ESRS Essentials

A Guide to Navigating the European Sustainability Reporting Standards

novata
CSRD Simplified

friend of
EFRAG
sustainability reporting

This document was designed to be viewed digitally.
Please consider the environment before printing. Thank you.

Table of Contents

01

Breaking Down the ESRS

Breaking Down the ESRS

The European Sustainability Reporting Standards (ESRS) are a cornerstone of the Corporate Sustainability Reporting Directive (CSRD), introduced by the European Commission to enhance corporate transparency and accountability in sustainability reporting. These standards provide a comprehensive framework for companies to disclose their environmental, social, and governance (ESG) impacts clearly and consistently.

The ESRS are designed to ensure companies report meaningful, comparable, and reliable sustainability data, enabling stakeholders to assess their true impact. To better navigate reporting against the standards, it's crucial to understand the reporting requirements through their key themes, which address a broad spectrum of ESG issues and offer clear guidelines on disclosing relevant information on sustainability-related impacts, risks, and opportunities.

Understanding the ESRS involves more than just recognising its requirements; it also means grasping the intent behind these standards. Each standard within the ESRS addresses specific topics, outlining what companies should report on and how to measure progress. By having a clear understanding of the underlying principles and objectives, companies can align their reporting practices not just for compliance but as a strategic tool to enhance decision-making, risk management, and long-term value creation.

This guide provides an overview of the ESRS cross-cutting and topical standards, showcases how the different requirements contribute to the overall reporting process, and highlights phase-in disclosure requirements under each standard.

