

# Sustainability DIY

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ESRS

Journey 1



The background features a dark teal gradient. At the top, there are two stylized clouds: a larger blue one on the left and a smaller teal one on the right. On the right side, there are several large, overlapping green leaves of various shades. At the bottom left, there is a small, colorful illustration of a plant with purple, pink, and green elements. The overall aesthetic is modern and eco-friendly.

# DIY your sustainability report in accordance to the European Sustainability Reporting Standards (ESRS)

Journey 1  
Introduction and getting prepared  
for ESRS

*Disclaimer: This resource has been developed by Sustain Labs Paris & Microsoft to support the use of ESRS for sustainability reporting. It is not an initiative of EFRAG or EU Commission or endorsed by these parties.*



The EU Sustainability Reporting Standards, or ESRS, has mandatory requirements and principles that companies reporting under the Corporate Sustainability Reporting Directive (CSRD) must adhere to in their sustainability statements.

Initiated by the European Commission's legislative proposal on April 21, 2021, the CSRD introduced a pivotal requirement for covered companies to report in accordance with the ESRS.<sup>1</sup>

These standards, adopted by the European Commission as delegated acts, are formulated based on technical advice from the **European Financial Reporting Advisory Group (EFRAG)**.<sup>2</sup>

1 - European Commission. (2023, October 17). *Corporate sustainability reporting*. [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/organization-reporting-and-auditing/organization-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/organization-reporting-and-auditing/organization-reporting/corporate-sustainability-reporting_en)

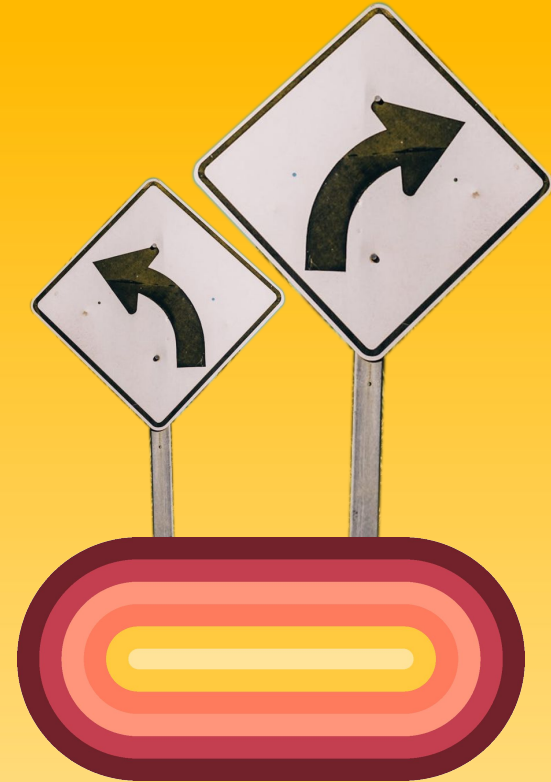
2 - European Commission. (2023, July 31). *Questions and Answers on the Adoption of European Sustainability Reporting Standards*. <https://ec.europa.eu/commission/presscorner/home/en>

**A unique aspect of ESRS is its focus on application requirements of the disclosures, which are related to the practical implications of the general disclosures and topical disclosures within the organization. The application requirements form an integral part of an organization's sustainability report.<sup>3</sup>**



**Another unique aspect of ESRS is its focus on double materiality.**

**This is based on the concept that an organization's impacts are not only financially material to the organization itself, but also to the external environment and society in which it operates. This means that an organization's activities can have material impacts on both its own financial performance and on the environment, society, and economy outside the organization.<sup>4</sup>**



## The DIY process of writing a sustainability report in accordance to the ESRS leads to the following



- Helps organizations to conduct double materiality, thus identifying topics significant to the organization and key stakeholders.
- Helps to publicly commit to business sustainability priorities.
- Supports sustainability data collection as well as the application of the data.
- Facilitates informed decision making and areas of improvement so the organization is able to continuously enhance its sustainability performance and related operations.
- Sets appropriate business sustainability targets.
- Increases the organization's transparency.



**CSRD entered into force on January 5, 2023.<sup>5</sup>**

**The first draft of ESRS was adopted on July 31, 2023.<sup>6</sup>**

**Current status<sup>7</sup>:**

- Starting in 2024, companies previously under the Non-Financial Reporting Directive (NFRD) and large non-EU listed companies with over 500 employees must follow the new standards for reports published in 2025.

