pearl

Promoting ESG Awareness
+ Risk Literacy in SMEs

Module 01

INTRODUCTION TO ESG (SME PERSPECTIVE)

TÜRKİYE ULUSAL AJANSI
TURKISH NATIONAL AGENCY

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Agenda Module 1

01 Understanding ESG: distinction from sustainability and compliance

02 Identifying ESG drivers: market, regulation, stakeholders, finance

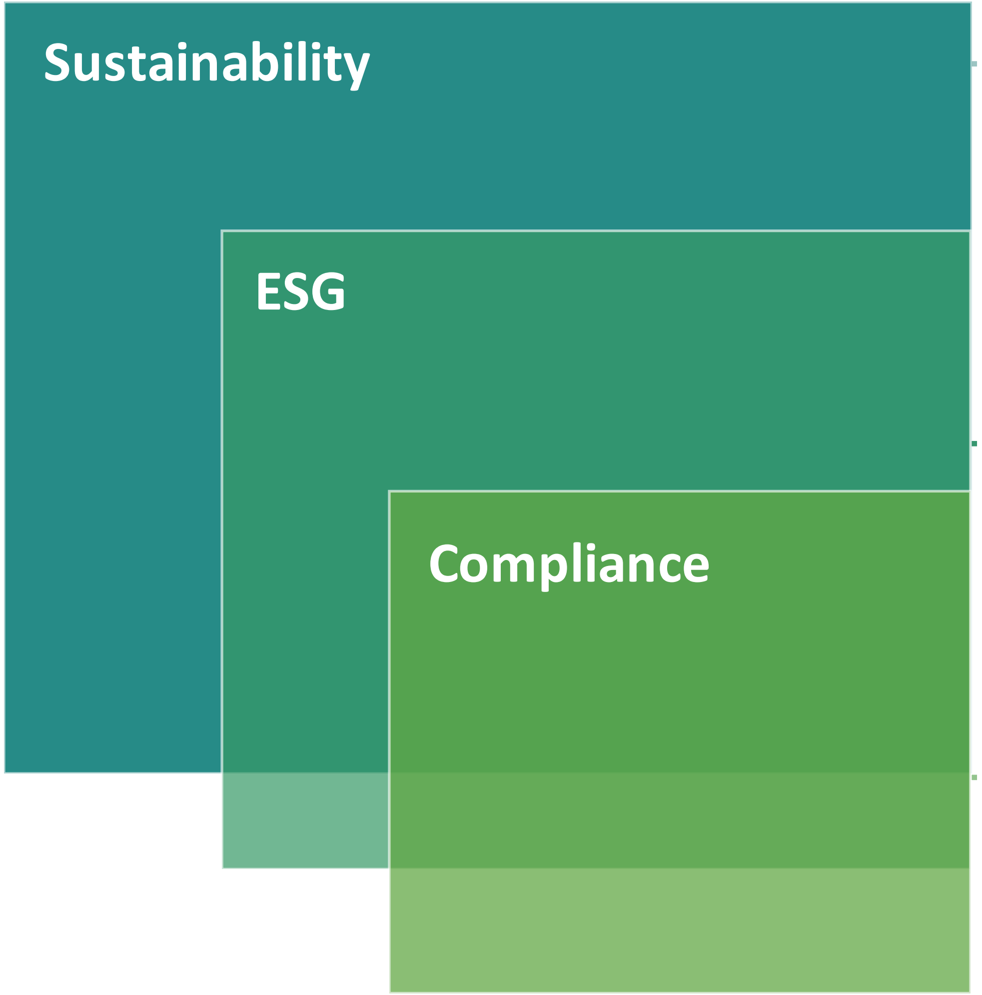
03 Assessing risks and opportunities through an ESG lens

04 Overview of key regulatory frameworks (CSRD, ESRS, CSDDD

05 Seeing ESG as a competitive factor – not just a reporting duty

06 ESG benchmarking: where does your company stand today?

Delimitation of Sustainability, ESG & Compliance



01 Sustainability:

- Individual behavior, corporate strategies and social responsibility
- Environmental, social and economic responsibility for future generations
- Relevance also for the actions of state actors

02 ESG:

- For companies and investors
- Comes from the financial context
- Orientation for investors and stakeholders for assessing the sustainability performance and risks of companies

03 Compliance:

- Concerns legal rules and regulations for companies
- Overlaps between ESG and compliance due to increased regulation

Mood Picture on the Subject Of ESG/Sustainability

What role does sustainability play in your company?

What experience do you have With ESG?

What Are Drivers of ESG?

Sustainable Development

- Club of Rome 1986
- 2015 Paris Declaration
- 2016 SDGs

Legal Drivers (ESG)

- EU-Taxonomie
- Lieferkettengesetz, CSDDD
- CSRD/ESRS
- EBA Guidelines

Markets as Drivers

- EU-Taxonomie
- Lieferkettengesetz, CSDDD
- CSRD/ESRS
- EBA Guidelines

ESG Approach

OFFENSIVE

Sustainability Management

VS.

DEFENSIVE

Regulation

What are the Risks of not having a Sustainability Strategy?

What Questions do Companies ask Themselves?

- **The sustainability benchmark:** Where does my company currently stand with regard to the requirements of the Corporate Sustainability Reporting Directive (CSRD) and other regulatory and market-driven requirements?
- **Navigating ESG regulation:** What does the complexity of ESG regulation mean for my company? Where is my company directly and indirectly affected?
- What are the opportunities and risks for my company and my business models? What are the requirements of customers and markets?
- What does ESG mean for financing and investor valuations?
- **Key people for ESG:** How can I effectively identify and involve key people for ESG tasks in my company?
- **Raising awareness of ESG:** How can I sensitize my team to ESG issues and raise awareness?