Overview of the ESRS

CROSS-CUTTING STANDARDS

ESRS 1
General Requirements

ESRS 2
General Disclosures

TOPICAL STANDARDS

Environmental

ESRS E1
Climate Change

ESRS E2
Pollution

ESRS E3
Water and Marine Resources

ESRS E4
Biodiversity and Ecosystems

ESRS E5
Resource Use and Circular Economy

Social

ESRS S1
Own Workforce

ESRS S2
Workers in the Value Chain

ESRS S3
Affected Communities

ESRS S4
Consumers and End Users

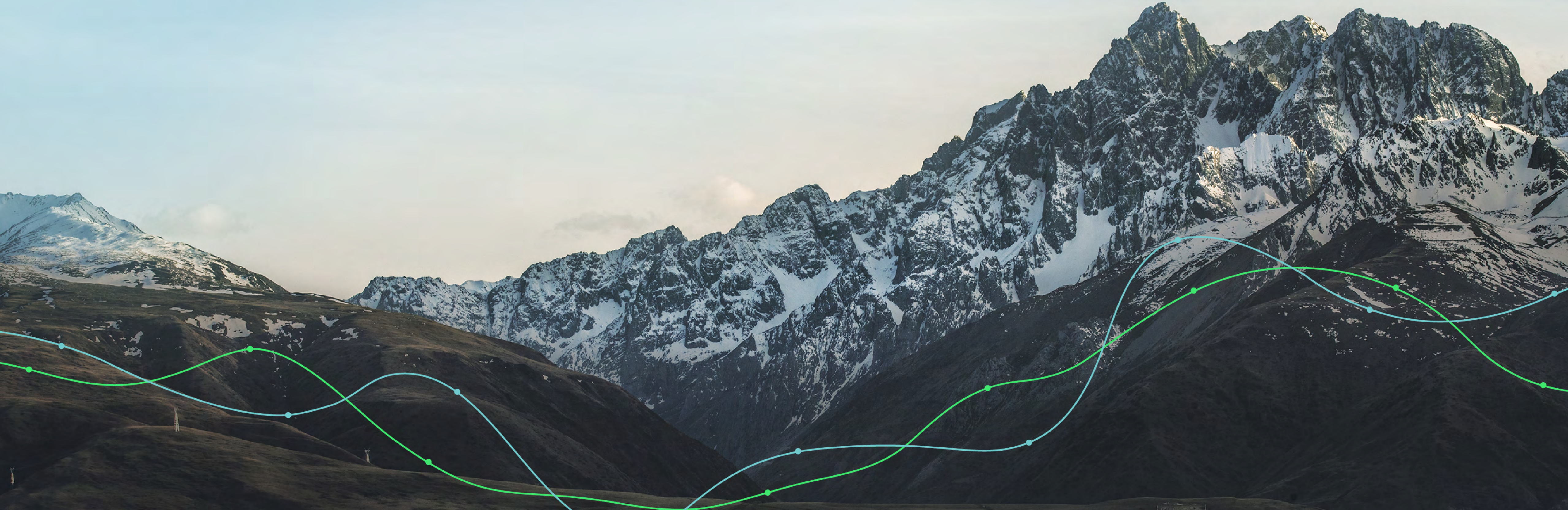
Governance

ESRS G1
Business Conduct

novata
CSRD Simplified

02

Reporting Timelines



Reporting Timelines

Companies face different reporting timelines under the CSRD, depending on several criteria, including balance sheet turnover, net turnover, and number of employees. Larger companies will face earlier compliance deadlines, while smaller companies may have more time to prepare. These phased deadlines help accommodate diverse levels of readiness and allow for a smoother transition. For a detailed breakdown of these timelines and requirements, refer to Novata's eBook CSRD Simplified: A Comprehensive Guide to Strengthening Reporting.

Additionally, ESRS 1 General Requirements present a phased-in approach for certain disclosure requirements, allowing companies to gradually adapt to the new reporting obligations. Each standard with phased-in disclosure requirements has additional details in each section, which help clarify the timelines and criteria for determining when each standard applies to a business, ensuring a smooth transition to full compliance. For additional guidance, please see ESRS 1 Appendix C List of phased-in Disclosure Requirements.

ESRS 1
General Requirements

ESRS 1 establishes the foundational principles for sustainability reporting under the CSRD. It is not a reporting standard itself but rather a set of guiding principles that underpin how companies should prepare and present their sustainability reports in accordance with the broader ESRS framework. It outlines foundational concepts like double materiality, reporting boundaries, and the phased implementation of disclosures.

ESRS 1 ensures consistency, comparability, and alignment with other international frameworks, standards, and regulations and serves as a roadmap to help companies navigate the more detailed, topic-specific ESRS standards. It provides the structure for how sustainability information should be approached rather than dictating specific reporting metrics.

ESRS 1 ensures consistency, comparability, and alignment with other international frameworks, standards, and regulations.

ESRS 2
General Disclosures

ESRS 2 is a cross-cutting standard that applies to all sustainability topics and provides key disclosure requirements for governance, strategy, and materiality assessment. It is designed to ensure that companies disclose their overall sustainability governance structures, risk management approaches, and processes for identifying material sustainability issues.

ESRS 2 sets the stage for a company's strategic alignment with sustainability goals, requiring disclosures on policies, targets, and action plans that cover environmental, social, and governance (ESG) matters. Unlike topic-specific standards, ESRS 2 provides high-level organisational disclosures that offer a comprehensive view of how a company manages sustainability across its operations.

It is divided into four thematic pillars:

01 BASIS FOR PREPARATION

This theme focuses on how companies should prepare their sustainability reports. It outlines how companies should determine what to report and how to ensure that their data collection and reporting processes meet the required standards. It includes principles such as double materiality, reporting boundaries, and data accuracy. The goal is to ensure that the information disclosed is reliable, consistent, and reflects both financial and impact materiality.

02 GOVERNANCE

This theme requires companies to disclose who and which systems in the organisation are responsible for sustainability, how these responsibilities are managed, and how the board or management is involved in making decisions related to ESG issues. Transparency in governance helps investors and stakeholders understand how sustainability risks and opportunities are being monitored and controlled.

03 STRATEGY, GOVERNANCE, AND BUSINESS MODEL

This theme examines how sustainability is integrated into the company's broader business strategy and operations. It highlights the connection between a company's sustainability efforts and its overall business model, including plans for growth, innovation, and market positioning. Companies are expected to explain how their sustainability objectives align with long-term business goals and how these are reflected in their governance and decision-making processes.

04 IMPACT, RISK, AND OPPORTUNITY MANAGEMENT

This theme addresses how companies identify, assess, and manage sustainability-related impacts, risks, and opportunities. It requires companies to disclose how they mitigate risks (such as regulatory changes or climate impacts) and take advantage of opportunities (like energy efficiency or new markets). By managing these factors effectively, companies can minimise negative impacts and capitalise on positive trends, which is crucial for long-term success.

