

Green Finance: Accountant Approach

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Lecture Objectives

- Understand accounting's role in green finance
- Explore voluntary (e.g., GRI) and mandatory (e.g., CSRD, EU Taxonomy) frameworks
- Examine how financial reporting supports sustainability



**What comes to mind when
you hear “Green Finance”
from an accountant’s
perspective?**

Why accountants matter in green finance

- Translating sustainability into numbers
 - Quantify “green” CAPEX, OPEX, turnover
 - Assess EU Taxonomy alignment
 - Prepare mandatory CSRD/ESRS disclosures
- Gatekeepers of data integrity
 - Verify traceability and evidence
 - Collaborate with legal, ESG, IT teams
 - Ensure auditability and comparability

CAPEX vs. OPEX – Definitions in Green Finance Context

Term	Full Name	What it Means	Green Finance Context
CAPEX	Capital Expenditures	Money spent to acquire or upgrade long-term assets	Used to invest in green infrastructure (e.g., solar panels)
OPEX	Operating Expenditures	Day-to-day costs of running the business	Includes green services or maintenance (e.g., energy-efficient building upkeep)

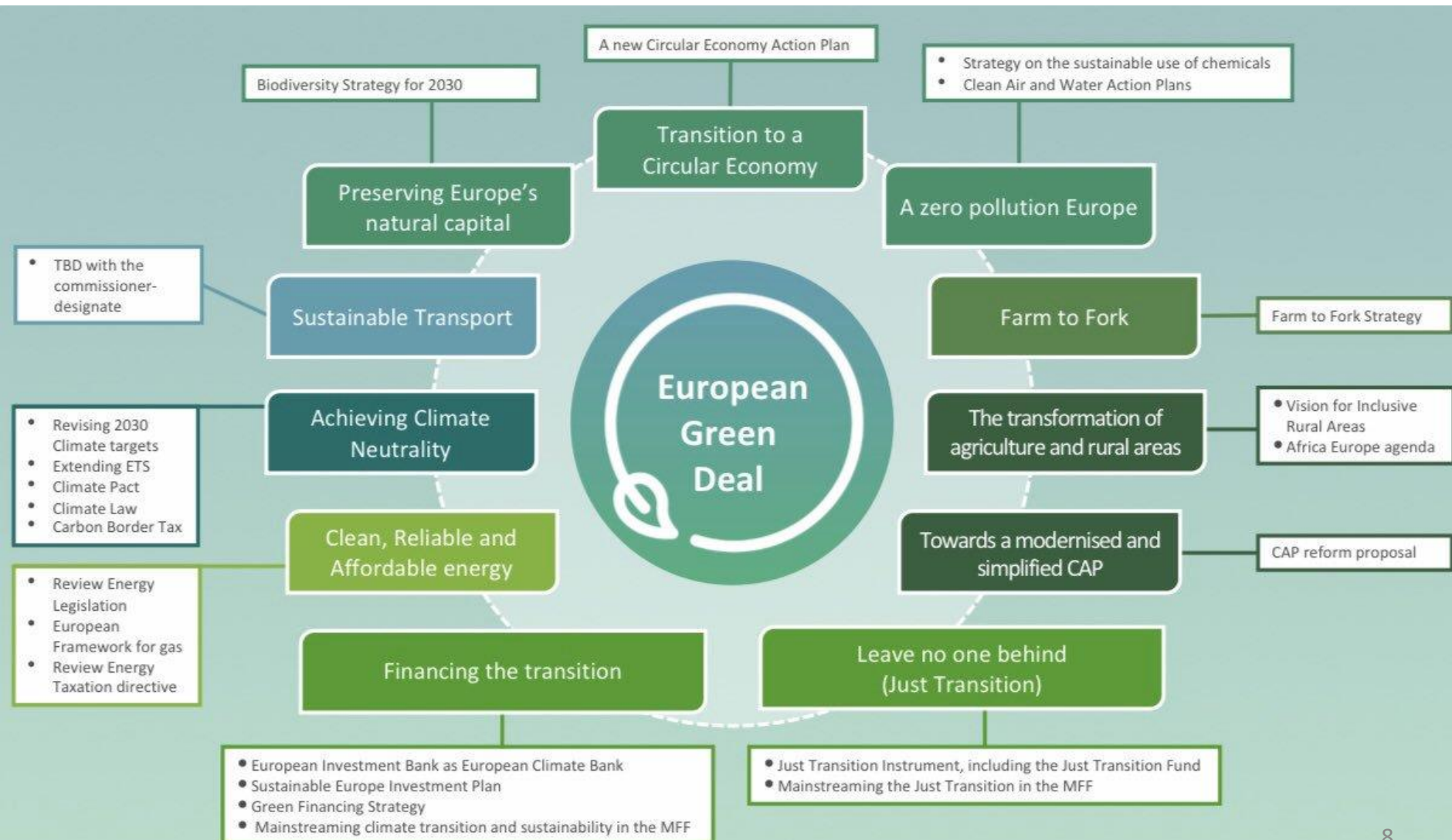
Traditional vs. Green Accounting

Traditional Role	Green Finance Role
Track financial flows	Track sustainability-linked flows
Report past events	Report forward-looking climate risks
Ensure compliance	Ensure Taxonomy & ESRS alignment
Financial audit trail	ESG audit trail (CAPEX, DNSH, KPIs)

