from the draft ESRS of November 2022.

The draft ESRS E5 – ‘Resource use and circular economy’ (EFRAG, 2022j) contains 6 Disclosure Requirements, which mainly correspond to those DRs released in April 2022. Most of them were reworded and/or grouped together, whereas two DRs (ED E5-7 ‘Resource use optimisation’ and ED E5-8 ‘Circularity support’) were omitted completely. In the modified draft ESRS version, the DR E5-5 ‘Resource outflows’ now also asks for data on waste. This Disclosure Requirement and also E5-4 ‘Resource inflows’ are mainly quantitative criteria and have been created in a way to be easily and directly comparable between companies. Thus, in my opinion, they are still good criteria to be kept within the ESRS framework.

A big modification was made within the draft of ESRS S1 – ‘Own workforce’ (EFRAG, 2022l). From formerly 26 Disclosure Requirements, the number was cut down to just 17. However, it has to be stated that not only 5 DRs were completely omitted, but also 10 DRs were grouped together to 5, and 1 new DR was added. The Disclosure Requirement S1-6 ‘Characteristics of the undertaking’s employees’ additionally asks for the turnover rate among its own employees, which makes it a directly comparable criteria and therefore led to a qualitative improvement of this DR. The DR S1-9 ‘Diversity indicators’ was newly added to this draft, which asks for information on gender distribution in top management and age distribution among employees. The optional DR S1-12 ‘Working hours’, which was asking for the percentage of the company’s own workforce, which works for more than 48 hours per week was omitted, despite having a high relevance and therefore should be kept within the ESRS framework. For example, Burchell et al. (2009), revealed in their survey about working conditions within EU member states that average working hours show big variations and also long working hours with more than 48 hours per week differ considerably between EU countries, which leads to considerable differences in the work-life balance. In order to show up those differences, it would be very important to keep this Disclosure Requirement. The former ED DR S1-14 ‘Fair Remuneration’ was reworded and included into the draft ESRS as DR S1-10 ‘Adequate wages’, which should be a criteria comparing employees’ wages according to benchmarks by additionally stating the percentage of employees earning below adequate wage. Therefore, this Disclosure Requirement was improved, as now, a fair remuneration is not solely defined by the reporting company itself anymore, but instead, the paid wages have to be benchmarked with those of other companies. Hence, this indicator becomes directly comparable to other companies. In total, the draft of S1 – ‘Own workforce’ now has 5 descriptive and 12 qualitative criteria, of which 7 can at least be partly used as directly comparable criteria.

The content of the Disclosure Requirements of S2 – ‘Workers in the value chain’ (EFRAG, 2022m), S3 – ‘Affected communities’ (EFRAG, 2022n), and S4 – ‘Consumers and end-users’ (EFRAG, 2022o) remained unchanged, except for some rewording and regrouping. Two Disclosure Requirements of the Exposure Drafts published in April 2022 were combined into 1 DR within the updated Draft ESRS of November 2022. Still in this updated version, only the disclosure of descriptive information is asked from the companies, which in turn makes direct comparison of those Social topics between companies difficult.

The topic ‘Governance’ was shrunk from 20 to just 6 Disclosure Requirements in the draft ESRS version of November 2022. One major reason for this big cut is that G1 – ‘Governance, risk management and internal control’ was completely removed from the draft ESRS. The Disclosure Requirements of former G2 – ‘Business conduct’ now became G1 (EFRAG, 2022k), and were reduced to 6 Disclosure Requirements, whereas 3 DRs were omitted, 4 DRs were grouped together to just 2 DRs and 1 new DR was added. The new DR G1-2 ‘Management of relationships with suppliers’ asks for information of the company’s procurement processes with the aim to shed light on whether processes with vulnerable suppliers such as SMEs are fair and if there are any late payments. In total, out of the 6 Disclosure Requirements of the topic Governance, 3 of them also show a partly quantitative character.

As stated above, all the disclosure content categorizations as elaborated within this analysis can be retraced in Table 3, where the two ESRS versions from April 2022 and November 2022 are depicted next to each other.

5.2.2. Conclusion of Draft ESRS

The updated Draft ESRS, which was released in November 2022 directly shows one big advantage, being that the requirements of the CSRD are fulfilled, which in the end was one of the main reasons to establish an ESRS framework after all. Therefore, the Draft ESRS takes account of all EU legislation and jurisdiction, which requires any sustainability reporting and also many international and inter-governmental initiatives as already mentioned within this thesis, such as the UNGC, the OECD Guidelines for Multinational Enterprises, the UN SDGs and many others (EFRAG, 2022c; EFRAG, 2022e; EFRAG, 2022p).

In my opinion, one major problem of this updated draft is that the burden (or depending on the point of view, the opportunity) to assess on which topics are material and therefore have to be disclosed with the exception of a set of mandatory disclosures (EFRAG, 2022e; EFRAG, 2022p), lies with the undertaking itself. This set of mandatory disclosures would apply to all companies in the scope of the CSRD and are besides all the Disclosure Requirements flowing from EU legislation (EFRAG, 2022e), all of the Disclosure Requirements of the cross-cutting standards ESRS 2 - 'General disclosures', all the Disclosure Requirements of ESRS E1 – 'Climate change', and some Disclosure Requirements relating to its own workforce (ESRS S1) for companies with more than 250 employees (EFRAG, 2022p). As this still gives the chance to report a minimum of sustainability criteria, I recommend to extend the amount of mandatory Disclosure Requirements, which have a big impact and consequently have to be reported and cannot be neglected by the reporting companies at all. I recommend not to leave the decision to report rather less than more information with the reporting company for many reasons which have already been stated several times during the analysis of the two ESRS draft versions (Exposure Drafts of April 2022 and Draft ESRS of November 2022).

Furthermore, in many cases, the simplification of Disclosure Requirements led to a big informational and therefore intrinsic quality decrease of the whole reporting framework. As many Disclosure Requirements were modified to request less specific information about the company, a lot of hard facts and therefore comparability between companies gets lost. One might ask, what the disclosure of some information is still worth, if the content of information is very limited anyway. It seems that the simplification of this framework was achieved on the back of usefulness of this sustainability reporting framework. Of course simplification goes hand in hand with a decrease in information. However, if the goal is just to ask a company for minimum information with only a very limited number of comparable hard facts, maybe it's not worth the trouble of setting up a new and mandatory framework at all. Since requesting basic information doesn't really seize the advantages of such a powerful tool as a mandatory sustainability reporting framework could be, I therefore recommend to at least re-introduce into the final ESRS framework those Disclosure Requirements of the Exposure Draft, which would be suitable to increase sustainability and also comparability as discussed above.

Summing up, there are of course some good improvements in this updated version of Draft ESRS. Nevertheless, this Draft ESRS of November 2022 seems to be a big step backwards on a way that seemed to be promising in the fight against green- and bluewashing practices within companies. As the Exposure Draft ESRS, which was published in April 2022 already showed good content, however with some space for improvement, the Draft ESRS, which was released in November 2022 seems to be the minimum and basic compromise between a strong sustainability reporting framework and a reasonable reporting effort for the reporting companies. This is especially demotivating, as many good concepts seem to just have been thrown overboard for the sake of making sustainability reporting simpler and more uniform with other frameworks, which in turn should limit additional reporting effort for companies to a minimum. It therefore might be true that companies' additional effort was limited, however with the disadvantage of having added hardly any benefit to transparent and informational worthy sustainability reporting, as similar content was already requested by other sustainability frameworks, such as for example the GRI Universal Standards.

In my opinion, this draft thus should be seen as a basic sustainability reporting framework with the benefit of fulfilling EU laws and requirements, which however should be further improved over the next months and years. Additional Disclosure Requirements should be added in order to improve transparency of disclosing company's sustainability efforts. Furthermore, adding more quantitative criteria should help to improve comparability between companies. This should be a helpful measure to transparently compare companies within the same business sectors and consequently should 'reward' companies, which try hard on operating sustainably within all three ESG topics.

In a further step, the disclosed criteria have to be evaluated by an independent authority in some way in order to make the ESG criteria more tangible to any stakeholder and also to limit incorrect reporting. Furthermore, in case sustainability requirements are not fulfilled by the reporting companies, sanctions/fines should be imposed in order to progress in sustainability and make non-adherence to existing requirements detrimental for the company.

5.3. ESRS Delegated regulation – European Commission

After EFRAG published their already modified Draft ESRS, the European Commission again modified this version, as they wanted to further reduce reporting burden of companies (European Commission, 2023a). Hence, the European Commission published a draft of the ESRS delegated regulation, which was open for public feedback, before they eventually adopted a slightly adopted final version.

5.3.1. Draft delegated regulation

In the draft delegated regulation 'Ares(2023)4009405 - 09/06/2023', which was published on June 9 in 2023, the European Commission (2023a) writes that changes were made to the Draft ESRS, which were published by EFRAG in November 2022, in order to facilitate the correct application of the ESRS and also in order to further reduce costs for the reporting undertakings, while still achieving the objectives of the CSRD.