Framework Map

Framework	Level	Initiator	Commitment	Focus
ESRS/CSRD	EU	EU	legally	holistic
EU-Taxonomy	EU	EU	legally	CO_2, Climate goals
Supply Chain Act	D	BMAS	legally	Supply Chain / Human Rights
CSDDD	EU	EU	legally	Supply Chain / Human Rights
VSME	EU	EU	legally	middle: specifically for KMU
DNK	D	Initiative	voluntary	holistic
OECD-Guidelines for Multinational Enterprises	global	OECD	voluntary	holistic
UNGC (UN Global Compact)	global	UN	voluntary	holistic
SDGs (Sustainable Development Goals)	global	UN	fvoluntary	holistic
ISO 14001	global	ISO	voluntary	Environmentmanagement
ISO 26000	global	ISO	voluntary	Social responsibility
GRI (Global Reporting Initiative)	global	GRI	voluntary	holistic
SASB (Sustainability Accounting Standards Board)	global	SASB	voluntary	Industry-/themespecific
TCFD (Task Force on Climate-Related Financial Disclosures)	global	FSB	voluntary	CO_2, Climaterisks
SBTi (Science Based Targets initiative)	global	SBTi	voluntary	CO_2
EU Regulation on deforestation-free supply chains	EU	EU	legally	Supply Chain / Environment
EU Waste Packaging Regulation	EU	EU	legally	Trash, packaging
EBA-Guidelines	EU	EBA	indirect	Risk/Governance

Corporate Sustainability Reporting Directive
Subdivision of CSRD - Original Timeline

01
Companys which are affected by NFRD already:

- Capital market oriented
- More than 500 MA

Report for 2025

Fiscal Year 2024

02
Big E U-Companys:

- 250 MA
- More than 50 Million revenue
- More than 25 Million Total Assets

Report for 2026

Fiscal Year 2025

03
Capital Market Oriented KMU:

- More than 10 MA
- More than 0,7 Million revenue
- More than 0,35 Million Total Assets

Report for 2027

Fiscal Year 2026

04
Capital Market Oriented KMU:

- If the KMU option is chosen for extension

Report for 2029

Fiscal Year 2027-2028

Corporate Sustainability Reporting Directive - One Level with financial reporting

Before CSRD

Financial Reporting:

Sustainability Report:

After CSRD

Situation Report

CSRD

Equal to

Financial Report

Goal: More Transperancy and Comparability of Companys with regard to Sustainability

Implementation in national Right until July 2024

Changes CSRD – Adaptions by Omnibus

	CSRD until Omnibus	CSRD after Omnibus
Aspect	Companies with more than 250 Employees report required.	Companies with more than 1000 Employees report required.
Threshold for Reporting Requirement	Reportrequirement starting in 2024 for big Companies	Shifting the Report requirements to 2 years from now
Deadlines	Detailed Report with lots of Datapoints after ESRS.	Reducing the Datapoints, Simplification of Requirements.
Reporting Obligations and Data Points	EU-Sustainability standards (ESRS) seperated from other EU- Guidelines	Improvement in Coherence between CSRD and other EU-Regulations
Coherence with other EU-Guidelines	Whole Value Chain approach	*Value Chain Cap: only VSME infos from SMEs!

*Banks and clients could need specific infos, therefore materialiy analysis stongly recommended

Corporate Sustainability Reporting Directive - CSRD

MAIN CONTENT -

- What should be considered?
- Sustainability belongs in the final report
- (Management report)

01 Double Check Materiality Analysis

02 Define Sustainability Goals

03 Ensure Testability Through External Examiner

04 Ensure Machine Readability (ESAP, XBRL)

05 Report On Business Models, Strategies, & Expected Developments

06 Creating Comparibility & Transparency

CSRD

Which Customers are affected by CSRD?