The EU Green Deal & Finance Strategy

- 2019: European Green Deal launched
- Sustainable Finance Action Plan to support transition
- Reporting regulations essential for transparency

The EU Green Deal & Finance Strategy



From Voluntary to Mandatory ESG

- Early CSR reports were voluntary
- Now: legal obligation under CSRD
- Audit, comparability, data quality = key focus

GRI – Global Reporting Initiative

- GRI Framework (Voluntary)
 - Founded in 1997 – world's most widely used ESG reporting standard
 - Sector-neutral, globally applicable
 - Based on stakeholder inclusiveness & materiality
 - No mandatory KPIs or alignment requirements
- Often used to report:
 - Energy usage (GRI 302)
 - Emissions (GRI 305)
 - Labor practices (GRI 401)

EU Sustainability Reporting Architecture

1 CSRD → 2 ESRS → 3 EU Taxonomy

1. **CSRD** – Legal obligation to report

↳ Applies to large companies & listed SMEs

2. **ESRS** – Standardized reporting framework

↳ Defines what and how to disclose (double materiality, KPIs, formats)

3. **EU Taxonomy** – Sustainable activity classification

↳ Required for environmental disclosures (e.g., green CAPEX, turnover)

CSRD: Core Pillars

- Double materiality principle
- Mandatory assurance & audit
- Standardized format via ESRS