One of the main modifications made to the Draft ESRS of November 2022 is that all standards, with the exception of ESRS 2 – 'General disclosures' are subject to a materiality assessment by the reporting company (European Commission, 2023a). In case, a reporting company doesn't assess a sustainability topic to be of double materiality and it hence doesn't report on it, even an explanation of why it is not regarded to be material would be voluntary only. In other words, this gives a loophole to companies, which do not want to report on something and hence can simply omit a sustainability topic, specific Disclosure Requirements or specific information without having to give any explanation about why it didn't report on it or why it didn't asses it to be material. In my opinion, this 'facilitation' increases the potential to disguise green- and bluewashing practices, as not even the main standards have to be reported mandatorily anymore. Furthermore, some additional informational data points were changed to be reported voluntarily only, even if they would pass the materiality assessment made by the company itself. In addition to that, unfortunately many Disclosure Requirements were further eased, as less details are asked to be reported, even in case the topic is assessed to be material.

Moreover, some additional phase-in measures were introduced by the European Commission (2023a). For example, within the first year of application, all reporting companies may omit information on 'anticipated financial effects' related to pollution, water, biodiversity and resource-use, and some information regarding their own workforce, independent of the company's materiality assessment. In addition to that, companies with less than 750 employees do neither have to report information about their Scope 3 GHG emissions, nor on the Disclosure Requirements of the standard ESRS S1 - 'Own workforce' during their first year (European Commission, 2023a). Furthermore, during the first two years, those companies will not have to report on any Disclosure Requirements of the standards ESRS E4 - 'Biodiversity', ESRS S2 - 'Value-chain workers', ESRS S3 - 'Affected communities' and ESRS S4 - 'Consumers and end-users' (European Commission, 2023a). Therefore, the list of standards that should at least be considered for the assessment for materiality is already very small for companies with less than 750 employees. Unfortunately, also these facilitations seem to hamper the progress of sustainability within companies. At least, these facilitations are planned to be just temporary for the first years of application and thereafter all the standards should be subject to a materiality assessment.

The European Commission, however, also tried to make small changes that would improve the framework as a whole. For example, according to the European Commission (2023a), they improved interoperability of the ESRS standards with the sustainability reporting standards of GRI and ISSB. Additionally, they technically modified the standards in order to be better aligned with other EU legislation (European Commission, 2023a).

What at first glance might seem to be only small changes and light facilitations for reporting companies, on closer inspection turns out to be another big step back on the way to increase sustainability within companies. As the by EFRAG published Draft ESRS version of November 2022 already forfeited a lot of its power and informational value compared to the Exposure Draft version of April 2022, this modified version from the European Commission has the appearance of very little additional value compared to other sustainability frameworks, as the only benefit seems to be compliance to EU law, however with even less mandatory disclosure information than other frameworks, such as the discussed 'GRI Universal Standards' for example. The new modifications give companies the possibility to completely omit basic sustainability information that was set to be reported mandatorily in the older ESRS versions. For example, the standards for 'Climate change' and 'Own workforce' are of utmost importance when it comes to increasing sustainability, and hence there should not be any loophole for companies to skip reporting on them. Without having to report mandatorily on any of the discussed standards, it seems questionable to introduce a new reporting framework at all. All the unofficial loopholes, which were created through this modified draft ESRS bear the potential of propelling green- and bluewashing practices even further and therefore might lead to a big step backwards on the way to increased sustainability within the EU, as many companies will know how to successfully use those loopholes for their benefit. As stated various times within this thesis, more sustainability information would be desirable for all stakeholders, however the disclosure of basic ESG information such as on the standards of 'Climate change' or 'Own workforce' should be mandatory for any reporting company, regardless of the results of any company's self-conducted materiality assessment.

5.3.2. Adoption of delegated regulation

After having taken the feedback of EU citizens and other stakeholders into account, some minor specifications and modifications have been made to the delegated regulation, which eventually led to the adoption of the final ESRS by the European Commission on July 31 in 2023. As stated in the delegated regulation (C(2023) 5303 final) by the European Commission

(2023c), in case a company assesses that ‘Climate change’ is not regarded to be of double materiality, the reporting company now has to state a detailed explanation for why it is not doing so. However, explanations for other standards, which were assessed to be not material for the company still remain voluntary, as no change thereof has been made to the published draft ESRS delegated regulation.

Summing up, an already in its power very limited sustainability reporting framework got even more powerless through the delegated regulation and the resulting adoption of the by the European Commission modified ESRS. It is demotivating and disappointing to see how much the Exposure Draft version of ESRS, which was published in April 2022 was cut down and lowered over the herein described developing stages in its potential powerfulness, which could increase sustainability among companies. The question arises, whether the additional reporting burden that companies will have from now on, as they have to adopt a new reporting framework, is worth all the limited benefit that comes with the final ESRS version. Because this benefit could also be achieved through other measures, without having to set up a completely new reporting framework. With this adopted final ESRS version, bureaucracy will be increased for almost no additional benefit compared to already existing sustainability reporting frameworks, with the exemption of being common for all companies subject to the ESRS. Instead, this modified final ESRS seems to give even bigger potential for green- and bluewashing to companies, however with the difference that those companies now can officially hide their practices behind the alibi of complying with an official EU sustainability reporting framework – a common sustainability reporting framework, which initially was created amongst others with the objective of limiting green- and bluewashing though.

6. Sustainability reporting in Austria

In order not to limit the analysis of sustainability reporting with the soon to be used ESRS to the content point of view, this thesis also aims on understanding the viewpoint of affected companies. In this thesis, I focus on the sustainability reporting of brewing companies in Austria. Therefore, two differently organized and managed Austrian breweries should give an understanding of the reporting companies' challenges and also the differences resulting from other frameworks, which have been used in the past and therefore might lead to additional burden when having to report under the ESRS in the future.

First of all, in order to create a basic understanding of the current status of sustainability reporting in Austria, I want to start with a short introduction to the national sustainability reporting related requirements in Austria. As the requirements of the NFRD had to be transposed into national legislation by each EU member state, Austria fulfilled this requirement through the adoption of the 'Nachhaltigkeits- und Diversitätsverbesserungsgesetz' – commonly referred to as NaDiVeG. Therefore, since 2017, about 120 Austrian corporate identities of public interest, which were employing on average at least 500 employees had to report according to this new law (PwC Österreich and WU Wien, 2018). According to a study by Rogl et al. (2021), 41% of the sustainability reports of those companies, which mandatorily had to report according to the NaDiVeG for their financial year 2019 reported according to the GRI reporting framework, however, only to the limited 'core' option. Thus, none of those companies reported according to the more information extensive 'comprehensive' GRI framework option. Furthermore, Rogl et al. (2021) examined that additional 11% of the NaDiVeG underlying companies used the 'GRI-referenced' option by using single GRI-standards only, which gives the benefit of not having to report a whole set of standards. In addition to that, Rogl et al. (2021) examined that 56% of the companies underlying the NaDiVeG reported their sustainability information within a separately published sustainability report. As stated above, following the requirements of the CSRD, publishing a separate sustainability report will not be possible anymore in the foreseeable future, since the disclosed sustainability information will have to be integrated within the management report.

For the scope of this thesis, I decided to analyse the published sustainability information of the two brewing companies 'Brau Union Österreich AG' and 'Ottakringer Getränke AG' of their financial year 2021. On the one hand, 'Brau Union Österreich AG' is a subsidiary of 'Heineken N.V.' and is a conglomerate of many well-known breweries of differing sizes situated in Austria and therefore spans over the whole country. In 2021, they employed on average about 2600 employees (Brau Union Österreich AG, 2022). On the other hand, 'Ottakringer Getränke AG' is a well-known Austrian company, situated in Vienna, which not only brews beer, but also produces and distributes other (non-alcoholic) drinks. According to their sustainability report of 2021, 'Ottakringer Getränke AG' employed on average 777 employees in 2021 (Ottakringer Getränke AG, 2022). Due to their very different sizes and management structures, it therefore seems to be interesting to compare the sustainability reports of these two well-known Austrian brewing companies.

As 'Ottakringer Getränke AG', just like 'Brau Union Österreich AG', reported according to the GRI Universal Standards framework of 2016, many of the reported sustainability criteria do not completely reflect the requirements of the most current GRI framework version, which in turn additionally increases the gap to the analysed ESRS framework requirements. According to GRI (2022d), their reporting standards and those of the upcoming ESRS should be aligned as much as possible, in order to ease the reporting burden of companies and to avoid the problem of double reporting in the future. Furthermore, since GRI requires in many cases different units of measurement for the reported information compared to the ESRS framework, some reported information of Disclosure Requirements will have to be modified accordingly. Additionally, since GRI was developed to be a framework which can be used worldwide and the ESRS are based on EU-law, GRI and ESRS use different definitions for some sustainability criteria, which in turn leads to additional burden of reproducing already available information under new definitions with the result of small differences in the final reported values. Moreover, the draft ESRS incorporates already the EU 'Taxonomy Regulation' within the respective Disclosure Requirements, which however isn't taken into account by GRI at all, as their framework is to be used all around the world and not just within the EU. Therefore, when reporting under the ESRS framework in the future, 'Ottakringer Getränke AG', 'Brau Union Österreich AG' and all the other companies, which currently report according to GRI Standards, will additionally have to consider the EU 'Taxonomy Regulation' and other EU specific requirements. Anyway, as an integral part of sustainability reports is the quality of given information, the following analysis focuses mainly on the reported information itself and not on the fact whether the reporting format and units of measurement are already correct according to ESRS or not.