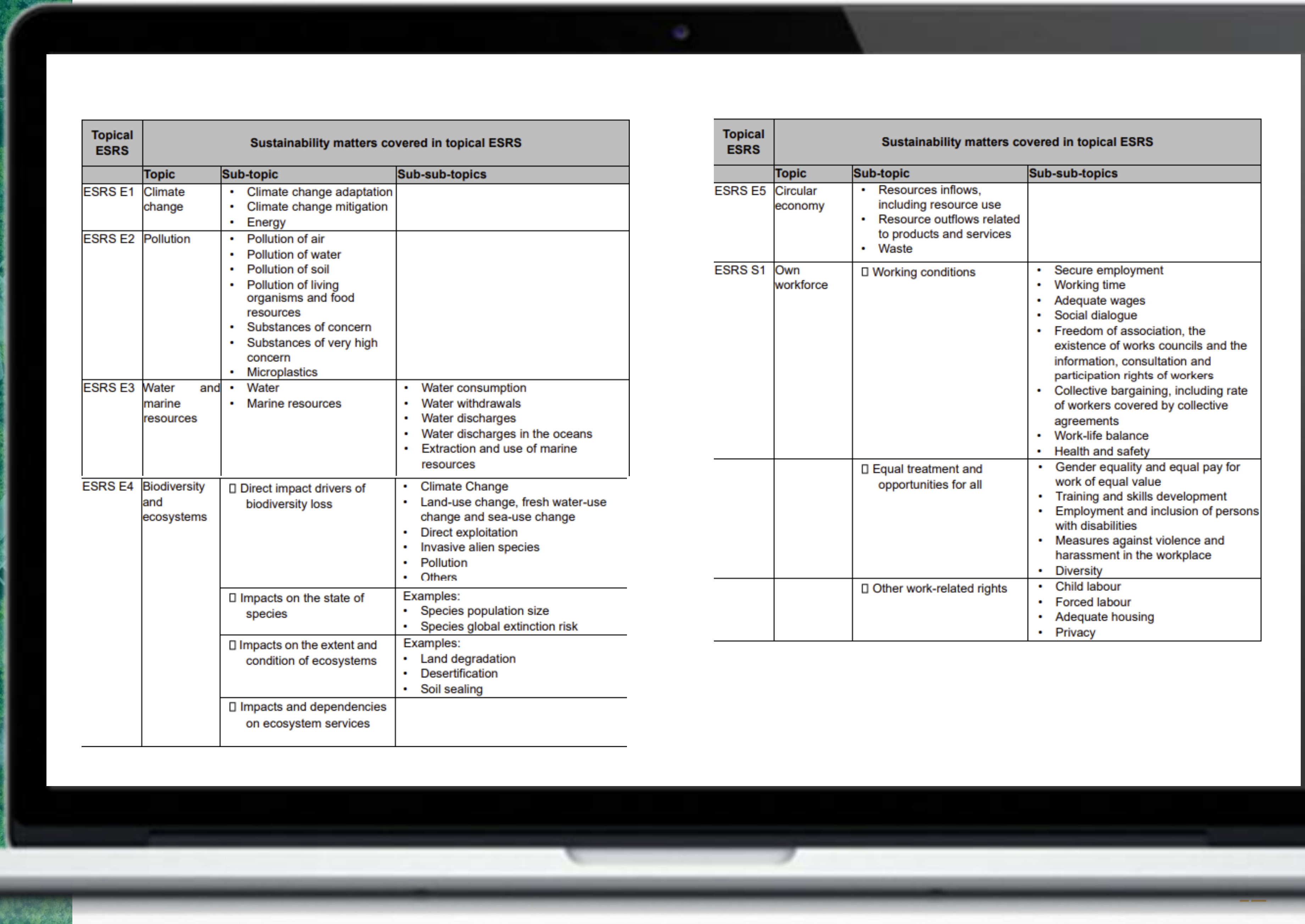
How close are they to the assessment limits?

European Sustainability Reporting Standards (ESRS) - An Overview of the Standards

Cross-Cutting-Standards
ESRS1 General principles
ESRS 2 General, strategy, governance and materiality assessment disclosure requirements

Enivronment	Social	Governance
ESRS E1 Climate Change	ESRS S1 Own workforce	ESRS G1 Business Conduct
ESRS E2 Pollution	ESRS S2 Workers in the value chain	
ESRS E3 Water and marine resources	ESRS S3 Affected communities	
ESRS E4 Biodiversity and ecosystems	ESRS S4 Consumers and end-users	
ESRS E5 Resource use and circular economy		

European Sustainability Reporting Standard (ESRS) – Cutouts to the Companies



Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E1	Climate change	• Climate change adaptation • Climate change mitigation • Energy	
ESRS E2	Pollution	• Pollution of air • Pollution of water • Pollution of soil • Pollution of living organisms and food resources • Substances of concern • Substances of very high concern • Microplastics	
ESRS E3	Water and marine resources	• Water • Marine resources	• Water consumption • Water withdrawals • Water discharges • Water discharges in the oceans • Extraction and use of marine resources
ESRS E4	Biodiversity and ecosystems	▯ Direct impact drivers of biodiversity loss	• Climate Change • Land-use change, fresh water-use change and sea-use change • Direct exploitation • Invasive alien species • Pollution • Others
		▯ Impacts on the state of species	Examples: • Species population size • Species global extinction risk
		▯ Impacts on the extent and condition of ecosystems	Examples: • Land degradation • Desertification • Soil sealing
		▯ Impacts and dependencies on ecosystem services	

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E5	Circular economy	• Resources inflows, including resource use • Resource outflows related to products and services • Waste	
ESRS S1	Own workforce	▯ Working conditions	• Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association, the existence of works councils and the information, consultation and participation rights of workers • Collective bargaining, including rate of workers covered by collective agreements • Work-life balance • Health and safety
		▯ Equal treatment and opportunities for all	• Gender equality and equal pay for work of equal value • Training and skills development • Employment and inclusion of persons with disabilities • Measures against violence and harassment in the workplace • Diversity
		▯ Other work-related rights	• Child labour • Forced labour • Adequate housing • Privacy

European Sustainability Reporting Standard (ESRS) – Cutouts to the Companies

ESRS S2	Workers in the value chain	▯ Working conditions	• Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association, including the existence of work councils • Collective bargaining • Work-life balance • Health and safety
		▯ Equal treatment and opportunities for all	• Gender equality and equal pay for work of equal value • Training and skills development • The employment and inclusion of persons with disabilities • Measures against violence and harassment in the workplace • Diversity
		▯ Other work-related rights	• Child labour • Forced labour • Adequate housing • Water and sanitation • Privacy

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS S3	Affected communities	▯ Communities' economic, social and cultural rights	• Adequate housing • Adequate food • Water and sanitation • Land-related impacts • Security-related impacts
		▯ Communities' civil and political rights	• Freedom of expression • Freedom of assembly • Impacts on human rights defenders
		▯ Rights of indigenous peoples	• Free, prior and informed consent • Self-determination • Cultural rights
ESRS S4	Consumers and end-users	▯ Information-related impacts for consumers and/or end-users	• Privacy • Freedom of expression • Access to (quality) information
		▯ Personal safety of consumers and/or endusers	• Health and safety • Security of a person • Protection of children
		▯ Social inclusion of consumers and/or endusers	• Non-discrimination • Access to products and services • Responsible marketing practices
ESRS G1	Business conduct	• Corporate culture • Protection of whistleblowers • Animal welfare • Political engagement • Management of relationships with suppliers including payment practices	
		▯ Corruption and bribery	▯ Prevention and detection including training ▯ Incidents

Corporate Sustainability Due Diligence Directive (Csddd) – Core Obligations

01 Introduction to a due Dilligence Process

02 Strategy Adjustment to Ensure Consistency with the Goals of the Paris Agreement

03 Development of a Risk Management Plan

04 Damage Minimization: Taking Measures To Reduce Damage or risks if there are any Identified

05 Responsible Business Relationships

06 Transparency and Reporting: Regular and Transparent Reporting on due Diligence Measures and their Effectiveness

07 Establishment of a Complaints Procedure

08 Penalties for Non-compliance: Fines Based On Company Turnover: 5% Of Net Turnover as the Minimum-maximum Penalty Range.

