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SmartHead
ESG Reporting | Smart & Easy

EARLY ACTION, LASTING IMPACT

As EU ESG reporting requirements expand, along with rising market standards and customer expectations, companies can no longer ignore corporate sustainability reporting. Veri Osvald, co-founder and CEO of SmartHead, discusses how businesses are adapting and the long-term benefits of embracing these changes.

VERI OSVALD
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Veri Osvald is the co-founder and CEO of SmartHead, a company focused on integrating sustainable practices with innovative technology solutions for businesses. Under her leadership, SmartHead has become a leading provider of ESG software, enabling companies to track, measure, and report ESG data according to CSRD regulations. Veri was nominated for the EY Entrepreneur of the Year award and recognized as one of Forbes' Top 10 Startup Women and Vestbee's Top 25 Women in the VC and Startup Ecosystem. She has represented SmartHead and Slovakia at global climate-tech events, including EXPO 2020 and the United Nations Conference on Climate Change in the UAE, as part of Slovak President Zuzana Čaputová's delegation. Additionally, she participated in Chivas The Venture at Oxford and the Accelerator in San Francisco. Veri holds prestigious certifications, including The Authentic Leader from Harvard University and Sustainable Vikings in Scandinavia from Copenhagen Business School.

ESG, non-financial reporting, CSRD, ESRS. All these terms share a common denominator. Could you explain this?

The common denominator is the new European legislation, CSRD, effective from January 5, 2023, with EU Member States required to implement its provisions into national law and regulation by 6 July 2024. Over time, companies of a certain size must report how their business impacts the environment, society, and governance. They'll also report on how climate change affects their business. This non-financial reporting adds a new layer to understanding company operations, alongside financial reporting. Now, performance can be evaluated based on non-financial parameters as well.

Which companies are affected?

In 2024, publicly traded or public interest companies must report. By 2025, over 95% of companies will be affected if they meet two of these three criteria: over 250 employees, €50 million in turnover, €25 million in total assets.

How are companies reacting to this?

Companies aware of the legislation's preparation have overcome the initial shock. For many, however, it's new information, and most initially resist, seeing it as added bureaucracy from the EU. Yet, they soon realize this legislation is just one perspective. Business partners, employees, customers, and investors are increasingly interested in this data. Through CSRD and ESRS (European Sustainability Reporting Standards), the EU has created a common foundation for comparable reporting, with all companies reporting under the same criteria.

Based on your discussions with companies, have you observed any common patterns of behavior among those required to report?

Many companies understand that establishing systems for ESG data collection is a months-long process. As a result, they are already seeking consultants and software solutions to assist them. They recognize the need for internal analysis to assess their current status and implement internal processes, which are often not yet in place.

Your company offers a software solution for ESG reporting under CSRD. Do you think companies will be willing to invest in such a solution?

Some companies initially believed they could manage the reporting with minimal costs using Excel and internal resources. However, those familiar with ESRS standards quickly realize Excel is an unusable tool for CSRD's extensive reporting needs—it requires building the entire reporting structure from scratch, which takes months and a sizable team to implement and maintain with regulatory updates. Additionally, companies must document material topics, manage data collection, and tag data in XBRL format for audits. Comparing costs, we found preparing reports via Excel is at least three times more expensive than using our ESG SmartHead software. While costs vary by company size and business type, this difference is significant. That's something to consider when deciding whether to do it alone.

What would you recommend to companies affected by ESG reporting?

Don't wait until the last minute. Start now to have enough time to set up internal processes, train employees for data collection, and take advantage of available consulting resources. If many companies rush right before the deadline, consultant availability may become limited, increasing costs and delaying the process.

Can companies manage the entire reporting process using your software?

Yes, SmartHead ESG software is designed to simplify the entire process while still being fully compliant with CSRD reporting requirements. We prioritize user-friendly features and guide users step by step. However, if a company lacks internal experts on ESRS standards, they may still need external consultancy support despite using our software.

Does this mean you collaborate with consulting companies?

Yes, we work with consulting companies like EY, Forvis Mazars, and Deloitte CE. Since companies need advice and audits, we provide consultants and auditors with a tool to make them more efficient.

What areas does your software cover?

SmartHead ESG software covers all aspects of the reporting process. It starts with a module for determining double materiality and documenting the process for audits. Companies can conduct readiness checks for data collection, then proceed to collect data, including GHG calculations. Team collaboration is built in, with responsibilities assigned to specific individuals. Once the team approves the data, managers can grant auditors access directly within the software. After the auditor's approval, the report is generated in the XBRL format required by EU regulations and is included in the company's annual report.

What are the benefits of non-financial reporting for the companies?

This process allows companies to analyze their readiness for a changing environment, assess risks, and identify opportunities. Expectations from business partners, investors, customers, and employees are evolving, and companies that adapt will gain a competitive edge, secure contracts, improve access to financing, and retain talent. Failing to adapt could negatively impact their business in the long run.