



LEGAL ALERT

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European Sustainability Reporting Standards

On July 31st, the European Commission adopted the **European Sustainability Reporting Standards (ESRS)** to be used by all entities covered by Directive (EU) 2022/2464 on Corporate Sustainability Reporting (CSRD) in order to ensure compliance with the reporting obligations set out in the directive.

The CSRD is part of the European Commission Action Plan on Financing Sustainable Growth and the respective EU Green Deal agenda, with the aim of ensuring the harmonization of sustainability reporting in the European Union and also to ensure that investors are fully informed about the sustainability of their investments.

European Sustainability Reporting Standards

The ESRS define the standards for reporting by covered entities, with the aim of ensuring that the information is consistent, relevant, comparable, easily accessible and trustworthy. The ESRS are structured around 4 topics:

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- ✓ Cross-cutting standards
- ✓ Environmental standards
- ✓ Social standards
- ✓ Governance standards

The last three points allow for a materiality analysis of the impacts, risks and opportunities to be reported. This analysis involves checking for double materiality, from the perspective of potential impacts caused by the company and from a financial perspective on the risks and

opportunities of these environmental and social problems. **Double materiality** analysis is required for the major environmental, social and governance issues from a financial and impact perspective in order to ensure compliance with the CSRD.

Reporting topics broken down into 12 points:

- ✓ General requirements
- ✓ General disclosure
- ✓ Climate change
- ✓ Pollution
- ✓ Water and marine resources
- ✓ Resource use and circularity
- ✓ Employees of the entity
- ✓ Value chain workers
- ✓ Affected communities
- ✓ Consumers and end users
- ✓ Business conduct

The obligation to report on any of the topics that are considered material to the entity will be subject to a **moratorium** on the following ones as follows:

- In the **first year** of reporting: expected financial effects related to non-climate environmental issues (pollution, water, biodiversity and resource use) and also certain data points related to their own workforce (social protection, people with

disabilities, work-related health problems and work-life balance).

- In the **first year** of reporting: allows companies with fewer than 750 employees to omit data on Scope 3 Greenhouse Gas emissions and disclosure requirements specified in the "own workforce" standard.
- In the **second year** of reporting: allows the omission of disclosure requirements specified in the standards relating to biodiversity and workers in the value chain, affected communities and consumers and end users.

Additional sector-specific and future standards

- The European Financial Reporting Advisory Group (EFRAG) is responsible for developing the sectoral criteria and proportionate standards.

The sectors concerned are oil and gas, coal, quarries and mines, road transport, agriculture, livestock and fisheries, motor vehicles, energy production and utilities, food and beverages, and textiles, accessories, footwear and jewelry.

- Regarding additional future standards, EFRAG has presented plans to launch additional standards adapted to listed SMEs, unlisted SMEs and third countries, with the intention that they should be proportionate to the scale and characteristics of the entities targeted.

The delegated act will enter into force on **January 1st, 2024**, and the commission will have to adopt delegated acts additional sectoral criteria and counted SMEs, non-listed and third countries by **June 2024**. Companies already covered by the Non-Financial Reporting Directive (NFRD) must report for the 2024 financial year in 2025

To access the full version of the ESRS, please click [here](#)

For more information on this subject, please contact:



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