**ESRS in the future:**

- The remaining large companies (including other non-EU listed companies), not yet subject to the NFRD, will have to apply the standards in the financial year 2025, for reports published in 2026.
- Listed SMEs are obliged to report as from 2026, with a further possibility of voluntary opt-out until 2028.
- SMEs will be able to report according to separate, proportionate standards that EFRAG will develop next year.
- Adoption date of the sector- specific ESRS is expected by 30 June 2024; however, the European Commission has proposed a 2-year delay in adoption.

5 - European Commission. (2023, October 17). *Corporate sustainability reporting*.

[https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/organization-reporting-and-auditing/organization-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/organization-reporting-and-auditing/organization-reporting/corporate-sustainability-reporting_en)

6 - EFRAG. (n.d.). *First Set of draft ESRS*. <https://www.efrag.org/lab6>

7 - European Commission. (2023, July 31). *Questions and Answers on the Adoption of European Sustainability Reporting Standards*.

[https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_23\\_4043](https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_4043)

# When do companies have to apply ESRS?<sup>8</sup>

According to the ESRS, all companies covered by the CSRD will be required to align their sustainability reports according to the ESRS.

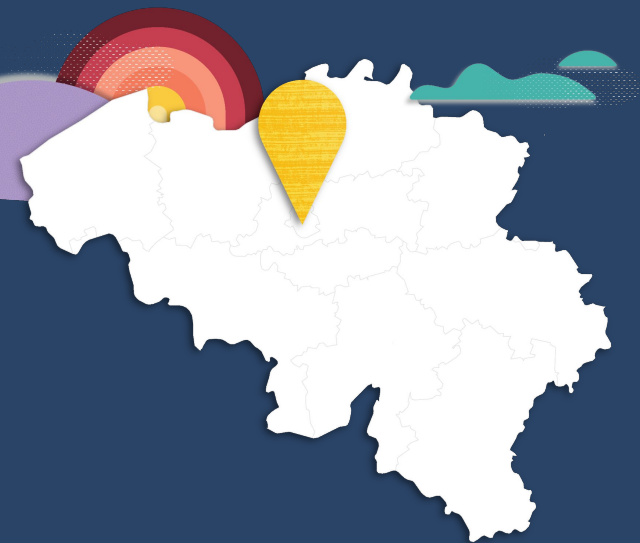
Category	Criteria	Financial year	First sustainability statement published
Companies previously subject to NFRD	Large listed companies, large banks, large insurance undertakings (all >500 employees)	2024	2025
Large non-EU listed companies	>500 employees	2024	2025
Other large companies (including other non-EU listed)	-	2025	2026
Listed SMEs (Including non-EU listed SMEs)	-	2026	2027



# When do companies have to apply ESRS?<sup>9</sup>

Category	Criteria	Financial year	First sustainability statement published
Opt-out period extension	(Listed SMEs)	Until 2028	-
Separate proportionate standards for SMEs (EFRAG)	-	From 2029	-
Last possible reporting start date	(Listed SMEs)	2028	2029
Non-EU companies	Generate > EUR 150M per year in the EU AND have a branch with turnover > EUR 40M or a subsidiary that is a large organization or a listed SME	2028	2029

## Practitioners, the following contact details of ESRS might be useful to you



EFRAG office address<sup>10</sup>:

35 Square de Meeûs

1000 Brussels (fifth floor)

Belgium

Telephone no.: +32 (0)2 207 93 00

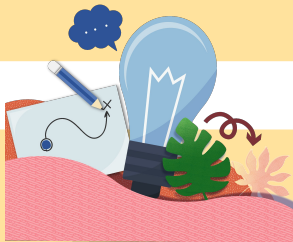
ESRS Q&A platform electronic form<sup>11</sup>:

<https://survey.alchemer.eu/s3/90634629/EFRAG-ESRS-Q-A-platform>

10 - EFRAG. (n.d.). *HOW TO REACH US*. <https://www.efrag.org/About/HowToReachUs>

11 - EFRAG. (n.d.). *EFRAG ESRS Q&A Platform*. <https://www.efrag.org/lab7>

# Commonly used terms for ESRS<sup>12</sup>



## Actions

- (i) Measures and plans, including transition plans, implemented to ensure that the organization meets its specified targets and addresses significant impacts, risks, and opportunities.
- (ii) Decisions to provide financial, human, or technological resources to support these efforts.



