

- 1 **Transcript**
- 2 June 26, 2023, 11:31AM
- 3 **Parth Sharma** started transcription
- 4 **Parth Sharma** 0:07
OK.
So yeah, I'm I'm working on my master thesis.
ID to you.
So it's around building a framework for the manufacturing companies to adapt to the CSRD and Utech Tony regulations.
- 5 **Interviewee_08** 0:11
Mm-hmm.
- 6 **Parth Sharma** 0:17
So yeah, just a short intro about me.
I'm a master student at DTU and I previously I have been a guest student at at.
I know when University Netherlands and also been an exchange student at Switzerland and I did my bachelors from India and previously I have worked in in Denmark and in India as well.
So I will be completing my masters in one month now.
- 7 **Interviewee_08** 0:44
Congratulations.
So soon, the final stretch.
- 8 **Parth Sharma** 0:45
Yeah, yeah, yes, the final Sprint.
OK.
So yeah, maybe I can quickly jump to the discussion part of it.
The main crux of the presentation.
- 9 **Interviewee_08** 0:58
Umm.
- 10 **Parth Sharma** 0:59
So yeah, I think you already know about the CSRD.
It's just it's not intro about it and then the UX Tony as well, yeah.
- 11 **Interviewee_08** 1:03
Yeah.
- 12 **Parth Sharma** 1:07
So this is the framework which I've been working on.
So I conducted a quite a few interviews before as well for with people from consultants, consulting backgrounds, from academic experts, from industry experts.
- 13 **Interviewee_08** 1:09
Umm.
- 14 **Parth Sharma** 1:21
Do like understand how is the CSRD framework bringing up the changes in the environment right now.
So based upon those interviews I could see, let's say a reoccurring narrative around formation of teams to handle CSRD regulation implementation and then availability of

Interview_08

Random information
FW- Quadrant 1

- infrastructure.
- 15 **Interviewee_08** 1:36
Mm-hmm.
Yeah.
- 16 **Parth Sharma** 1:42
Because CSRD is very data demanding regulation and itself so based upon this I adapted this framework where I will focus primarily on 4 quadrants.
- 17 **Interviewee_08** 1:47
Yes.
- 18 **Parth Sharma** 1:56
So what companies can do today internally and what they can do today, externally and then in future?
Tomorrow, what they can do in turning internally and externally to have a good idea of the CSRD implementation in within their company.
- 19 **Interviewee_08** 2:07
Mm-hmm.
- 20 **Parth Sharma** 2:13
So like the main discussion which we have, what are the different things we can put into different quadrants according to you and your experience working with the ESRS standards and working with some clients in this area.
So like from my understanding, like for the first quadrant we have we have what companies can do today internally revolves around having a gap assessment around this area consolidating A-Team who can work with these regulations having in robust it and management system in place.
- 21 Do you have more like things which can be added to this quadrant or something else?
- 22 **Interviewee_08** 2:53
Umm, yeah, good question.
So companies to consolidate a team, additional resources gap assessment, so have an understanding of their the gap of the the data requirements.
We do that with companies that we work with, developing an understanding of the regulations.
Of course that's needed, and in our experience we do see quite a gap between what's organizations understand of the regulation and the extent of investment that will be needed over time.
And that's usually born by the sustainability departments that need to then ask an allocate those resources from senior management, identifying IT infrastructure required. That's alongside also getting the right data that's needed.
- 23 Umm, OK, so we're trying to identify what else is needed internally or externally now or tomorrow internally, OK.
- 24 Umm, just a second, I'm just looking through what other some documents I have to see if I can think of anything that I have in my notes.
- 25 So I mean, another thing that we do also is we **review companies value chains as part of the materiality assessment**. So maybe it was all included here as well as conducting at ESRS based materiality assessments.