In order to enhance direct and easy understanding and to give a quick overview of the analysis of the 'Ottakringer Getränke AG' sustainability report 2021 and the provided sustainability information within the 'Brau Union Österreich AG' sustainability report and the 'Heineken N.V.' annual report 2021, Table 5 summarizes the results of this analysis. Table 5 lists the Disclosure Requirements of the Draft ESRS, which were released in November 2022 and compares the requirements to the information published by 'Ottakringer Getränke AG' and 'Heineken N.V.' with consideration of its Austrian subsidiary 'Brau Union Österreich AG'. Purpose of Table 5 is to make directly assessable, whether more information will have to be reported in order to fulfil the requirements of the CSRD and the Draft ESRS version of November 2022, or if the content of the reported information is already enough and only formal adjustments have to be made. Also, if only partial information within a Disclosure Requirement was reported, a hint is given in Table 5, as sometimes just some minor information is missing, which was indicated as 'partially'.

For an easy and intuitive visual assessment, the corresponding results also have been colour coded in green, orange and red. Again, it has to be stated that the sustainability reports were assessed for the content of the information only, not for correct presentation or definition of reported information. Reason for that is that the information was reported by both companies in accordance with the GRI option 'core', which however uses different units of measurement and in several cases also defines terms and criteria, which have to be reported, differently than the ESRS, as already mentioned above. Therefore, in order to publish the sustainability/ESG information according to the Draft ESRS framework, even some specific information depicted as green, meaning 'available/yes', might still have to be revised accordingly in order to meet the needs of the CSRD and its ESRS framework. In a nutshell, the columns 'Reported by Ottakringer?' and 'Reported by Heineken/BrauUnion?' respectively in Table 5 should indicate whether their reported information corresponds to the intrinsic content requirements of the Draft ESRS version of November 2022, or if it is reported just partially (orange) or (to the major part) not at all (red). I would also like to highlight that this analysis of the companies' reported sustainability information is not intended to be judgemental in its quality, but instead should analyse their informational content and therefore help in assessing whether the reported information would already be enough for the reporting requirements of the Draft ESRS framework or not. It therefore should show up, which additional informational reporting requirements will arise due to those new legal amendments.

Furthermore, the qualitative analysis of 'Ottakringer Getränke AG' was enhanced by integrating the point of view of the analysed company, which was obtained through a semi-structured expert interview with the responsible person for sustainability matters of 'Ottakringer Getränke AG', Mr. Dipl.-Ing. Schlossnikl, MBA. Unfortunately, a likewise interview with 'Brau Union Österreich AG' or 'Heineken N.V.' could not be scheduled and therefore no further company point of view could be integrated into the analysis of their provided sustainability information.

Table 5: *Comparison between Draft ESRS and reported sustainability information* (Sources: Brau Union Österreich AG, 2022; EFRAG, 2022f; EFRAG, 2022g; EFRAG, 2022h; EFRAG, 2022i; EFRAG, 2022j; EFRAG, 2022k; EFRAG, 2022l; EFRAG, 2022m; EFRAG, 2022n; EFRAG, 2022o; Heineken N.V., 2022a; Heineken N.V., 2022b; Ottakringer Getränke AG, 2022).

ESRS Disclosure Requirement (November 2022)	Reported by Ottakringer?	Reported by Heineken/ BrauUnion?
E1 - Climate Change		
E1-1 Transition plan for climate change mitigation	partially	yes
E1-2 Policies related to climate change mitigation and adaptation	yes	yes
E1-3 Actions and resources in relation to climate change policies	partially	yes
E1-4 Targets related to climate change mitigation and adaptation	yes	yes
E1-5 Energy consumption and mix	partially	yes
- Energy intensity based on net revenue	no	no
E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions	yes	yes
- GHG Intensity based on net revenue	no	no
E1-7 GHG removals and GHG mitigation projects financed through carbon credits	no	yes
E1-8 Internal carbon pricing	no	no
E1-9 Potential financial effects from material physical and transition risks and potential climate-related opportunities	no	partially
E2 - Pollution		
E2-1 Policies related to pollution	yes	yes
E2-2 Actions and resources related to pollution	yes	yes
E2-3 Targets related to pollution	yes	yes
E2-4 Pollution of air, water and soil	partially	yes
E2-5 Substances of concern and substances of very high concern	partially	yes
E2-6 Potential financial effects from pollution-related impacts, risks and opportunities	no	no
E3 - Water and marine resources		
E3-1 Policies related to water and marine resources	yes	yes
E3-2 Actions and resources related to water and marine resources	yes	yes
E3-3 Targets related to water and marine resources	yes	yes
E3-4 Water consumption	yes	yes
E3-5 Potential financial effects from water and marine resources-related impacts, risks and opportunities	no	no
E4 – Biodiversity and ecosystems		
E4-1 Transition plan on biodiversity and ecosystems	no	yes
E4-2 Policies related to biodiversity and ecosystems	no	yes
E4-3 Actions and resources related to biodiversity and ecosystems	no	yes
E4-4 Targets related to biodiversity and ecosystems	no	yes
E4-5 Impact metrics related to biodiversity and ecosystems change	no	yes

E4-6 Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities	no	no
E5 - Resource use and circular economy		
E5-1 Policies related to resource use and circular economy	yes	yes
E5-2 Actions and resources related to resource use and circular economy	yes	yes
E5-3 Targets related to resource use and circular economy	yes	yes
E5-4 Resource inflows	yes	yes
E5-5 Resource outflows	yes	yes
E5-6 Potential financial effects from resource use and circular economy-related impacts, risks and opportunities	no	no
S1 - Own workforce		
S1-1 Policies related to own workforce	yes	yes
S1-2 Processes for engaging with own workers and workers' representatives about impacts	yes	yes
S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns	yes	yes
S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	yes	yes
S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	yes	yes
S1-6 Characteristics of the undertaking's employees	yes	yes
S1-7 Characteristics of non-employee workers in the undertaking's own workforce	yes	yes
S1-8 Collective bargaining coverage and social dialogue	yes	yes
S1-9 Diversity indicators	yes	yes
S1-10 Adequate wages	no	yes
S1-11 Social Protection	no	yes
S1-12 Persons with disabilities	yes	no
S1-13 Training and skills development indicators	partially	yes
S1-14 Health and safety indicators	yes	yes
S1-15 Work-life balance indicators	yes	yes
S1-16 Compensation indicators (pay gap and total compensation)	no	yes
S1-17 Incidents, complaints and severe human rights impacts and incidents	yes	yes
S2 - Workers in the value chain		
S2-1 Policies related to value chain workers	yes	yes
S2-2 Processes for engaging with value chain workers about impacts	yes	yes
S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns	no	yes
S2-4 Taking action on material impacts on value chain workers, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	partially	yes

S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	yes	yes

S3 - Affected communities		
S3-1 Policies related to affected communities	yes	yes
S3-2 Processes for engaging with affected communities about impacts	yes	yes
S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns	no	yes
S3-4 Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	no	yes
S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	yes	yes

S4 - Consumers and end-users		
S4-1 Policies related to consumers and end-users	yes	yes
S4-2 Processes for engaging with consumers and end-users about impacts	yes	yes
S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	no	yes
S4-4 Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	yes	yes
S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	yes	yes

G1 - Business conduct		
G1-1 Corporate culture and business conduct policies	yes	yes
G1-2 Management of relationships with suppliers	yes	yes
G1-3 Prevention and detection of corruption or bribery	yes	yes
G1-4 Confirmed incidents of corruption or bribery	yes	yes
G1-5 Political influence and lobbying activities	yes	yes
G1-6 Payment practices	no	yes

6.1. Ottakringer Getränke AG

As 'Ottakringer Getränke AG' fulfils the CSRD requirements for large companies falling under the NFRD as a listed company within the EU with more than 250 employees, more than €40 million in net turnover and more than €20 million on the balance sheet, they are subject to mandatorily publish their sustainability information according to the ESRS framework for the first time in 2025 for the financial year 2024. According to their sustainability report 2021, 'Ottakringer Getränke AG' reported in accordance with the GRI 'core' option (Ottakringer Getränke AG, 2022). The used version of the GRI framework was the 'GRI Universal Standards 2016'. However, the used 'GRI Universal Standards 2016' have been reviewed in the past and the revised and updated version 'GRI Universal Standards 2021' has been published in 2021, which doesn't give the reporting 'core' option in the future anymore. Furthermore, within their sustainability report 2021, they additionally referenced to the already mentioned SDGs and moreover reported sustainability information in plain language without referencing to any sustainability standards. In addition to that, some specific information related to the topic Governance was reported in a separate ‘Corporate Governance Report’ for the year 2021, which was published online. In the future, also this information will have to be reported within the management report together with other relevant information.