## Business model

The organization's process of converting inputs through its business operations into outputs and outcomes with the goal of fulfilling its strategic objectives and generating value over short-, medium-, and long-term timeframes. The organization may have one or multiple business models.



## Double materiality

The concept that a sustainability matter is material from both the impact perspective and the financial perspective.

# Commonly used terms for ESRS<sup>13</sup> (contd.)



## Financial materiality

A sustainability matter that is considered material from a financial perspective if it causes, or has the potential to cause, significant financial impacts on the organization.



## Impact materiality

A sustainability matter that is considered material from an impact perspective when it relates to the significant actual/potential positive or negative effects of the organization on people or the environment across short-, medium-, and long-term timeframes. This encompasses impacts resulting from the organization's activities as well as those directly associated with its operations, products, and services through its business connections.



## Metrics

Qualitative and quantitative measures employed by the organization to assess and communicate the efficacy of its sustainability policies and progress towards its objectives. These metrics also aid in gauging the organization's outcomes concerning affected individuals, the environment, and the business itself.

# Commonly used terms for ESRS<sup>14</sup> (contd.)



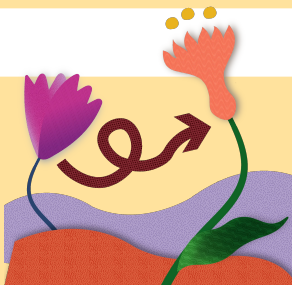
## Policy

A collection of overarching goals and management principles utilized by the organization for decision making. It serves to enact the organization's strategy or management choices concerning a significant sustainability issue. Each policy is overseen by designated individuals, outlines its scope of application, and encompasses one or more objectives (potentially connected to measurable targets).



## Targets

Specific, measurable objectives that the organization strives to accomplish concerning significant impacts, risks, or opportunities.



## Transition plan

A specialized action plan implemented by the organization in connection with a strategic decision. It is used to address a public policy objective and/or an organization-specific action plan arranged as a structured collection of targets and actions, linked to a significant strategic decision, a major alteration in the business model, and/or particularly crucial actions and allocated resources.

14 - EFRAG. (2022, November). *[Draft] ESRS 1 General requirements*. (pg. 25-27).



# Complying with [draft] ESRS<sup>15</sup>



1. Organizations must disclose all relevant information on environmental, social, and governance matters in accordance with the applicable ESRS.
2. Organizations need to include material information regarding impacts, risks, and opportunities in its disclosures.
3. In ESRS, “**impacts**” refers to positive and negative sustainability-related impacts, identified through the **impact materiality assessment process**. The term “**risks and opportunities**” refers to the sustainability-related financial risks and opportunities, as identified through a **financial materiality assessment process**.

**Collectively, these are referred to as “impacts, risks, and opportunities.”**

4. Organizations shall present material sustainability-related information as part of its management report.
5. ESRS includes the information to be disclosed under **disclosure requirements**. Disclosure requirements consist of more granular **data points**.
6. ESRS 2 includes the provisions for the organization to report on policies, actions and/or targets - **(a) shall disclose, (b) shall consider, and (c) may disclose**.

# Sustainability information shall be presented<sup>16</sup>:

- In a way that allows a distinction between information required by disclosures in [draft] ESRS and other information included in the management report.
- Under a structure that facilitates access to and understanding of the sustainability statements, both in human and machine-readable formats.



# Keep enough time aside for your report!

It takes approximately **6 months** to write a **sustainability report in accordance with the ESRS Standards**. Organizations reporting for the first time will need more time.

To be efficient, use the **Microsoft Sustainability Manager** - a solution designed to help automate sustainability management in an organization, and enables it to efficiently record, report, and reduce its waste, water, and emissions impact. This streamlines the functionality of reporting for the organization on sustainability. For more information on the solution, [click here](#).<sup>17</sup>

To strengthen your commitment to sustainability, use the **CSRD template in Microsoft Purview Compliance Manager**. This helps organizations generate CSRD-compliant reports. For more information on Compliance Manager, please [click here](#).<sup>18</sup>



17 - Microsoft. (2023, September 29). *Microsoft Sustainability Manager overview*. Microsoft Cloud for Sustainability | Microsoft Learn. <https://learn.microsoft.com/en-us/industry/sustainability/sustainability-manager-overview>

18 - Microsoft. (2023, July 24). *CSRD template (preview) in Purview Compliance Manager*. Microsoft Cloud for Sustainability | Microsoft Learn. <https://learn.microsoft.com/en-us/industry/sustainability/purview-compliance-manager-report-csrd>