.FW- Quadrant 1

Random information

Random information

- 26 **Interviewee_08** 4:20
Is that part of what you're looking at as well?
- 27 **Parth Sharma** 4:23
Yes, actually it's.
- 28 **Interviewee_08** 4:23
That's one of the requirements.
- 29 **Parth Sharma** 4:24
Yeah, I'm like like developing an understanding of the regulations includes doing like having understanding of the table materiality metrics of the company as well.
So, OK.
- 30 **Interviewee_08** 4:33
Yeah.
But I would say that's that's a separate part and because it's it's very extensive what companies have to do for double materiality.
- 31 So both getting an understanding of all their impacts and creating impact list to developing a scoring approach on how they're going to score the impacts according to ESRS because not only do they have to, there's there's some flexibility in how they actually set the thresholds and how they score the impacts.
- 32 So that's an extra step that each company will develop on their own or we work with companies to develop scoring approaches as as not yet outlined by the EU. And then conducting the whole process of materiality assessment, which involves engaging stakeholders throughout the organization and also external stakeholders. That in itself is quite intensive as well.
- 33 And in addition to that also is part of planning for disclosure requirements, conducting analysis on the business model and strategy link.
- 34 And because companies want to have the report on how materials sustainability impacts are **connected to their strategy and business model when they are disclosing for ESRS**, so that's another element that's we'll need to be evaluated.
- 35 There would then come after the materiality assessment.
- 36 **Parth Sharma** 6:00
Umm.
OK.
You mentioned that that companies often, not able to manage how much resources to allocate to this project.
So what are your recommendations on that front?
- 37 And do you have any some key ideas on how can company do it actually?
- 38 **Interviewee_08** 6:25
Yes.
So we often will work with Sustainability department to help them articulate and present the requirements of ESRS to senior management so that they can help them understand the resource needs that it will be required.
- 39 So we recommend that it is a process of **enrolling** and senior management in the process.

..FW- Quadrant 1

40 However, because it is shifting the amounts of resource requirements to be higher like it's another additional task for sustainability departments, it it can take some time and back and forth to really develop the understanding of the extent of these resources required for new reporting requirements.

41 Parth Sharma 7:09

OK, OK, sounds good.

Uh, yes.

Uh, now moving to the second quadrant.

What companies can leverage external resources in their today's external external planning for CSRD?

So from my understanding, the consultants are very important for this role because they can bridge the gap between, let's say, the present understanding of the teams and what actually the ESRS means.

So they can bridge the gap between them and they can also help, like the IT consultants can also help in integrating a good data management system within the company. But other than that, do you see any external resources which can help company to implement the CSRD regulations?

42 Interviewee_08 7:52

And sorry, when we talk about internal and external, so internal means within the company and external, what's the scope of that exactly?

43 Parth Sharma 8:01

Yeah.

So like extra external or what are let's outside the company.

So company used to can hire these or maybe purchase these external resources within them to help them facilitate it.

44 Interviewee_08 8:11

Ah.

So it consulting would be under external, right?

45 Parth Sharma 8:18

Yes, because then like they would make sense, yeah.

46 Interviewee_08 8:21

Yes, and yeah.

So I mean, I think that's really maybe some of the answers.

I gave before for internal would best be then suited for external because I think it's companies really have a choice if they want to work with ESRS internally from the start or to get additional consulting support.

47 And at Firm F_08, where I think we can genuinely say that we're a leader in the ESRS implementation approach, because we conducted some of the first ESRS projects with large clients and such as Hemple and some others on our website and have been working with many of Danish large listed companies to do their first level of ESRS.

48 So by now we've developed a very solid methodology on how do you get data gap assessments, what is a scoring methodology you can use and how to list all your impacts, how to score your impacts. So we have a lot of templates in place, so companies have

Interview_08

EU criticism on EU taxonomy and

..FW-Quad 2

been choosing now to go with us because we can just supply them with the templates that we've already used and tested in other companies. And however, it's very much possible to develop those resources yourself as an organization.

49 Of course, it just takes a lot more time and resources and although it's interesting that within ESRS there is still quite a bit of room for interpretation, so when companies go with us, we can already say that we've interpreted the documents. We've developed templates based on this and this is an alignment with other companies that we've worked with so far and in some of them are Denmark's biggest companies. So and, but that's not necessary for companies to implement.

50 Let's say that then externally it is to then choose to get consulting support rather than trying to figure this out as a company internally on yourself? And so yes, in summary, you said external consultants and you say IT consulting can I think of anything else and I think I mean, the EU is working.

51 Now I'm starting to come up with implementation guidelines, but of course that's going to come too late for especially listed companies that are going to need to report as of 2025. So.

I think generally I can't think of anything else that consulting this external.

52 **Parth Sharma** 10:49

Do you have any idea what like when will these implementation guidelines be released from the EU?

53 **Interviewee_08** 10:57

I don't know if that information has yet to be made available, so no.

54 **Parth Sharma** 11:07

And then.

Yeah.

So I think it's it's, is it too early to ask this question that in the future, how will this CSRD regulation be like looked up in into a from a company's perspective internally.