One eye-catching fact of Table 5 is that the environmental Disclosure Requirements of the draft ESRS, which are asking for potential financial effects resulting from environmental risks and opportunities, are missing for all 5 environmental topics. They are therefore always indicated in red colour. As GRI doesn’t ask for these criteria, it makes sense that those potential financial effects have not been stated within the sustainability report. Similarly, some other Disclosure Requirements of the draft ESRS framework ask for various criteria and/or explanations, which were not part within the GRI ‘core’ option and therefore were also not reported yet in the ‘Ottakringer Getränke AG’ sustainability report of 2021. Moreover, the standard E4 – ‘Biodiversity and Ecosystems’ is eye-catching too, as none of the Disclosure Requirements were assessed to have been reported and are therefore coloured in red. At first glance, it seems that the reason thereof might be that ‘Ottakringer Getränke AG’ didn’t identify this topic to be of materiality for the company. Therefore, the question arises, whether ‘Biodiversity and Ecosystems’ are not regarded to be of double materiality for ‘Ottakringer Getränke AG’ at all, or if this information will have to be disclosed additionally in the future. According to Schlossnikl, H. (personal communication, May 25, 2023), biodiversity and ecosystems are gaining in importance of course. However, as ‘Ottakringer Getränke AG’ does not produce the raw materials for its final products itself, and therefore there is no agriculture on their land, the major part of the used land is subject to soil sealing. Hence, not a lot of margin is given for improving biodiversity and ecosystems themselves. Anyway, biodiversity and ecosystems are regarded by them to be a big factor for their suppliers of raw materials, which therefore have to be analysed properly. According to Schlossnikl, H. (personal communication, May 25, 2023), one big factor when choosing business partners for up- and downstream operations is to check carefully, what those partners do with regards to environment. One option that ‘Ottakringer Getränke AG’ uses is for example a thorough check of the suppliers’ environmental certification and which associations the suppliers are cooperating with.

As stated above in the description of the CSRD, one requirement of this directive will be to mark up the reported sustainability information. Of course also this will be an additional work-intense part, as not only already reported information will have to be marked up, but also the still missing information has to be treated accordingly. However, for ‘Ottakringer Getränke AG’ the reporting additional information will not be a lot of additional burden (Schlossnikl, H., personal communication, May 25, 2023), as most of the required information is already available within the company, even if it has not been part of sustainability reporting so far.

With regards to topic S2 – ‘Workers in the value chain’, ‘Ottakringer Getränke AG’ (Schlossnikl, H., personal communication, May 25, 2023) relies on the standards of Austria, which are guaranteed to be high by law anyway. Furthermore, they try to keep their operations to the major part within the EU, in order to guarantee a minimum of social standards for everybody concerned within the value chain. Therefore, they don’t see any problem at the moment, which could arise through low social standards within the workforce (Schlossnikl, H., personal communication, May 25, 2023).

Summing up, the sustainability report 2021 of the ‘Ottakringer Getränke AG’ already incorporates a lot of useful information, as the report was created according to the GRI ‘core’ option. Nevertheless, in order to satisfy the requirements of the CSRD and the (Draft) ESRS framework, besides formal adjustments, also additional information has to be compiled and made available, in case ‘Ottakringer Getränke AG’ identifies all the topics to be of double materiality. As already stated, this should not be a big burden for ‘Ottakringer Getränke AG’ however, as most of the required additional information is already available within the company (Schlossnikl, H., personal communication, May 25, 2023). According to Schlossnikl, H., the requested ESG information of the Draft ESRS, which was published in November 2022, is adequate for its purpose. Moreover, the aim for the future will be to only report according to one framework by reporting what is asked only and stay with the sustainability framework, whichever is the most entrenched in the market, as this should encounter the burden of double reporting.

As my analysis showed, using the GRI 'core' option of 2016 brought some differences to the newer 'GRI Universal Standards 2021' with it, which also led to even bigger differences in comparison to the Draft ESRS. According to Schlossnikl, H. (personal communication, May 25, 2023), the 'Ottakringer Getränke AG' is undergoing a change to the GRI 'Universal Standards 2021', which is a first step to the transition to the requirements of the ESRS. Furthermore, a new materiality analysis of 'Ottakringer Getränke AG' is done in order to update the list of material topics for their future reporting.

6.2. Brau Union Österreich AG

As 'Brau Union Österreich AG' is a subsidiary of 'Heineken N.V.', according to the NaDiVeG and also according to the CSRD, they do not have to mandatorily publish their non-financial information, if this is done on a consolidated basis by the parent undertaking, which in this case is 'Heineken N.V.'. Anyway, as already stated, 'Brau Union Österreich AG' published a sustainability report in accordance with the GRI-option 'core'. 'Brau Union Österreich AG' therefore is not reporting according to the requirements of the upcoming ESRS yet. However, as already explained above, even in the foreseeable future they will not have to do so, as long as it is done on a consolidated basis by the parent company 'Heineken N.V.'. The sustainability report of 'Brau Union Österreich AG' therefore does not have to be updated to fit the ESRS framework, since they publish their non-financial information voluntarily anyway. In order to get a better understanding of the provided sustainability information of 'Brau Union Österreich AG' and 'Heineken N.V.' as the parent company respectively, also the by 'Heineken N.V.' provided sustainability information has been analysed. 'Heineken N.V.' did not publish their sustainability information in a separate sustainability report, but integrated its sustainability information in its management report of 2021 and therefore already fulfils this CSRD requirement. Their sustainability information has been prepared in accordance with the GRI 'core' option (Heineken N.V., 2022a), and therefore also the 'GRI Universal Standards 2016' have been used. According to their 'Annual report 2021' (Heineken N.V., 2022b), they employed on average 82.257 full-time equivalent employees worldwide during the year 2021. Furthermore, they state that limited assurance on more than 30 sustainability related indicators is provided by Deloitte (Heineken N.V., 2022a). One peculiarity of the sustainability reporting of 'Heineken N.V.' is that some ESG indicators are not reported on a consolidated basis, but instead they refer to the reporting of their subsidiaries, which are managed locally. Hence, for this analysis, both, the annual report 2021 of 'Heineken N.V.' as well as the sustainability report 2021 of 'Brau Union Österreich AG' have been analysed and in turn cross-checked whether the information was reported in at least one of these two reports or not.

Similarly to the sustainability report of 'Ottakringer Getränke AG', the potential financial effects resulting from environmental risks and opportunities are hardly covered within the published reports of 'Brau Union Österreich AG' and 'Heineken N.V.'. Just the environmental Disclosure Requirement E1-9, which asks for risks and opportunities resulting from climate change was answered partially within the risks section of 'Heineken N.V.'s annual report. Again, reason might be that those criteria are not part of the GRI framework, on which their published information is based on. Moreover, out of the ESRS E1 – 'Climate Change', the criteria, which ask for energy- and GHG-intensity based on net revenue, were not published as required by the ESRS. However, this should not a big problem to be published, as the information is already available in the reports, however not calculated and stated accordingly yet. Just as in the sustainability report of 'Ottakringer Getränke AG', the Disclosure Requirement ESRS E1-

8, which asks for internal carbon pricing is not considered within the analysed reports. Again, the reason therefore probably is that this requirement is not part of the used GRI framework at all and hence was not regarded during the preparation of their sustainability information.

The 'Social' Disclosure Requirement S1-12 asking for persons with disabilities among its own workforce was neither reported within the annual report 2021 of 'Heineken N.V.', nor the sustainability report 2021 of 'Brau Union Österreich AG'. All the other Disclosure Requirements of the Draft ESRS version were at least by their informational content published either by 'Heineken N.V.' or by 'Brau Union Österreich AG', and are therefore highlighted in green colour in Table 5.

Summing up the analysed sustainability information of 'Brau Union Österreich AG' in conjunction with the consolidated information published by 'Heineken N.V.', a lot of ESG information is already stated, with the major content in 'Heineken N.V.'s annual report, which is an requirement of the CSRD. Furthermore, as stated above, limited assurance is already provided on certain non-financial information, which is a requirement of the CSRD, too. Hence, as can be seen in Table 5, most of the ESRS required information (according to the version of November 2022) is already published. Furthermore, as explained, some other sustainability information is already available too and just has to be calculated and published accordingly in the future. Therefore, fulfilling the requirements of the CSRD and the ESRS should not be a big burden for 'Heineken N.V.', as the additional modifications for their reporting will be of limited extent.

7. Critical review and general recommendations for improvement

The ESRS can be regarded as a first step to make companies disclose their sustainability matters under the provisions of the CSRD. In spite of having developed a – to some extent – mandatory sustainability reporting framework within the EU, in my opinion there is still a lot of room to improve this framework, in order to make it a tool with additional value compared to already existing sustainability reporting frameworks, such as the ones provided by the GRI or the SASB. Hence, the efforts that were put into the Exposure Drafts and the Draft ESRS should neither be underrated nor overrated. It has to be stated that companies' as well as stakeholders' interests have to be respected and taken into account when designing sustainability reporting frameworks like the ESRS and therefore a balance between both sides has to be found. The analysed version of Draft ESRS already seems to be a compromise in favour of companies, as additional reporting burden was tried to be kept low.

The delegated regulation for the ESRS, which was adopted by the European Commission in July 2023 incorporates even less informational content and additionally gave more loopholes for companies not to report important ESG information at all. However, as already stated, within the next months and years, there is still the chance to improve these standards, and the current ESRS should be regarded as the basis that fulfils EU laws and regulations, which however can and should be improved in the future, if additional value of this framework should be generated. In my opinion, an improvement of the adopted ESRS is absolutely necessary in order to make the framework more valuable regarding its content. Of course, it's a pity that well-fitting Disclosure Requirements of the Exposure Draft ESRS (version of April 2022) were completely removed and many other Disclosure Requirements were shrunk by their informational content over the development of the ESRS. However, it's also important to recognize that at least a basis was created, which fulfils all the sustainability related legal EU requirements and leaves room for improvement in the future. Of course, not only the ESRS have to be improved, but also the surrounding legislation and frameworks supporting the idea of sustainability reporting have to be built up and improved accordingly.

The CSRD already states very good ideas on how to make the sustainability information useful and also valuable. However, fake-proof mechanisms are still to be established in order to make the system work without giving unnecessary opportunities for green- and bluewashing. For example, as stated in the CSRD, audits have to lead to reasonable assurance, and the mark-up of information has to be supported by a working digitalisation framework, which has to be developed, in order to inhibit disclosure of wrong or incorrect information. As stated in the CSRD, an opinion on reasonable assurance engagement of the disclosed sustainability information has the disadvantage of higher costs for the reporting company, which of course is a big handicap. Verification of information by independent third parties however is an integral part in taking full advantage out of sustainability reporting.

Furthermore, in order to inhibit incorrect reporting of ESG information or non-compliance with reporting requirements, a penalty system should be established in a further step. Such a system would make sense for at least the following two reasons: Reason number one should be a deterrence to companies, as penalties, such as fines or limitations to the operation of the company within the EU would be detrimental to reporting companies, thus making it desirable for them to report completely and correctly from the beginning. Reason number two is that this would also serve as a kind of 'protection' for companies operating in higher regulated countries against too aggressive competition from countries operating at lower social costs. Furthermore, companies, which already do a good job in the disclosure of their sustainability information would be encouraged to keep on with the good work, in order not to risk any penalties. They would therefore benefit through a competitive advantage compared to companies, which tried to manipulate their disclosed ESG information.

One further sustainability related problem lies in the composition of the EU itself, as all of the corresponding countries are governed under different laws. Those differing laws in turn are leading to different minimum standards within the topics Environment, Social and Governance. Of course, also collective agreements play an important role for minimum Social standards. Within the analysis of the Draft ESRS, existing differences of working hours within the EU were discussed. Standards, which might be regarded as high enough within one country, can be very low in another country, even if both of them are member states of the EU. As there are some countries with lower social standards compared to others, those countries are therefore targets for companies with profit optimization goals. This can be seen in the establishment of subsidiaries of big multi-national enterprises, which seem to make a habit of creating new subsidiaries in countries with lower social standards. As the EU until now apparently couldn't establish any countermeasures against this 'social evasion' of companies, a strong sustainability reporting framework could partly help to counteract this trend. However, this comes in turn with an increased reporting burden through an increased number of Disclosure Requirements. Social indicators, which seem to be superfluous in some countries, as they are warranted by law or union agreements, might consequently be important to be disclosed anyway, as they might not be granted in other EU countries. Again, this would not be a measure to unnecessarily increase reporting burden for companies, which rely on the national standards, but it would much more help in showing up the differences between EU countries and therefore diminish those differences gradually. Simultaneously, companies would have less interest in creating more and more subsidiaries in those countries, as they would then have to disclose their 'social evasion' practices. In order to do so, more Disclosure Requirements, especially for the topics 'Social' and 'Governance', have to be created, even if they might seem superfluous to some companies, as they are operating in countries with higher social standards compared to others.

If more of the analysed Disclosure Requirements were mandatory, the ESRS framework could help in reducing greenwashing, as companies would have to disclose a lot of environmental information. However, in my opinion, the current ESRS framework with only a limited number of Disclosure Requirements for the topic 'Social' is not sophisticated enough yet to help avoid bluewashing. Still a lot of possibilities exist for companies, which allow them to lower social standards of their employees and hide those shortcomings effectively, as relevant data are not requested by the framework. The analysed ESRS hardly hamper questionable practices of companies, which are currently undertaken in order to maximize a company's profits on the back of its employees. An example would be the constant creation of subsidiaries, which operate in the same business sector as the parent company, but employ at worse working conditions for the employees and are at the same time used as an internal competitor against its own employees. Hence, the possibility exists that those subsidiaries are used with the aim of keeping a constant working condition diminishment spiral running. Subsidiaries are established with the excuse of market needs and gradually substitute the parent company's business with lower workforce costs though. The company's profit margin therefore increases partially also due to the social standard decrease of its employees. Critics might argue that this is a managerial decision and therefore entrepreneurial freedom, which it certainly is, without contradicting any law. However, from the social point of view, these practices are not desirable at all and therefore in some way should also be made visible through ESG frameworks, as these and similar practices are examples of bluewashing.

I therefore recommend to also track and request the reporting company's business entity structure. In a first step, this can be done by requesting the number of newly founded subsidiaries within the reporting year. In a second step the average salary of the company's employees and its modification through the new subsidiaries should be requested. This would show up the rate of social deterioration through the creation of subsidiaries. As this is a big and also important topic, it cannot be clearly categorized as a 'Social' or 'Governance' topic, since it clearly shows traits of both topics – Social, because it contains workforce related criteria, and Governance because it's about the organizational structure and the decision of how the company will be organized in the future. Therefore, the request of these and some other criteria as puzzle pieces together can give a bigger picture of a company's sustainability efforts within the topics Social and Governance, which are represented within the ESRS framework very basically at the moment anyway. At the same time, this would be a powerful option for counteracting bluewashing.

One of the goals of the CSRD is to make sustainability information easier comparable between reporting companies. Therefore, the creation of a mandatory sustainability reporting framework is the logical response. The ESRS hence was created to be this uniform reporting framework within the EU, which has to be used mandatorily by all reporting companies, which are required to do so due to their company specifics. Therefore, companies have to report the same criteria, which however are not always easily comparable, just because some Disclosure Requirements are laid out to be of a descriptive nature. As already stated in the analysis of the differing ESRS versions, descriptive information is very important in order to gain an understanding of the companies' topics of double materiality. However, direct comparability between companies is easiest achieved through hard quantitative facts. I therefore strongly support the inclusion of additional quantitative criteria within the framework, as they are a big gain for comparability and in turn could also be easily used to categorize companies according to their sustainability efforts. At the moment, the categorization of companies according to their ESG efforts is already done by private consulting companies, as written in the first part of this thesis. However this comes with the disadvantage that companies have to pay in order to get an ESG rating, which in turn might not be completely objective. In my opinion, the ESRS can therefore be a very powerful tool in order to objectively grade companies according to their ESG efforts, in case it will be improved and expanded in the future, as elaborated within this thesis.

8. Ideas for additional ESG criteria

As some general recommendations for further improvement of the ESRS were already given in the chapter above, a supporting approach to improve the existing ESRS version with some additional Disclosure Requirements will follow under this section. Media nowadays almost daily reports about the need for environmental improvement. This is nothing new and therefore a lot of laws, regulations and other initiatives already exist. This environmental consciousness can also be seen in all the analysed ESRS versions, as they comprise a lot of internationally accepted Disclosure Requirements. However, there are still some other components of ESG that hardly get any attention yet. These shortcoming similarly were mirrored in the ESRS. There are hardly any Disclosure Requirements for the topics 'Social' and 'Governance', which would give a clear big picture of the reporting company. Therefore, great need to improve the 'Social' and 'Governance' related Disclosure Requirements exists. As already stated, however, all of the three topics 'Environment', 'Social' and 'Governance' would need additional criteria in order to increase comparability between companies.

8.1. Environment

The topic 'Environment' already contains good and comparable Disclosure Requirements. However, there will always be space for improvements. Following, some ideas for additional criteria will be listed and discussed for the particular subtopics:

E2 – Pollution:

- Amount of air/water/soil pollutants used and generated: If the reporting company uses or generates one or more pollutants out of a pre-defined list of harmful-pollutants, it mandatorily has to report the kind of pollutant and its amount used/generated per year. As a further indicator, the amount of the pollutant used/generated shall also be calculated as a percentage of the total production. If a brewery for example uses environmentally harmful detergents for cleaning the brewing equipment, it should have to specify the amount of the detergent used in absolute values and also as a relative share of production output. This has the advantage that companies within the same industry sector can be directly compared.

E3 – Water and marine resources:

- Water re-use rate: For companies, which use a lot of water for their operations, such as breweries, a percentage of water re-use should be disclosed. As Disclosure Requirements of E3 already ask for various kinds of water consumption and re-use, a relative share of multiple water use should be disclosed. This multiple water use-rate can be calculated by taking into account recycled water, reused water and restored water and shall be stated as a percentage of total water withdrawal. For a brewery, this for example would mean that sparge water with a too low sugar content for the current brewing batch is re-used for a subsequent batch, which in turn would increase the water re-use rate. Again, for companies within the same industry, this Disclosure Requirement would allow for good comparability of the companies' water management and the thereof resulting water efficiency.

E4 – Biodiversity and ecosystems:

- Amount of money spent on biodiversity and ecosystem projects: The amount of money spent on biodiversity and ecosystem projects in absolute values gives a first hint of a company's willingness to improve biodiversity and ecosystems, even if it costs money.
- Money spent on biodiversity and ecosystem projects in % of total net turnover: In order to make the upper disclosure criteria more easily comparable between different companies, the money spent on biodiversity and ecosystem projects shall also be stated as percentage of the company's total net turnover.
- Volume of raw materials from ecosystems that have been managed to maintain or enhance conditions for biodiversity and percentage of total produced volume: This Disclosure Requirement is based on the optional Exposure Draft Disclosure Requirement ED E4-8 (AG 60.c), which was asking for "the volume and percentage of raw material that comes from ecosystems that have been managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity levels and gains or losses" (EFRAG, 2022t, 12). Unfortunately, this Disclosure Requirement was omitted in the updated Draft ESRS version of November 2022. Additionally to keeping this Disclosure Requirement, as already stated in the analysis section, asking for the percentage of total produced volume makes the criteria easily and directly comparable to other companies and furthermore gives a quick glance of a company's raw material share with biodiversity maintaining or enhancing effects.

E5 – Resource use and circular economy:

- Energy generating processes (type and amount in kWh) from production output residuals: For companies not operating in the energy sector, processes and the resulting amount of energy in kWh generated shall be disclosed as a measure of circular economy efforts. For example, waste products, such as brewer grains, can be used to generate energy instead of disposing it. Similarly, waste heat from the brewing process can either be used for energy generation or used to economise on energy for other (e.g. heating) processes. This Disclosure Requirement therefore not only asks for the resulting energy generated/gained in absolute amounts, but should also give information on the type of process used in order to allow a thorough understanding.
- Generated energy through the use of production output residuals as share of total consumed energy: This Disclosure Requirement should show the criteria described above as a share of total consumed energy. Consequently, this criteria becomes a directly and easily comparable criteria.
- Re-use of production output residuals in volume and % of total raw material input: If production output residuals are not disposed but re-used in any other way, the amount of re-used production output residuals should be disclosed. For example, a brewery may either choose to dispose the brewer grains, or it also might find ways of re-using it, for example as animal feed. Another example for re-use of used raw materials is the multiple use of yeast for the fermentation process of beer. Disclosing the amount of reused production output as a share of total raw material input makes the circular economy efforts tangible and moreover allows to compare the sustainability efforts of the disclosing companies.

8.2. Social

As already analysed, the topic 'Social' still leaves a lot of room for progress, as this topic is still fairly poor on Disclosure Requirements. In chapter '7: Critical review and general recommendations for improvement', some 'Social' deficiencies were discussed. This discussion led to the recommendation to additionally include 'Social' Disclosure Requirements, which might seem to be superfluous for some companies, as they are taken for granted in some countries due to national law or collective agreements. However those same minimum standards might not be guaranteed in other EU countries. Although the following list of additional Disclosure Requirements might be regarded to be extensive, these criteria should serve as ideas on how to improve this important, but still neglected topic.

S1 – Own workforce:

- Average number of working hours per week: This Disclosure Requirement should give information about how many hours an employee works on average per week. As different countries have different laws or collective agreements, those differences can be unsheathed in case some companies use their own workforce to the legal limits. This Disclosure Requirement might seem to be superfluous within countries with good social standards, but can be important to show up differences due to national law or collective agreements. This criteria is easily and directly comparable between companies.
- Days of paid leave per year: As differences exist between countries, but also between companies in the numbers of days of paid leave per year, this Disclosure Requirement should serve as an additional work-life balance indicator, as already discussed within the analysis of the Exposure Drafts. Again, this criteria is usable to easily and directly compare companies.
- Percentage of own workforce that regularly works overtime hours: Again, this Disclosure Requirement can be used as an additional work-life balance indicator, as regular overtime hours reduce free time with family and friends.
- Information about overtime pay: As worked overtime has to be remunerated, this Disclosure Requirement should shed light on the overtime pay standards. Although this criteria is hard to be compared directly between companies, as overtime pay might be regulated within a remuneration complex table, information about it can give indications about employee appreciation within the company. Since a disclosure of the exact overtime pay table would go beyond the scope of ESG reporting, this criteria can be regarded to be of qualitative nature and should describe the general practices in regards to overtime pay only.
- Percentage of workforce in unstable working conditions: This Disclosure Requirement should give the ratio of non-employees (e.g. self-employed) to total employees. It is a measure of unstable working conditions, as non-employees have to face different challenges and possible disadvantages compared to a company's fix-employed workforce. As it is expressed as a percentage, this criteria is easily and directly comparable between companies.
- Employee satisfaction results of employee attitude surveys: Nowadays a lot of companies use employee attitude surveys in order to capture employee satisfaction. However, the results are not always taken seriously by the management and no action is taken in case of dissatisfaction among the employees is registered. Introducing the results of employee attitude surveys as a percentage, whereas 100% would mean all of the employees are perfectly satisfied with their employer, not only good comparability between companies would be given, but also incentives to the

management would be given to take appropriate countermeasures in case employees are not happy with their employer. As not all companies are using employee attitude surveys, a standard survey has to be created, which has to be used by all reporting companies once a year.

- Employee turnover rate: As unsatisfied employees might try to leave the company, using this criteria can give further indication of a company's employee satisfaction and therefore also the perceived social standards by the employees. Calculation principle of this criteria should be the number of quitting employees (either voluntary resignation, retirements, or dismissals) within one year divided by the average number of employees (which already includes possible new hires) during this same time period. Therefore, the rate can be easily and directly compared between different companies. A higher than average employee turnover rate could indicate unsatisfied employees.
- Percentage of outsourced personnel: Outsourcing is a prominent measure of companies in order to decrease costs. However, these measures are of detrimental impact to the affected employees. In order to make the degree of a company's outsourcing practices visible, this criteria can be added as Disclosure Requirement. Until now, outsourcing isn't taken account of in ESG reporting, which in turn therefore doesn't have any negative effects for the reporting company. However, as it has negative effects for all of the affected employees, it's a very important topic to be considered in any sustainability reporting framework. As outsourcing however not only has social effects, but to a high degree also can be considered as managerial decision, it could also be considered for the topic Governance. As this Disclosure Requirement however concentrates on the effects on personnel, it should be listed under the 'Social' topic.
- Share of total group personnel working for subsidiaries: This Disclosure Requirement should be calculated as the number of employees working for subsidiaries within the group divided by the total amount of employees of the whole (holding) company.
- Change in the percentage of total group personnel working for subsidiaries: This Disclosure Requirement has the goal to show up any reporting company's efforts in growing outside the parent business within the last year. The purpose of shifting business from the parental company to its subsidiaries and therefore also growing in the subsidiaries and shrinking in the parental company can be in order to lower social standards through cost reductions on its employees within subsidiaries.
- Average annual compensation change among own workforce/employees: This criteria should request the average annual compensation change as percentage and therefore should allow a quick comparison with officially stated inflation rate during the same time period. A lower salary change compared to inflation rate during the same time period would indicate deceasing social standards among the own workforce. This criteria can also be used accordingly for the other employee groups.
- Total number of legal actions taken by employees against the company in order to enforce legal rights, or in case legal rights have been violated. This indicator can be used as a measure of the social relationship and grievances between an employer and its workforce. An example could be, if employees have to enforce part-time working contracts through court, in case the employer is not willing to grant part-time, despite being guaranteed by law. Again, this criteria can also be used accordingly for the other employee groups.
- Percentage of own workforce, which has already taken legal action against its employer in order to enforce rights, or in case legal rights have been violated. This criteria can give an overview of overall grievance between the reporting company and

its employees and hence can be used to be directly compared with other companies. This criteria can also be used accordingly for the other employee groups.

S2 - Workers in the value chain:

- Percentage of workers in the value chain that regularly works overtime hours: As this criteria is an important work-life balance indicator for the company's own workforce, it is also an important indicator for workers in the value chain.
- Share of all suppliers that were screened using social criteria: This criteria should be an imitation of GRI Disclosure 414-1 (GRI, 2018), which asks for the percentage of new suppliers that were screened using social criteria. However, in order to get an impression of the importance of social standards within the value chain, the percentage of all suppliers that were screened using social criteria should be stated, not just among new suppliers.
- Average annual compensation change among workers in the value chain during the reporting year: This criteria should request the average annual compensation change as percentage and therefore should allow a quick comparison with officially stated inflation rate during the same time period. A lower compensation change compared to inflation rate would indicate deceasing social standards among the workers in the value chain.
- Total number of legal actions taken by workers in the value chain against its employer in order to enforce legal rights, or in case legal rights have been violated. This indicator can be used as a measure of the social relationship and grievances between an employer in the value chain and its workforce. An example could be, if the workers in the value chain have to enforce part-time working contracts through court, in case the employer is not willing to grant part-time, despite being guaranteed by law.
- Percentage of own workers in the value chain, which have already taken legal action against its employer in order to enforce rights, or if legal rights have been violated. This criteria can give an overview of overall grievance between the employer in the value chain and its employees and hence can be used as a measure as to how much the reporting company screens its contractors in the value chain.