Corporate Sustainability Due Diligence Directive (CSDDD) before Omnibus

01 FINANCIAL MARKET PLAYERS

- Implemation in national right

Fiscal Year 2026

02 Company Group 1:

- More than 5.000 MA
- Revenue of more than 1,5 Billion Euros

Fiscal Year 2027

03 Company Group 2:

- More than 3.000 MA
- Revenue of more than 900 Million Euros

Fiscal Year 2028

04 Company Group 3:

- More than 1.000 MA
- Revenue of more than 450 Million Euros

Fiscal Year 2029

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071

Changes CSDDD; LKG Already Under Scrutiny

Regulation	Before Omnibus (CSDDD Originally)	After Omnibus-Initiative
Scope of Application (Employees)	Companies with > 1.000 employees	> 3.000 employees
Revenue limit	> 450 Million Euros	> 900 Million Euros
Implementation deadline	From 2027	Deadline postponed by up to 2 years
Responsibility in Suppky Chains	Strict Due-Diligence-Duties for the whole Supply Chain	Duties reduced, Focus on „key areas of business“
Liability and Sanctions	Companies are liable for violations	Less strict liability regulations
Supply Chain	Whole Supply Chain	Direct Suppliers, starting at a specific size

Corporate Sustainability Due Diligence Directive (CSDDD) – Ein Möglicher Due Dilligence Prozess

01 Risk Identification

02 Risk Assessment

03 Development of Mitigation Plans

04 Implementation of Risk Measures

05 Monitoring & Reporting

06 If Damage Occurs: Remedy

07 Review & Continuous / Improvement

Corporate Sustainability Due Diligence Directive (CSDDD)

Liability:

Scope of the regulation: Activities of Business partners along the entire supply chain

- Production of goods, services, product development, raw material extraction, procurement, processing, Transport, delivery and storage.
- Indirect Suppliers in the upstream supply chain are included.

Sanctions:

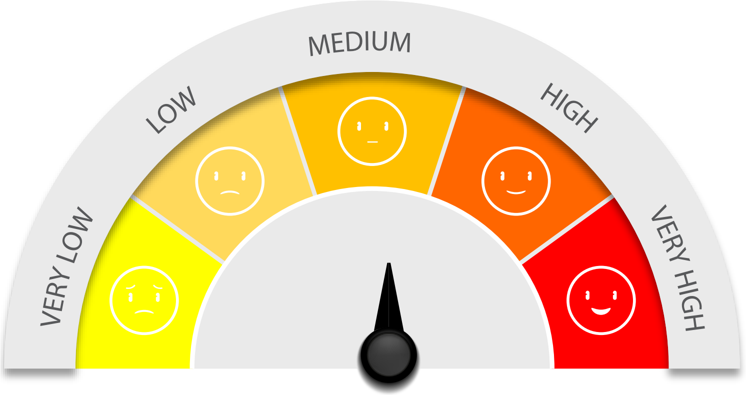
Regularity control: Combination of fines and civil liability.

- Fines: Maximum 5% of net annual turnover.

Civil liability:

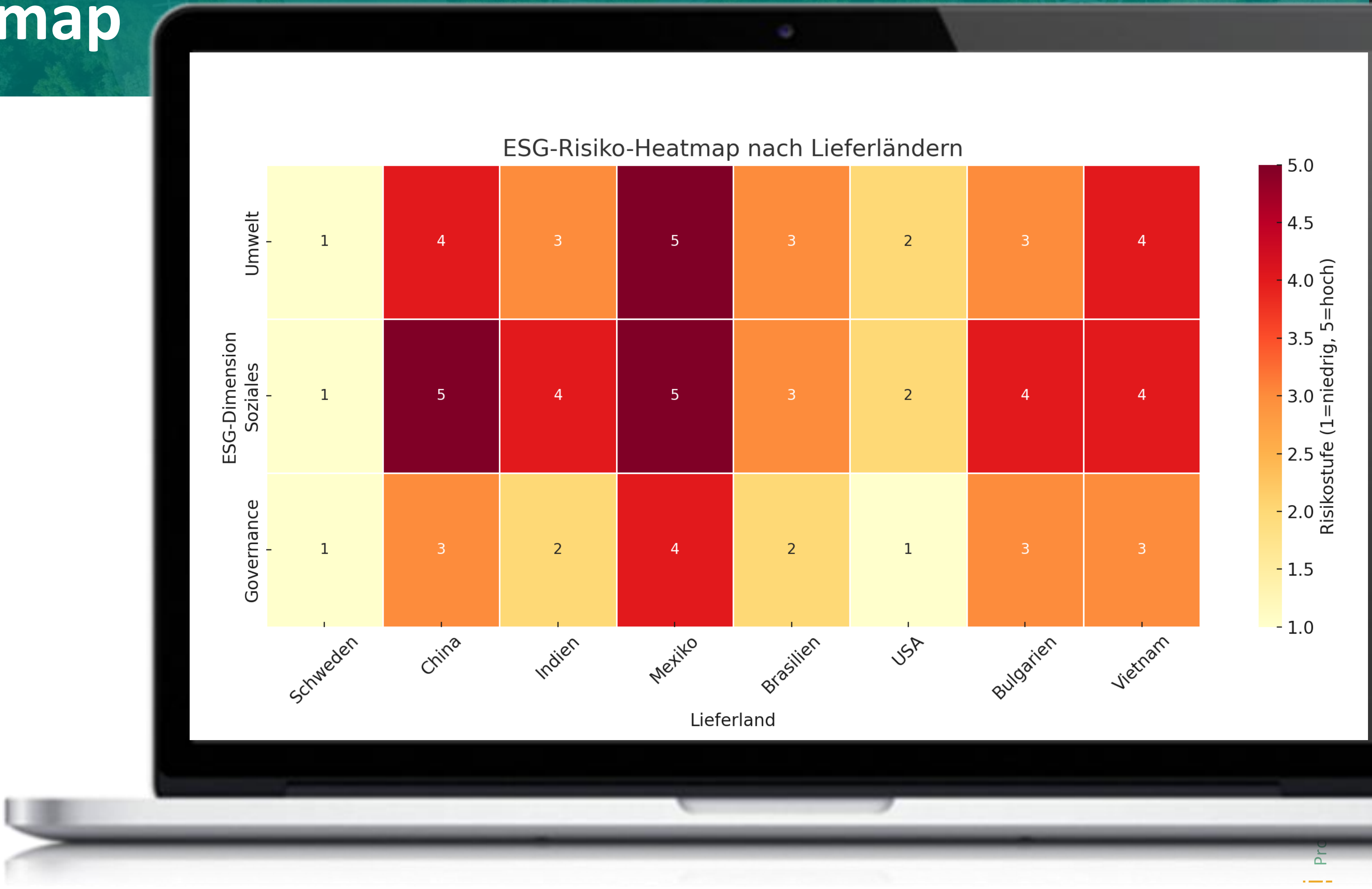
- Cross-border incidents: application of the law of EU Member States.
- Improving access to civil law protection and simplifying procedures.

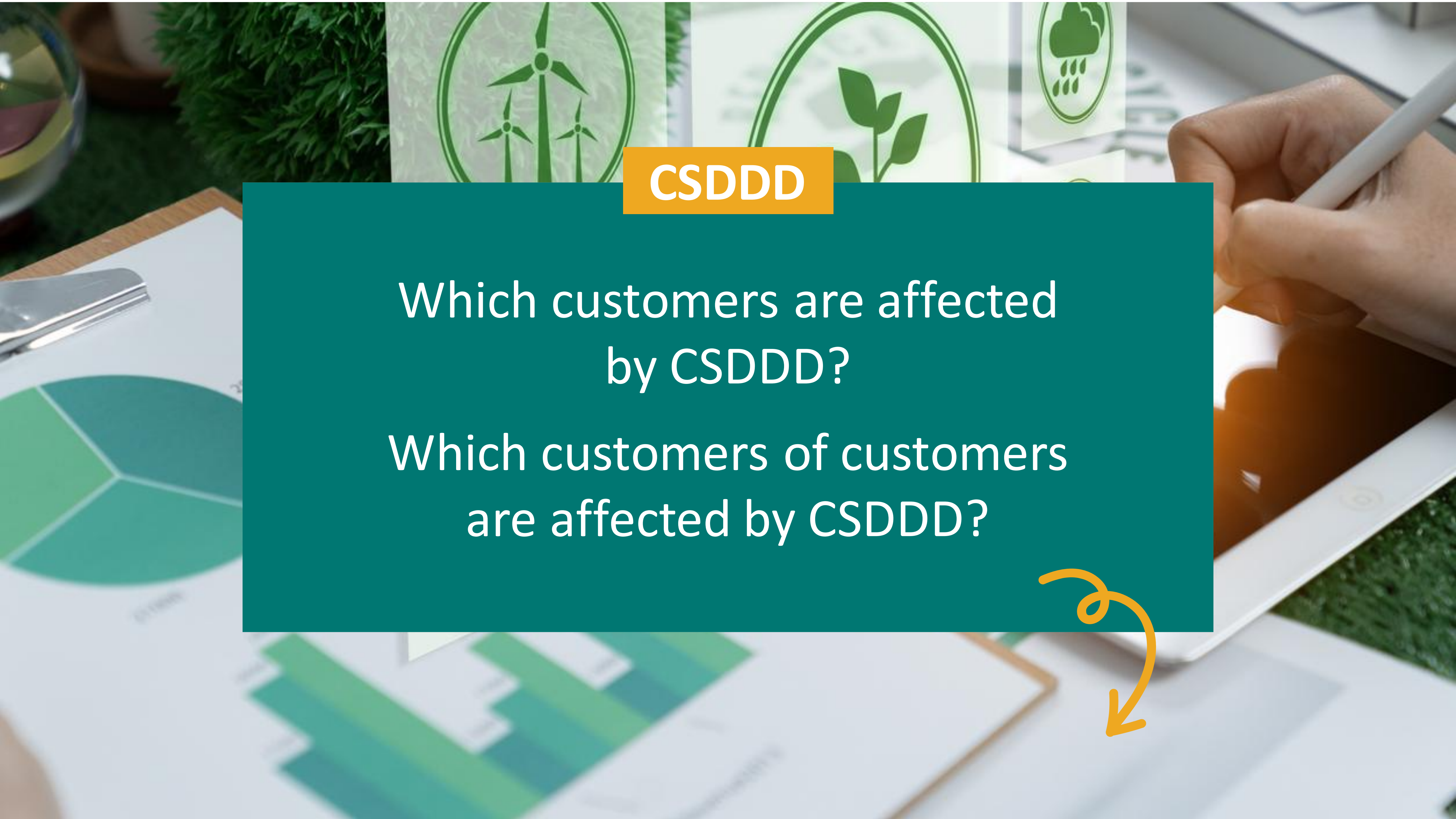
Supply Chain Monitoring – Risk-based Approach



	Low Impact	Medium Impact	High Impact
High probability of Occurence	Medium Risk	High Risk	Very High Risk
Medium probability of Occurence	Low Risk	Medium Risk	High Risk
Low probability of Occurance	Very Low Risk	Low Risk	Medium Risk

Example Heatmap




CSDDD
Which customers are affected by CSDDD?
Which customers of customers are affected by CSDDD?

EU-TAXONOMY Main Content

01

FINANCIAL MARKET PLAYERS

What is a sustainable Investment?

02

DISCLOSURE OF SUSTAINABLE FINANCIAL FLOWS

Which Financial flows fill the Taxonomy?

03

CONTENT PARALELS TO CSRD

04

6 ENVIRONMENTAL GOALS

- Weakening Climate Change
- Adjustment to Climate Change
- Sustainable Usage and Protection of Water- and Oceanressources
- Transition to a circular ecinomy
- Protection and Schutz und Recovery of Biodiversity and Ecosystems
- Prevention of environmental pollution

Takeaway: Real Economy: What are my taxonomy-mandated activities? What is compliant and what isn‘t?

EU-TAXONOMY – Technical Evaluation criteria, what‘s that?

Significant contribution to at least one environmental objective

Do no significant harm“ With Regard to other Environmental Goals

Fulfilment of certain minimum requirements

Criteria for taxonomy conformity

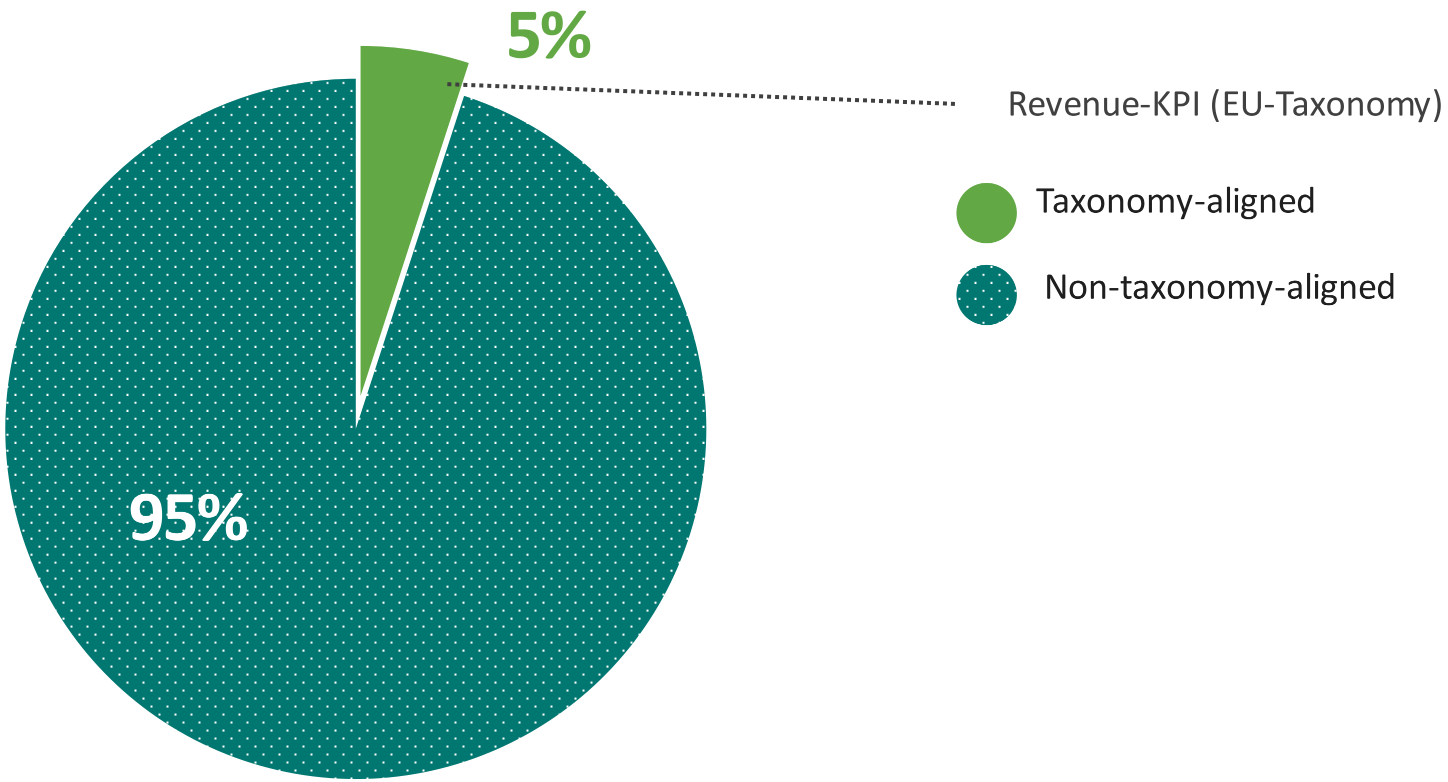
EU-TAXONOMY – What is a significant contribution?