So let's say a company has implemented CSRD

They have taken the help and everything is in place, so they're now in the future The companies role will be only to have the team in place and the team can be updated regularly on the like the regular revisions of the the, the, the CSRD regulation and then just keep on implementing it.

So is this the only role which the company has to abide in the future for implementing CSRD or it's something else as well?

..FW-Quad 3

Random information

55 **Interviewee_08** 11:59

My understanding is that once it's been done -the reporting. That's been done.

Once, it would be much less to maintain the updating of the reporting requirements and I'm not an expert in that area specifically.

56 So I think you should get confirmation from someone else before.

57 Quoting that, but I think I think the the biggest onus really is because we've been working with companies just to set it up and that and to develop the methodology and to understand how to implement it is quite a large project.

58 But once you have that in place to update, it would be less intensive.

And and I think that there's a still, of course the current disclosure requirements and approaches in drafts.

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Random information

So there it's still likely to be some changes before it is finalized and but I think after then those are integrated then **I imagine that over time the resource needed will decrease.**

59 **Parth Sharma** 12:55

Yes. Yeah.

OK, OK.

And the the projects that you have, you mentioned you have done with Hempel and these companies, how how old were they like when did you do it?

60 When did Firm F_08 do it actually?

61 **Interviewee_08** 13:20

Yeah.

Good.

I'm gonna share with you the ones that are public.

..FW-Quad 3

I'll just send you a link and so with Hempel, we were doing a a data gap assessment and materiality and a materiality assessments based on ESRS.

62 After the very first guidelines came out last spring, so very shortly after the republished, and they've since have been updated in multiple times, but that was one of the foundational projects.

63 I'm just sharing a link now in our chat.

64

So yeah, so I I probably management managed and executed on that one where we actually just came up with the templates and processes which we've been building on with further clients.

And as I said, a A a selection of Denmark's listed companies and then the methodology has been developed over time and we're continuing to to develop it.

And with also integrating the latest updates of the regulation.

65 **Parth Sharma** 14:26

Umm, OK, OK, sounds good.

Uh, and then and then for the 4th quadrant.

Like in this case, how?

What companies can do in the long term with dictionary resources?

I personally couldn't come up with any literature or any.

Couldn't find literature come up with some ideas regarding this.

Do you have any suggestions what can be part of this quadrant?

66 **Interviewee_08** 14:52

Fictional resources can be used by companies in the long term to facilitate CSRD regulation, continuous adoption.

Random information
..FW- Quadrant 4

I think it will be the same as short term.

I think over time it's like it's continuous integration with IT Software is going to be huge.

There is then also with ESRS. The idea is that it will trigger with that greater transparency.

Companies to then perform better on the disclosure requirements that they're reporting on.

So it could be imagined that and if a company is just having to disclose on, for example, the amount of virgin material use in their products and it's extremely high, they will want to reduce that.

Random information

67 So then there's all kinds of projects that they might be incentivized and to perform better on after that and information is made public.

Interview_08

- 68 So I think in that that also depend on the results of their materiality estimate and what topics are most material to them.
So then companies will likely focus on improving their performance in the areas that have the highest materiality too to them.
- 69 But in terms of resources, I suppose it's the same thing.
Consulting and IT infrastructure.
- 70 **Parth Sharma** 16:10
Yeah, and.
And maybe less of consulting and more of IT when like it the the ratio of the usage would be ready with time as well, right?
- 71 **Interviewee_08** 16:25
Yeah, I think it's very much dependent on the individual case and.
Yeah, the motivation of the company.
And also how much capacity they build internally or otherwise if they need support on carrying out projects.
- 72 **Parth Sharma** 16:48
OK.
And uh, this CSRD has this digital tagging requirement for the companies as well.
Do you know how this actually translates to ground reality?
- 73 **Interviewee_08** 16:56
Umm.
- 74 **Parth Sharma** 17:00
How?
What companies actually need to do in the reports?
- 75 **Interviewee_08** 17:03
I haven't worked with that specifically, so I'm not sure on that one.
- 76 **Parth Sharma** 17:07
OK, OK, sounds good.
- 77 **Interviewee_08** 17:09
My thinking was around formatting the report, but yeah that that's not in my room with expertise.
- 78 **Parth Sharma** 17:15
OK.
Uh.
With it from your experience working with like this, companies, do you have any IT specific pitfalls which might be useful for companies keeping in mind?
- 79 **Interviewee_08** 17:31
That is a good question and.
I think it is.
The companies are just generally lacking in data for so many of these, and, for example, with biodiversity probably being one of the highest ones, it's just the companies are not used to gathering the data that is required by these reporting requirements.
-
- Random information
- .FW- Quadrant 4
- ..CSRDI digital tagging
- IT systems/Digital systems ..pitfalls
- Random information