S4 – Consumers & end-user:

- Customer satisfaction surveys: The reporting company shall give information about conducted customer satisfaction surveys and its results. The result should be disclosed as quantifiable and comparable hard facts and therefore give a customer satisfaction rate, whereas 100% corresponds to full customer satisfaction, and 0% corresponds to no customer satisfaction at all.
- Number of complaints from consumers and end-users: This criteria asks for the total number of consumers and end-users complaints registered by the reporting company.
- Complaint rate from consumers and end-users: This criteria should state the percentage of complaints out of the sum of all consumer/end-user transaction processes. One transaction process in this Disclosure Requirement corresponds to one complete transaction cycle, independent of the amount of goods/services, which were sold within the same transaction.

8.3. Governance

Similar to the topic 'Social', the topic 'Governance' only contains very few Disclosure Requirements within all ESRS versions. Therefore, a lot of progress is still desirable in order to make it an even more valuable part of the sustainability reporting system, as required to state ESG efforts. As explained above, a big and therefore also very critical topic for sustainability is outsourcing. Since it affects a company's personnel directly, outsourcing and also the creation of sub-companies related Disclosure Requirements should be developed for the topic 'Social' as much as for the topic 'Governance'. As it is to a high degree a managerial decision of how to govern the respective company, it might also lead to further questionable business practices, which are not directly related to social standards.

- Number of established subsidiaries with similar business practices: This Disclosure Requirement should state the number of created subsidiaries within the reporting year as an absolute value. Critics might argue that different companies are required for different markets in order to satisfy different customer needs. However an artificially created shift of business streams and therefore income shift from one company to another should be seen critically, as a simple decrease of social standards might be the aim of this socially very questionable method. This Disclosure Requirement should show up a company's efforts to decrease working standards through an increased artificially produced in-house competition. Of course, this Disclosure Requirement is not very comparable between companies in this form yet, and therefore asks for further quantitative criteria to be created. Furthermore, this Disclosure Requirement should be seen as a further step in avoiding bluewashing activities.
- Number of subsidiaries without significant business operation: This Disclosure Requirement should give information about the structure of a holding group, as they might be used to receive additional benefits such as carbon credits. Another reason for the foundation of additional subsidiaries could be to set them up abroad and therefore make advantage of tax benefits or in order to circumnavigate regulatory aspects within the home country.
- Number of mutual supervisory body members who have representations from the reporting company in their own company supervisory body: In order to show the extent of possible mutual favoured decisions within the reporting company's supervisory body, this Disclosure Requirement can give a hint on the supervisory body structure and thereof resulting favourable arrangements.
- Board Gender diversity: This criteria should be stated as the ratio of female to male board members. Therefore a ratio close to 0.5 would mean that gender diversity is given at least within the board of the company.
- Net turnover made with countries under sanctions of the EU: As sanctions against countries are established by the EU in order to limit negative impacts of a country, net turnover made within those sanctioned countries should be disclosed by the reporting company.
- Percentage of net turnover made with countries under sanctions of the EU. This Disclosure Requirements seeks to give an idea, which percentage of net turnover through business connections between the undertaking and sanctioned countries are generated, as advantages might be taken due to shortages of supply with sanctioned countries.
- Executive management bonus payment as a function of employee satisfaction: As employee satisfaction is listed as additional Disclosure Requirement for the topic 'Social', the results thereof can be coupled to managers' bonus payments. The percentage of bonus payment to the executive management, which is related to the

results of employee satisfaction should be stated under this Disclosure Requirement. A higher percentage as function of employee satisfaction can indicate a higher social responsibility for its employees among executive management, as they would be supposed to keep employees satisfied in order to optimize their own bonus payment. It should help in ensuring that management actions are taken with the aim of increasing long-term social sustainability instead of increasing their own short-term benefits. Therefore, this criteria again can be regarded as an inter-topical Disclosure Requirement, as it connects the topics Social and Governance.

- Average annual executive compensation change (including bonus): This criteria should request the average annual executive compensation change as percentage compared to the previous year and therefore should allow a quick comparison with officially stated inflation rate during the same time period.
- Ratio of average annual executive compensation change and average annual compensation change among own workforce: This Disclosure Requirement should show up the gap between annual executive compensation change and annual own workforce compensation change, as for example a compensation increase of executives could be financed through saving programs for employees/employee austerity measures.

9. Summary and Conclusions

ESG reporting has become more and more important during the last years. Growing sustainability awareness has been promoted by non-governmental institutions and projects such as the ‘UN Global Compact’, the program ‘Principles for responsible Investments’ or the ‘Sustainable Development Goals’. Soon after the launch of the first non-governmental initiatives, sustainability related legal requirements followed. As a first milestone, with great potential for improvement however, the EU adopted the NFRD in 2014, which had to be transposed into national law by all EU member states accordingly. In Austria, this was done through the NaDiVeG. In order to meet demands for increased sustainability among companies within the EU, more legislative actions were introduced step by step, which eventually led to the adoption of the CSRD in 2022. As part of the CSRD, from 2024 on, many companies will have to disclose their ESG performance and also their plans for the future. The actual year of first ESG disclosure depends on the company’s average number of employees, its annual turnover, its balance sheet total and also whether the company was already obliged to report sustainability information according to the NFRD or not. According to the CSRD, those companies then will have to disclose their information as requested by the ESRS framework.

The ESRS too is a big milestone on the way to a more sustainable Europe, as it is supposed to make ESG performance between companies uniform and easier comparable for all stakeholders. Moreover, it should also make green- and bluewashing more difficult for the reporting companies. Two draft versions of the ESRS have been published by the EFRAG, followed by a draft ESRS delegated regulation version, which was published by the European Commission in June 2023. Eventually, a slightly modified version of the ESRS was adopted in July 2023.

This thesis focused on the content development of this newly established ESRS framework. Together with its surrounding legislation stated in the CSRD, it can be regarded as a basic ESG reporting framework, which fulfils all the sustainability related EU law. It therefore is a first step in making sustainability reporting uniform among companies, which operate within the EU. However, as elaborated within this thesis, a lot of improvement is still necessary in order to create an ESG framework, which is transparent and valuable for all involved stakeholders.

From a company’s point of view, the ESRS in conjunction with the CSRD gives the benefit that as soon as the change-over from the former used reporting framework is done and the company reports in accordance with the CSRD, all the legal requirements, such as the Taxonomy Regulation etc. are fulfilled. Furthermore, if the reporting company operates sustainably, it can show up its efforts easily, as the differences to other frameworks are very limited. From a sustainability focused point of view however, hardly any additional ESG information will be gained, as the Disclosure Requirements are similar to other already wide-used sustainability frameworks. In addition to that, due to the created loopholes through the lowering of reporting burden, and also the requested mainly superficial information, the risk for green- and bluewashing becomes even bigger.

The first research question aimed on finding answers about how to improve existing ESG criteria and frameworks in the future. In order to make ESG reporting more valuable for all stakeholders, fake-proof mechanisms have to be established, such as a verification of the disclosed information by independent third parties, which should help to avoid green- and bluewashing. Moreover, a penalty system should be introduced, in case companies deliberately report incorrect information or if they do not comply with reporting requirements. Additionally, the ESG framework would gain in effectiveness, if more quantitative hard facts were requested, as they would increase comparability between companies. Moreover, specific hard fact Disclosure Requirements for the topic ‘Social’ could help to avoid ‘social evasion’ of companies within the EU. Of course, also the number of Disclosure Requirements that have to be reported on mandatorily by all companies would have to be increased in order to avoid minimum reporting through the process of materiality assessment, since still a lot of loopholes exist under the current provisions. In chapter '7. Critical review and general recommendations for improvement' of this thesis, the first research question has been answered thoroughly with further explanation to the here summarized key aspects.

The second research question, which was asking for additional ESG criteria in order to prevent green- and bluewashing was answered in depth within chapter '8. Ideas for additional ESG criteria'. Despite the topic 'Environment' being already well elaborated within the ESRS and other ESG frameworks, some additional criteria were developed in order to increase easy and direct comparability between companies. As not a lot of 'hard fact' requesting Disclosure Requirements have been developed for the topics 'Social' and 'Governance' yet, in my opinion great demand exists to enrich ESG frameworks with additional social and governance related criteria. In turn, more information about a reporting company's social and governance strategies would be made available to stakeholders, and at the same time impede green- and bluewashing. The topic 'Social' was expanded through Disclosure Requirements, which increase insights into the working conditions of the company's own workforce, and also shed light on the conditions of workers in the value chain. Furthermore, Disclosure Requirements were developed, which should give quantitative insights into the consumer and end-user satisfaction. Also the topic 'Governance' used to be underrepresented in all the analysed ESRS versions and other well-known ESG frameworks so far. Hence, Disclosure Requirements were created, which should make questionable business practices visible and make them through the disclosure of quantitative criteria comparable to other companies.