- **Climate Protection:** An activity contributes significantly to climate protection if it significantly reduces or avoids greenhouse gas emissions or stores carbon. Examples include renewable energies, energy efficiency, and carbon capture technologies.
- **Adaptation to climate change:** A significant contribution to climate change adaptation is to reduce the risks and adverse effects of climate change on people, nature, or the economy. This could be achieved, for example, by creating climate-resilient infrastructure or ecosystems.
- **Sustainable use and protection of water and marine resources:** Activities that contribute significantly to this goal improve water use efficiency, protect aquatic ecosystems, or prevent water pollution.

EU-TAXONOMY – What is a significant contribution?

- **Transition to a circular economy:** Activities that reduce resource use, promote recycling, extend product durability, or reduce waste, such as circular production models, could make a significant contribution.
- **Prevention and reduction of pollution:** Activities that significantly reduce the release of pollutants into the air, water, or soil, or that minimize the use of hazardous chemicals, contribute significantly to this goal.
- **Protection and restoration of biodiversity and ecosystems:** Activities that prevent the loss of biodiversity or restore ecosystems, such as reforestation or the protection of natural areas, can be considered a significant contribution.

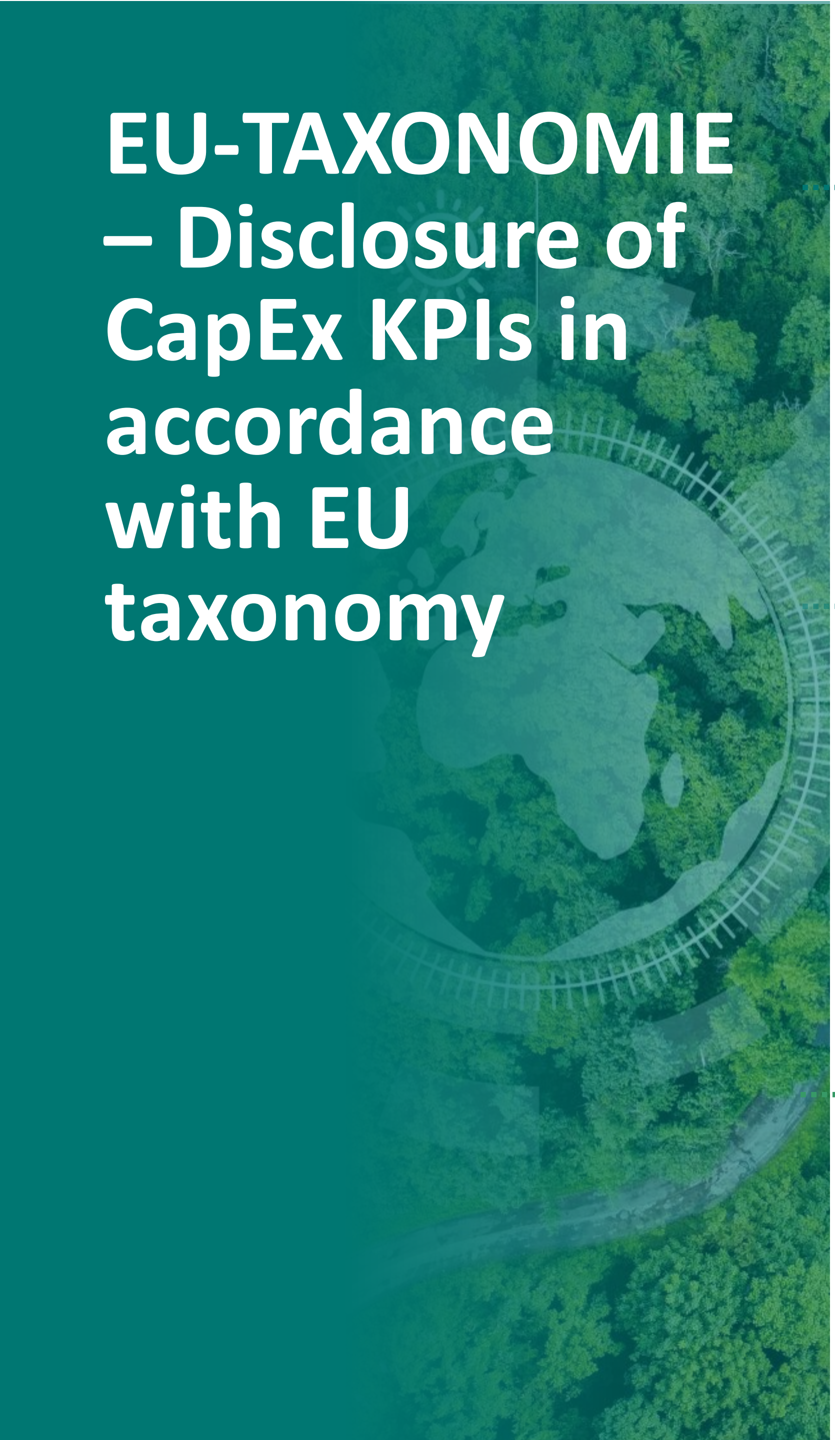
EU-TAXONOMY – Revenue KPIs for non-financial companies



01 The revenue KPI measures the proportion of net revenue associated with taxonomy-compliant economic activities.

02 Revenue KPI = Net revenue from taxonomy-compliant activities / Total net revenue x 100
For example: 50.000/1.000.000 x 100 = 5%

EU-TAXONOMIE – Disclosure of CapEx KPIs in accordance with EU taxonomy



01 **The CapEx KPI shows what proportion of a company's capital expenditure (CapEx) flows into taxonomy** - compliant economic activities. This includes investments in assets or processes that are sustainable and support the environmental objectives of the EU taxonomy.

02 **How does the CapEx plan work?CapEx plan**: A CapEx plan shows how the company will use its investments to make its activities taxonomy-compliant in the future. The plan must clearly state that these activities will become sustainable within five years (or a maximum of ten years for complex projects).

