

Summary Article: European Sustainability Reporting Standards (ESRS)

Background and Context

The European Commission adopted the European Sustainability Reporting Standards (ESRS) which are required to be used by all Companies subject to the Corporate Sustainability Reporting Directive (CSRD) on July 31st. The CSRD requires listed companies and large companies within the EU to report regularly on the social and environmental risks and opportunities they are exposed to (the “financial materiality” of sustainability issues) and also to report on the impact of their activities on people and the environment (“impact materiality”) thereby introducing the concept of “double materiality”.

The aim of the CSRD is to assist in the evaluation of the sustainability of companies by investors, consumers and other stakeholders through these reporting disclosures - essentially it is seeking to put non-financial reporting on the same footing as financial reporting. The CSRD entered into force on January 5th 2023, with the first companies in scope applying the rules for the 2024 financial year - that is reports published in 2025.

The European Sustainability Reporting Standards (ESRS) are a tool that companies subject to CSRD can use to underpin their CSRD reporting. These common standards aim to assist companies to both manage and communicate their sustainability performance in order for them to access sustainable finance. The standards also aim to ensure that companies are reporting comparable and reliable sustainability information.

The European Commission stated that the standards “....also take account of discussions with the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) in order to ensure a very high degree of interoperability between EU and global standards and to prevent unnecessary double reporting by companies”.

Both the Corporate Sustainability Reporting Directive and its European Sustainability Reporting Standards are key tools to support and enable the European Green Deal which is striving for Europe to be the first climate-neutral continent.

What are the European Sustainability Reporting Standards?

There are 12 finalised standards: 2 general reporting principles applying to sustainability which are cross-cutting and the remaining 10 which cover a variety of Environmental, Social and Governance topics which are subject to a materiality assessment (for the datapoints within them).

Number	Group	Subject	Details
ESRS 1	Cross-cutting	General Requirements	General principles to be applied when reporting, e.g. general requirements for the preparation and presentation of sustainability-related information.
ESRS 2	Cross-cutting	General Disclosures	Essential information – has to be reported irrespective of the sustainability matter under consideration. Disclosure Requirements on the information that the company provides at a general level across all material sustainability matters on the reporting areas governance, strategy, impact, risk and

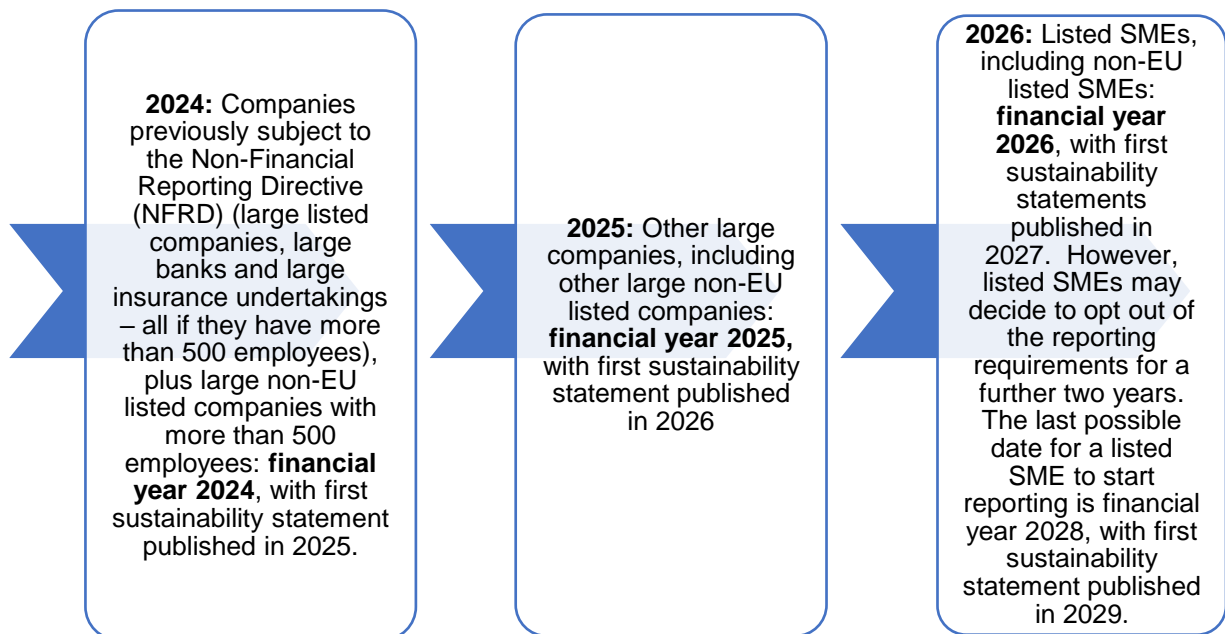
			opportunity management, and metrics and targets.
ESRS E1	Environmental	Climate	Climate change adaptation; Climate change mitigation; Energy
ESRS E2	Environmental	Pollution	Pollution of air; Pollution of water; Pollution of soil; Pollution of living organisms and food resources; Substances of concern; Substances of very high concern; Microplastics.
ESRS E3	Environmental	Water & marine resources	Water consumption; Water withdrawals; Water discharges; Water discharges in the oceans; Extraction and use of marine resources
ESRS E4	Environmental	Biodiversity & ecosystems	Direct impact drivers of biodiversity loss; Impacts on the state of species; Impacts on the extent and condition of ecosystems; Impacts and dependencies on ecosystem services.
ESRS E5	Environmental	Resource use & circular economy	Resources inflows, including resource use; Resource outflows related to products and services; Waste.
ESRS S1	Social	Own workforce	Working conditions; Equal treatment and opportunities for all; Other work-related rights.
ESRS S2	Social	Workers in the value chain	Working conditions; Equal treatment and opportunities for all; Other work-related rights.
ESRS S3	Social	Affected communities	Communities' economic, social and cultural rights; Communities' civil and political rights; Rights of indigenous peoples.
ESRS S4	Social	Consumers and end users	Information-related impacts for consumers and/or end-users; Personal safety of consumers and/or end-users; Social inclusion of consumers and/or end-users
ESRS G1	Governance	Business conduct	Corporate culture, Protection of whistle-blowers; Animal welfare; Political engagement and lobbying activities; Management of relationships with suppliers including payment practices; Corruption and bribery.

Compliance Professionals should note the overlap with existing requirements in the Financial Services Industry such as ESRS G1 relating to Business Conduct.

Next Steps

The ESRS delegated act adopted by the Commission goes to the European Parliament and to the Council for scrutiny (for two months, extendable by a further two months). The European Parliament or the Council may reject the delegated act, but they may not amend it.

If there are no objections, the standards will then be phased in over time, varying for different companies as follows:



Read more about the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards here: [Corporate sustainability reporting \(europa.eu\)](https://europa.eu/corporate-sustainability-reporting)

To remain up to date with all ESRS Developments, connect with Compliance Institute on the following social media channels:

