Sustainability reporting in spotlight

Insights from the first wave of the Finnish sustainability reports (CSRD)

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Introduction

A key milestone in the evolution of corporate reporting has been reached. Since the turn of the year, in accordance with the time scale prescribed in the Finnish Accounting Act, the first wave of Finnish entities has published their sustainability reports under the Finnish Accounting Act (hereinafter also 'CSRD report'). As we remember, the EU's Corporate Sustainability Reporting Directive (CSRD) was implemented into Finnish legislation in December 2023.

We have now analysed a comprehensive amount of these Finnish first wave CSRD reports, altogether 95 published reports. These are some of our key observations from this very first batch of CSRD reports.

Observations

1. Title of the CSRD report

74% of the reports analysed by us were titled as sustainability reports ("kestävyysraportti"). This title corresponds to the terminology used in the Finnish Accounting Act (name of chapter 7 of the Finnish Accounting Act). Meanwhile, 23% of the reports were named as sustainability statements ("kestävyysselvitys"). Sustainability statement is the term used in the ESRS standards. The rest of the reports, about 3%, were titled as consolidated sustainability reports ("konsernikestävyysraportti"). This title aligns with the terminology used in the Finnish Accounting Act (chapter 7, section 19 of the Finnish Accounting Act).

All reports were prepared on a consolidated basis, i.e., at the group level. However, as stated above, only a few reports were named as consolidated sustainability reports ("konsernikestävyysraportti").

2. Report length

The reports we reviewed ranged from roughly 20 pages to nearly 260 pages. The average length of a report was 73 pages. Particularly within the financial sector, EU taxonomy disclosures may considerably impact the length of the CSRD report. Without the financial sector, the range of report lengths narrowed remarkably, from roughly 20 pages to just over 120 pages. In this group, the average length of a report was 68 pages.

While variation was to be expected – depending on the specifics of the business and the industry as well as the amount of material sustainability matters – these differences also underline that best practices in CSRD reporting will take time to emerge.

3. Double materiality principle

At the heart of CSRD reporting is the process through which companies identify material impacts, risks, and opportunities (IROs) in relation to sustainability matters that should be included in the report ('DMA process'). We saw a high degree of variability in how much and in what detail the companies disclosed about the process.

In addition to reporting on the DMA process itself and its outcomes, it is important to ensure a good overall picture by linking governance matters appropriately to these disclosures. Specifically, in

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addition to the disclosures required by ESRS 2 IRO-1, ESRS 2 SBM-3, and ESRS 2 IRO-2, the disclosures stemming from ESRS 2 GOV-2 are also essential.

From this perspective, description of the roles and responsibilities of the different governance bodies is good, but it is not solely sufficient. More emphasis could be put on disclosures about the actual activities of the governance bodies. For example, information on how the material IROs have been addressed during the reporting period is notably helpful for readers.

4. Material topics

The ESRSs specify the information that an undertaking shall disclose about its material impacts, risks and opportunities in relation to environmental, social, and governance sustainability matters.

The material topics most frequently included in the CSRD reports analysed by us were:

Own workforce (S1) (95/95) Climate change (E1) (91/95) Business conduct (G1) (91/95)

As can be seen above, own workforce was assessed as a material topic in all reports we analysed. Climate change, on the other hand, was assessed as a not material topic only in four reports. Likewise, business conduct was assessed as a not material topic only in four reports.

The least common material topics were:

Affected communities (S3) (18/95) Water and marine resources (E3) (21/95) Pollution (E2) (29/95)

At the level of the 10 ESRS topical standards, the number of standards applied ranged from 2 standards (1/95) to 10 standards (4/95). Most typically, the number of standards applied was 6 representing over 20 % of the reports we analysed. The next most common amounts of standards applied were 4 and 8, nearly 20% each.

5. Entity-specific disclosures

If companies identify material impacts, risks or opportunities not covered or not covered with sufficient granularity by the ESRS topical standards, they are required to make 'entity-specific' disclosures.

In the reports we reviewed, the most common topics in this category were related to cybersecurity, data protection, and data security. A few companies included information about their carbon handprint.

Especially in light of the Omnibus proposal, it is interesting to see what impacts, if any, will there be on the need for entity-specific disclosures.

One way or the other, if and when entity-specific disclosures are given, it is important for the reader to know what they are and where to find them in the CSRD report.

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6. Independent assurance

The Finnish Auditing Act asks for independent assurance of sustainability reports, at least at a limited assurance level.

The assurance conclusion expressed, or the assurance opinion, was unqualified ("clean") in all assurance reports we analysed,

Almost four-fifths of the assurance reports included an Other Matter paragraph. In these Other Matter paragraphs, the assurance providers drew attention to the reporting entity's first-year CSRD reporting and assurance, and they stated that the assurance opinion does not cover the comparative information in the CSRD report.

All assurance reports described the inherent limitations associated with preparing a CSRD report, such as estimates and assumptions related to reporting, measurement and assessment uncertainty, and forward-looking information.

The road ahead – changes expected

In sum, the first wave of CSRD reports is a reminder that while we are now on our way towards more robust and uniform sustainability reporting within the EU, the journey has barely begun. Companies are still building systems and capabilities. Best practices are only now emerging.

The rules themselves are also in flux. In February 2025, the European Commission proposed significant changes to the CSRD as part of an Omnibus package, which aims, among other things, to reduce administrative burden on companies and boost competitiveness.

The reporting rules may yet change in important respects. The demand for high-quality sustainability reporting, however, is here to stay.

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