The third research question was seeking to find out, which challenges arise to Austrian breweries due to the new legal requirements, which demand sustainability reporting according to the ESRS and the CSRD. The two breweries were analysed within chapter '6. Sustainability reporting in Austria' by comparing their published ESG information of their sustainability and annual report respectively. One of the two breweries was additionally analysed through a semi-structured expert interview and the company specific insights were directly incorporated into the analysis part of this company. Analysis results of both companies show that requirements of the ESRS and the CSRD are not much different to their current sustainability reporting, which was done by both companies in accordance with the GRI 'core' option. Even if not all of the by ESRS requested information was disclosed in their previous reports yet, doing so will not come with a lot of additional burden, as most of the information should already be available within the analysed companies. The challenges therefore mainly lie in the adaption to the new framework through the modification of definitions and sometimes different units of measurement. Of course, as the CSRD requires limited assurance and a mark-up of the information, these additional measures will have to be taken in the future in order to comply with this EU directive. As the ESRS is a sector-agnostic ESG reporting framework, the obtained results suggest that the gained insights might also be valid for other big companies in Austria, which are already required to report according to the NFRD/NaDiVeG.

As this thesis was written aside the creation process of the ESRS and various points of view were taken into account, which made the whole analysis very content extensive, certain limitations exist in the deepness of analysis. For example, as the legal basis for the introduction of the ESRS spans back to more than a decade in the past, a lot of requirements were developed over time. Including all the legal requirements on EU level into the literature review would go beyond the scope of this thesis, also because focus of this thesis was not put on the respective legal surroundings. Instead, focus of this thesis was put on the content of ESG reporting frameworks and through which measures ESG frameworks can be improved in order to make the reported information less prone to be green- and blue washed. Attention was therefore paid to approaches, which can increase the effectiveness of sustainability reporting as a whole for all companies irrespective of their size. Focus hence was not put on which companies have to report which kind of information, but instead on the set-up of a basic framework valid for any company irrespective of its specifics. Therefore, analysing the surrounding legal requirements and the resulting differences with the development of those over time will be another useful topic for further research.

Furthermore, only two Austrian breweries were analysed within this thesis by their currently reported sustainability information. This limitation originated through the self-set boundary of analysing Austrian breweries, which are subject to reporting according to the ESRS framework from the first year possible. As one of the two breweries doesn't have to do so, since the parent company is doing it on a consolidated basis, this brewery was anyway considered for the purpose of analysis and comparison. Some smaller breweries, which did not have to report according to the NaDiVeG yet will have to report according to the CSRD and the ESRS framework starting in one of the subsequent years, depending on company specifics. Of course, the self-set limitation could have been broadened, however with the question on where to set the limit also regarding the extent of this thesis. Hence, future research on smaller companies, which will have to report according to the CSRD at a later stage, will be appropriate, as many of the smaller companies are used to report their ESG information in a reduced way, which in turn might lead to an increased reporting burden under the provisions of the CSRD.

Another limitation of this thesis exists in the provided additional ESG criteria. The list of provided additional Disclosure Requirements is not concluding and many more criteria can and should be elaborated in the future. Therefore, further research especially within the fields 'Social' and 'Governance' will be required, which should lead to the development of further valuable ESG criteria. Moreover, supporting the newly developed ESG criteria with deeper scientific background information would be appropriate in order to justify the use of those additional criteria within a mandatory ESG framework.

As the European Commission has to adopt sector-specific ESG reporting standards until June in 2024 according to the CSRD, those sector-specific standards will be another very interesting and important topic for future research, as know-how through the creation of the current sector-agnostic ESRS can be taken into account, when developing those more specific and industry based standards. Therefore, future research should also evaluate the extent to which feedback and lessons learnt through the developed ESRS versions will be incorporated into upcoming sector-specific sustainability standards.

Last but not least, I would like to share some thoughts on the provided criticism within this thesis. Media and advocates of the newly adopted ESRS do not get tired of complementing EU institutions and their efforts in creating the ESRS in combination with the CSRD. However, when comparing the development of ESRS versions with the eventually adopted final ESRS version and also taking into account how much more could be done in order to improve sustainability, I have to draw a critical conclusion. The critical statements within this thesis are therefore my own interpretation of the publications after thorough analysis and I am well aware that my critical analysis will not be welcomed by everybody, as I sometimes try to stand in for idealistic approaches. However, in my opinion, an idealistic, but maybe somewhat critical approach with this important topic is absolutely necessary, in order to make change happen. Even if I agree that additional reporting burden should be tried to stay low for companies, the potential power of this important ESG reporting framework shouldn't be wasted just in order to please companies. Because as a consequence thereof, the sustainability benefits of this uniform framework might in turn be decreased down to a minimum.

The idea of the EU to set up a mandatory ESG reporting framework in order to achieve a higher degree of sustainability among companies should be recognised and appreciated, as this is for sure a big milestone. However, as already stated many times within this thesis, still a lot of potential for further improvement exists. Unfortunately, the will alone to improve ESG reporting without the appropriate setup of supporting rules and a strong mandatory framework with enough fake-proof Disclosure Requirements is not enough. Therefore, in my opinion, commitment of all stakeholders and responsible people within the EU institutions to further improve the ESRS is absolutely necessary. Only if all the available resources of the framework are used properly, its full potential can be unfolded and sustainability can be pushed accordingly.

In the introduction of this thesis, I quoted former UN Secretary-General Ban Ki-moon, as he showed up the necessity to act sustainably in order to make the world better. For many years, he has been promoting sustainable acting, which according to him is the key for a prosperous future for the generations to come. Yet, he also is aware that the transformation to sustainability is not an easy one and will require a lot of effort of all of us. We have seen in this thesis that the current actions taken are by far not enough and a lot of improvement is still necessary. Of course, companies should have to operate more sustainably and green- and bluewashing should be limited as much as possible through respective regulations, as discussed within this thesis. However, not only companies, governmental and non-governmental institutions have to show sustainable awareness. Also individuals have to think and act sustainably, as all of our decisions have impact. For example, we can decide on which companies we support and which we don't. I therefore would like to conclude this thesis with a quote from Jane Goodall, which underlines that every single action matters and therefore each and every one of us can make the world a bit better, not just business wise.

"You cannot get through a single day without having an impact on the world around you. What you do makes a difference, and you have to decide what kind of difference you want to make."

(Jane Goodall, n.d.)

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List of Abbreviations

AG	=	Aktiengesellschaft
CSR	=	Corporate Social Responsibility
CSRD	=	Corporate Sustainability Reporting Directive
DR	=	Disclosure Requirement
ED	=	Exposure Draft
EFRAG	=	European Financial Reporting Advisory Group
ESG	=	Environment Social Governance
ESRS	=	European Sustainability Reporting Standards
EU	=	European Union
GHG	=	Greenhouse Gas
GmbH	=	Gesellschaft mit beschränkter Haftung
GRI	=	Global Reporting Initiative
GSSR	=	Global Sustainability Standards Board
ISSB	=	International Sustainability Standards Board
NaDiVeG	=	Nachhaltigkeits- und Diversitätsverbesserungsgesetz
NFRD	=	Non-Financial Reporting Directive
NZBCSD	=	New Zealand Business Council for Sustainable Development
OECD	=	Organisation for Economic Co-operation and Development
PRI	=	Principles for Responsible Investment
SASB	=	Sustainability Accounting Standards Board
SDG	=	Sustainable Development Goals
SFDR	=	Sustainable Finance Disclosure Regulation
UN	=	United Nations
UNGC	=	United Nations Global Compact
WBCSD	=	World Business Council for Sustainable Development
WRI	=	World Resources Institute

List of Figures / Tables

Appendix A: Interview questions

Have measures already been taken in order to get ready for reporting according to ESRS (employee training, tracking specific data which didn't have to be reported yet, etc.)?

How much burden are the additional efforts for ESRS? (e.g. marking up of information, additional reporting requirements)

Will the company continue reporting according to GRI additionally in future, or just according to the mandatory ESRS?

Does the company already track Potential financial effects from environment-related impacts, risks and opportunities, as they have to be disclosed for each of the 5 environment topics (E1-E5)?

Are biodiversity and ecosystem regarded to be material for the company? – If no, why not?

Is there already some data available for biodiversity and ecosystems, or is it a completely new topic?

Which measures are currently taken to understand the sustainability efforts within the supply chain (S2)?

Are workers in the value chain asked about their employer?

How does the annual 'evaluation of suppliers' look like?

Which measures are taken for affected communities (S3)?

What's the company's viewpoint on ESRS? – Is it too much additional burden for company or is it good to have to report sustainability efforts mandatorily?

What has to be improved?

What is too difficult to report?