Interview_08

- .pitfalls
Random information
- IT systems/Digital systems
- Team formation for EU Taxonc
Random information
Skills of incharge
- And that's why you, of course it's you can see in the latest draft that many of the quantitative reporting disclosure requirements have then been delayed and but other in terms of, I mean I'm no expert in IT infrastructure.
I just feel that from what I've heard from clients, it's not having the systems in place and generally not being used to to gather those those data points and perhaps also training, making sure that all the stakeholders involved know which data points to gather, how to gather it.
- 80 **Parth Sharma** 18:11
Umm.
- 81 **Interviewee_08** 18:26
But I think this question is better suited for an IT specialist.
- 82 **Parth Sharma** 18:31
And so like, how do company tackle this challenge?
Ohh, like Hemple.
Let's say it has to have its IT system revamped.
What does it do?
Will do like.
Usually it will.
Will it hire a new IT team or will it hire an IT consultant?
Or what are the other things?
- 83 **Interviewee_08** 18:52
Umm so I have not been involved specifically in IT consulting projects, so that is not something that I can answer, especially not on behalf of a of a client but and when we work with projects, it's just generally that's we've raised that as a concern.
- 84 **Parth Sharma** 18:57
OK.
- 85 **Interviewee_08** 19:09
Those additional data points need to be gathered.
We often when we do data gap assessment.
We'll review the data points needed, understand who would be responsible for gathering them, and get their estimation of how long it would take to actually get the required data.
I think generally companies will work within the same data system that they have in place and add additional Reporting requirements but but yeah, I'm not a this is not my expertise so I can't give you a better answer than that.
- 86 **Parth Sharma** 19:36
OK, no worries.
And for like this count these teams which will work on CSRD.
Do you have any like, specific competencies which the people in the team should be having?
When it comes to the process of implementation.
- 87 **Interviewee_08** 19:53
And so that's both in the stainability teams working in ESRS.
- 88 **Parth Sharma** 20:00
Yes, yes, yes, you're good.
- 89 **Interviewee_08** 20:03
I think it's working with stakeholders and the most important things you have to gather the

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- Random information
- Random information
- .Skills of incharge
- Random information
- Random information
- Team formation for EU Taxonc
- 90 **Parth Sharma** 20:18
right people.
You have to understand complex communication, complex information, communicate it to them.
- 91 **Interviewee_08** 20:18
Umm it's I think working with people and working with complex information are the skills that are required most and having general signability knowledge is helpful. But it's also understanding that there's very much a lot of breadth across all the disclosure requirements. So it's the ability to know enough in all of them, but then still work with specialists, both internally in the company and also getting an expert inputs on specific disclosure requirements where needed because it's impossible for one person to really have all of the knowledge needed. So I think that those two skills are the ones that are most important in that process and probably project management skills.
- 92 **Parth Sharma** 21:02
OK.
Yeah, makes sense.
- 93 **Interviewee_08** 21:06
That's very important.
- 94 **Parth Sharma** 21:08
And also like, uh, these men, these teams like who, who do you see being?
Member of these kind of teams like what is the composition of these teams?
- 95 **Interviewee_08** 21:20
Yes.
So generally, we see sustainability departments are where the reporting requirements land on their desks, but then they need to include the risk departments as well and anyone working with and procurement, value chains, and human rights, and strategy definitely, and individual is site managers and yeah quite a variety of stakeholders.
- 96 **Parth Sharma** 21:58
OK, sounds good.
- 97 **Interviewee_08** 22:02
Oh, sorry, one second.
- 98 **Parth Sharma** 22:02
No.
- 99 **Interviewee_08** 22:03
I'm getting a call here.
It's coming through my headphones.
- 100 **Parth Sharma** 22:04
Yes, yes.
Yeah, yeah.
- 101 **Interviewee_08** 22:07
Yeah.
Can you hear me now?
- 102 **Parth Sharma** 22:08

Interview_08

FW difference- large companies ar

Random information

Yes, yes, I can hear you.

103 **Interviewee_08** 22:10

Umm.

104 **Parth Sharma** 22:11

Uh.

Yeah.

And like the the framework which I just we just discussed, do you see a difference when it comes to large companies and SME's?

105 **Interviewee_08** 22:24

Umm you see a large difference in large companies or SMEs and.

In applying ESRS and yes I as you probably know, I've been answering a lot of questions based on ESRS as that's what I've been working with most directly.

106 There's a definitely different reporting deadlines, so companies working with in SME's working with the ESRS, I can't remember the deadlocks when my head but it's.

Quite a few years down the line, I'm just gonna look it up.

107 **Parth Sharma** 22:59

Yeah, it's 27.

I I think I have it in in, in in my slide.

108 **Interviewee_08** 23:03

2027, right. Yeah.

109 **Parth Sharma** 23:03

Yeah.

Yes, yes.

110 **Interviewee_08** 23:06

So so I think that's the biggest thing.

111 **Parth Sharma** 23:06

Or notice that, yeah.

Yeah.

112 **Interviewee_08** 23:10

Of course, all companies are starting to understand that this is the way that they'll have to move forward in terms of reporting is they have some more time to prepare and it could be that if they are B to B, then there are the larger companies that they work with might be already requesting more data information from them as SMEs and but otherwise, yeah, I'm not. I think that's it's difficult to say as I've worked been working with large companies primarily and really into ESRS rather than than SME's.

113 **Parth Sharma** 23:47

OK.

Yeah, but uh, also like I think the ESRS like the CSRD is going to be have a different set of standards for the SME's.

Is that right?

Which will be, I suppose, less demanding.

114 **Interviewee_08** 23:58

And.

That's what I last heard from Efrag, although I haven't been following the agenda for SME's

FW difference- large companies ar

carefully.

115 **Parth Sharma** 24:07

Umm, OK, OK, that's good.
 Ah, I've just one last question.

116 **Interviewee_08** 24:14

Mm-hmm.

117 **Parth Sharma** 24:15

Uh, so I just so like on the left side, you can see the embedded perspective which we usually see in business society and environment.
 So I just tried to replicate the solutions together like which we discuss about having a team and having it structured in place on this embedded model.

118 **Interviewee_08** 24:26

Umm.

119 **Parth Sharma** 24:35

And then does this on the right side.

120 **Interviewee_08** 24:36

Mm-hmm.

121 **Parth Sharma** 24:38

You can see does this model of having a green company then embedded in our human team like Green Team, let's say which is working on the implementation of yes already and then using the ID structures IT systems in place does this.

Cake model

122 **Interviewee_08** 24:39

Hmm.

123 **Parth Sharma** 24:51

This perspective makes sense somehow.
 If you compare them both.

124 **Interviewee_08** 24:58

Umm, like comparing them to be..
 Maybe.

I mean, I think when the team, I guess the team is like larger the green team is larger than the company because that also includes maybe external support, right?

125 **Parth Sharma** 25:15

Yes, yes.

126 **Interviewee_08** 25:15

And yeah, I mean, I wouldn't say that like I would think of those images as describing very different things.
 But I think that generally the idea that is a company and then it has like a wider network that's helping us support implementation and then IT systems are interacting maybe with more stakeholders like their supply chain and then governed by whatever company develops those IT systems.

127 I think it could work.

Umm yeah, I think that generally makes sense, although I wouldn't say that they're conveying quite a similar.

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Random information
Cake model

Random information

- 128 Yes, I think they I guess I suppose they have parallels in some way, right. Because then the ideas that society can't function without environment and and so forth.
- 129 **Parth Sharma** 25:56
Yeah, exactly.
- 130 **Interviewee_08** 25:59
So yeah, OK, yeah.
- 131 **Parth Sharma** 25:59
Yes, yes, yes and and and do you think that CSRD can be implemented without having an IT system in place?
- 132 **Interviewee_08** 26:11
I mean, I think for an SME it could be possible if you just want to function with spreadsheets.
- 133 **Parth Sharma** 26:17
Umm.
- 134 **Interviewee_08** 26:17
I think it probably wouldn't be very effective.
And I mean, I'm sure it's humanly possible.
So yeah, I think companies, some companies are that we've worked with are further behind in having good integrated IT systems then you would expect.
And but again, I'm not really an expert on IT integration, so I can't say for sure, but I think anything is possible really.
- 135 **Parth Sharma** 26:50
Yeah, I I and this validation of data are requirement in CSRD.
How does the?
- 136 **Interviewee_08** 26:58
Yeah.
- 137 **Parth Sharma** 27:00
I think we are running out of time.
I I I would leave you for your next meeting because I there is 2 minutes left and I don't wanna hog your time now, but yeah.
- 138 **Interviewee_08** 27:05
Yeah.
Ohh thank you Parth.