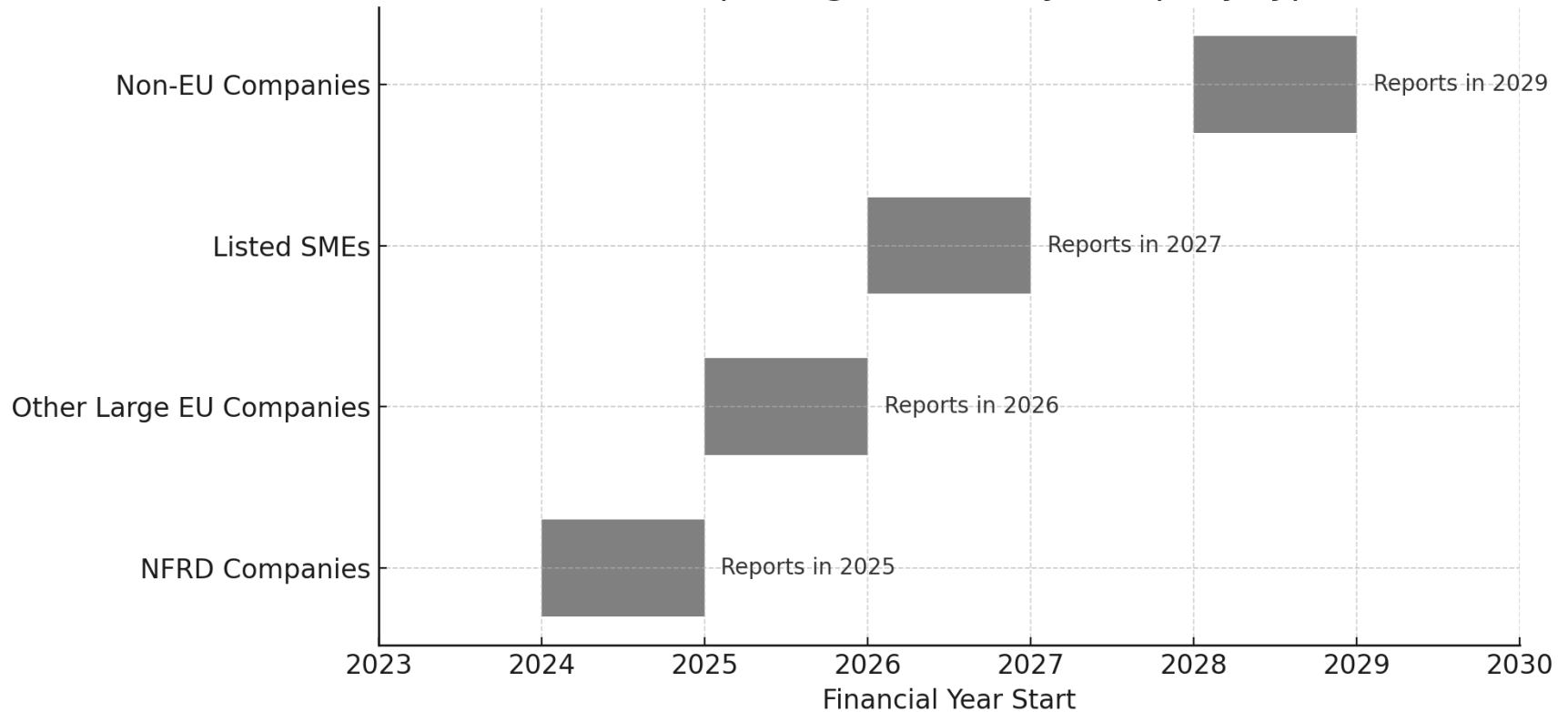
Structure of ESRS

- Environmental: Climate, Pollution, Water, Biodiversity
- Social: Workforce, Communities, Consumers
- Governance: Conduct, Risk, Controls

Reporting Period and Location

- Must be published together with the management report
- Covers the same period as financial reporting
- Clear disclosure of roles and responsibilities:
 - Who oversees sustainability matters
 - How sustainability is integrated into decision-making
- Audit and Assurance
 - Limited assurance is mandatory (reasonable assurance may follow later)
 - External auditors verify compliance with CSRD and ESRS
- Forward-looking and retrospective information
 - Reports must include targets, policies, and performance metrics
 - Both historic performance and future plans must be disclosed

CSRD Reporting Timeline by Company Type



EU Taxonomy Framework

- 6 Environmental Objectives
- Activity must: substantially contribute + DNSH
- Must meet minimum safeguards (e.g. labor laws)

The EU Taxonomy encompasses a standard set of definitions for sustainable activities centered around six environmental objectives:



What Makes Finance “Green”?

- Eligibility ≠ Alignment
- Real examples: HVAC upgrade, EV fleet, recycling line
- Transparency and traceability required

Eligible vs. Aligned Activities

- Eligible: fits in taxonomy sectors
- Aligned: meets technical criteria + DNSH
- Report % of turnover, CAPEX, OPEX aligned

Mini task

- A company invests **€2 million** in installing solar panels.
- The panels meet technical efficiency thresholds.
- Installed outside protected areas.
- Workers were fairly paid.

Question:

Is this activity **eligible**, **aligned**, or both?

What percentage of **CAPEX** would be considered aligned?

Mini Task 2 – Office Renovation

- **Scenario:**

A company renovates its office building for **€1.5 million**.

- Energy efficiency improves by **28%**
- No asbestos used
- Contractors follow labor and safety rules

Question:

Is this activity **eligible**, **aligned**, or neither?

Would any part of the CAPEX be aligned under the EU Taxonomy?

Mini Task 3 – EV Fleet Purchase

- **Scenario:**

A company spends **€800,000** on electric vehicles.

- The cars **exceed CO₂ threshold** allowed by Taxonomy
- No renewable energy charging infrastructure
- Labor and safety conditions were met

Question:

Is this activity **eligible, aligned**, or neither?

Can any part of the CAPEX be reported as aligned?

Taxonomy KPIs for Accountants

- Green Turnover: revenue from aligned activities
- Green CAPEX: investment into sustainable assets
- Green OPEX: day-to-day costs supporting sustainability

Sustainability Data Flow

- Source systems (ERP, meters, HR tools)
- ESG tagging & tracking tools
- Aggregation & reporting by accounting teams

Challenges in Sustainability Reporting

- Missing data granularity
- Ambiguous definitions (e.g. 'green' energy)
- Coordination across teams

Group Activity: Decode the Disclosure

- Match report text to CSRD/Taxonomy/GRI
- Spot missing KPIs or ambiguous claims
- Identify what evidence is needed

Cross-functional Collaboration

- Finance + Legal + IT + Sustainability teams
- Accountants ensure traceable, verifiable disclosures

Wrap-Up: Key Messages

1. Accountants are critical to green finance integrity
2. ESG frameworks are technical, evolving
3. Collaboration ensures data reliability

Further Reading & Resources

- EFRAG – <https://www.efrag.org>
- EU Taxonomy Compass – <https://ec.europa.eu/sustainable-finance-taxonomy>
- Browse real disclosures: [BMW Group](#), [Neste](#)
- [KPMG \(2024\). “Survey of Sustainability Reporting 2024: The move to mandatory reporting”](#)
- [PwC \(2024\). “PwC’s Global CSRD Survey 2024”](#)
- [EY \(2024\). “How to navigate EU Taxonomy's complex rules”](#)