03 **Formula for CapEx KPI:** CapEx KPI = Taxonomy-compliant capital expenditures / Total capital expenditures * 100
For example: 400.000 / 10.000.000 * 100 = 4%

EU-TAXONOMIE – Disclosure of OpEx KPIs in accordance with the EU Taxonomy

01

The OpEx KPI measures the proportion of a company's operating expenses (OpEx) that goes toward taxonomy-compliant activities. This KPI provides information about which operating expenses are used directly or indirectly to support sustainable economic activities.

02

What are the total operating expenses (in the denominator):

- Research and development (R&D)
- Maintenance and repairs of property, plant, and equipment (e.g., machinery, buildings)
- Building renovation measuresShort-term leases

03

What are taxonomy-compliant operating expenses (in the numerator):

- Related to taxonomy-compliant economic activities, such as training for workers or direct costs for implementing measures to reduce greenhouse gas emissions.
- Part of a CapEx plan that aims to make existing activities taxonomy-compliant or supports investments in sustainable technologies.
- Related to climate change adaptation or other environmentally friendly measures (e.g., building renovations to improve energy efficiency).

04

Formula for OpEx KPI: OpEx KPI = Taxonomy-compliant operating expenses / Total operating expenses * 100
For example : 400.000 / 10.000.000 * 100 = 4%

VSME

B1 B Fundamentals of reporting
B2 Sustainability practices, policies, and initiatives
B3 Energy consumption and greenhouse gas emissions
B4 Environmental pollution
B5 Biodiversity
B6 Water consumption and water stress
B7 Resource use, circular economy, and waste management
B8 Workforce – general information
B9 Health and safety
B10 Compensation, collective bargaining agreements, training
B11 Corruption and bribery
C1 Business model & sustainability-related strategies
C2 Sustainability practices for transitioning to a greener economy
C3 Climate targets and transition plans
C4 Climate-related risks
C5 Extended disclosures on the workforce
C6 Human rights policy
C7 Serious human rights violations
C8 Revenue from critical sectors and exclusion criteriaC9 Gender diversity in corporate governance

What is the EBA – and why does it affect your company?

01

EBA: European banking supervisory authority

- Responsible for the regulation and supervision of banks in the EU area
- Issues binding guidelines, including on lending

02

What is new on 30. June 2025?

- Guidelines EBA/GL/2020/06 (revised 2024) come into force
- Banks must systematically assess ESG risks – for every loan they grant
- Banks are not acting voluntarily → but are driven by regulation

03

Warum betrifft das Ihr Unternehmen?

- Banks require ESG information during credit assessments.
- Those who cannot demonstrate an ESG strategy, data, or structures risk higher interest rates, conditions, or loan rejection

Four Pillars of ESG Integration According to EBA Guidelines

01 Riskevaluation

(Rn. 93-98)
ESG-Factors = creditworthiness factors

02 Governance Structures

(Rn. 45-52) ESG in Anchor corporate strategy

03 Credit Granting Processes

(Rn. 157-162)
Scoring, Pricing, contract drafting

04 Monitoring

(Rn. 214-218)
Continuous ESG-monitoring

What your Bank wants to know about you In June 2025 – Concrete

01

Risk Analysis

Which ESG risks could affect your financial situation or ability to repay? (Example: transition risks, physical risks, social and governance factors)

02

Governance Structures

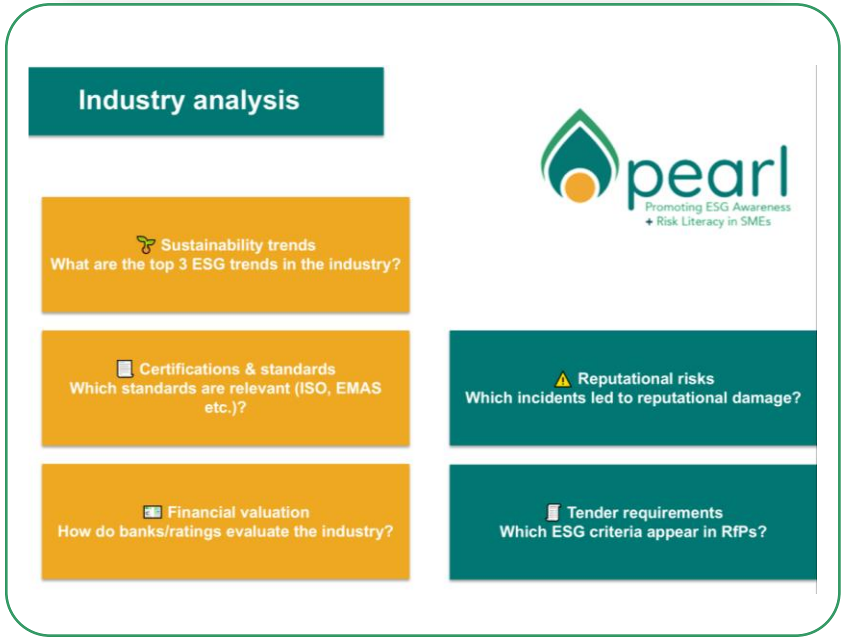
Clear responsibilities, ESG anchoring in management, compliance systems, and control processes

03

Traceable ESG - Daten

No formal Duties to EU-Key figures – but banks expect **resilient, structured ESG-Informations**

Industry & Competitor Check (Toolbox)



Summary: ESG Activities for SME

01 Create an overview of risks

02 Create an overview of your own industry and ESG trends

03 Analyze customers and value chains according to requirements

04 Record the requirements of financial players and request your own ranking

05 Record key data on ESG

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