ESRS 2 General Disclosures

The percentages in this table indicate the relative emphasis each category holds within the overall ESRS framework. The table shows how different aspects of sustainability reporting are weighted in terms of their significance or contribution to the comprehensive reporting process.

- **Strategy and Business Model (34%)**
- **Reporting Basis and Scope (22.2%)**
- **Governance and Oversight (23.7%)**
- **Impact Management and Performance Monitoring (20.1%)**

Strategic Planning and Business Operations
16.7%

Integration of sustainability into business strategies and operations and how they influence overall business approaches and practices.

Strategic Impact Analysis
9%

How sustainability impacts, risks, and opportunities affect business strategy and operations.

Role of Governing Bodies
14.6%

Governance structure's role in sustainability oversight, including their responsibilities and integration of sustainability issues.

Stakeholder Engagement
8.3%

Mechanisms and outcomes of engaging stakeholders in sustainability discussions and decision-making.

Sustainability Integration in Incentives
4.9%

How sustainability outcomes influence remuneration and incentives for leadership, aligning decision-making with sustainability goals.

Risk Management and Due Diligence
4.2%

Processes for managing sustainability risks and performing due diligence, integrating these into broader risk management frameworks.

Disclosure of Extenuating Circumstances
18%

Exceptions and special conditions in sustainability reporting, like varying time horizons or estimation methods.

General Basis for Preparation
4.2%

Principles and scope for preparing the sustainability statement, including reporting boundaries and methodologies.

Impact Assessment Procedures
10.4%

Methods for evaluating the significance of sustainability impacts, risks, and opportunities.

Materiality Assessment
9.7%

Identification and prioritisation of the most relevant sustainability topics based on their significance to the organisation and its stakeholders.

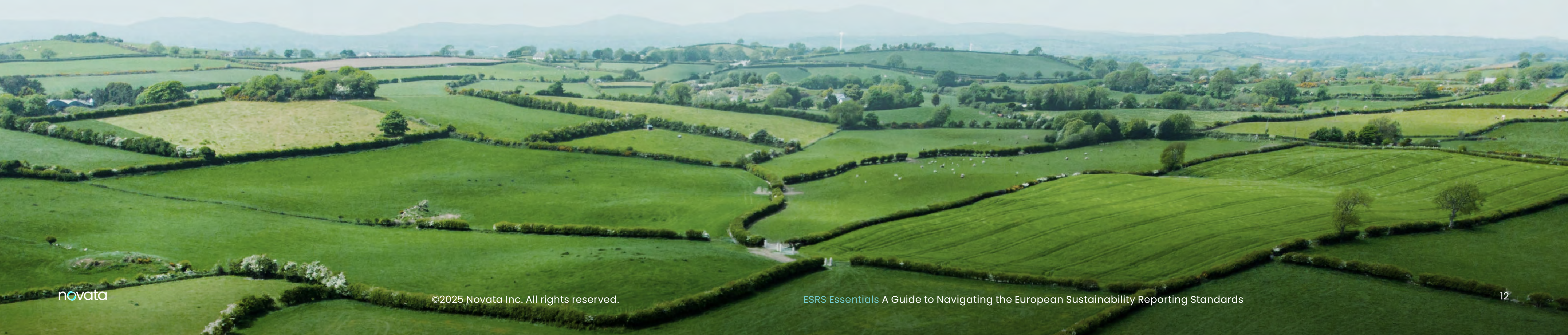
ESRS 2 General Disclosures

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
SBM-1 **Strategy, business model, and value chain**	The company shall report the information prescribed by ESRS 2 SBM-1 paragraph 40(b) (breakdown of total revenue by significant ESRS sector) and 40(c) (list of additional significant ESRS sectors) starting from the application date specified in a future Commission Delegated Act and depending on the sector.
SBM-3 **Material impacts, risks and opportunities and their interaction with strategy and business model**	The company may omit the information prescribed by ESRS 2 SBM-3 paragraph 48(e) (anticipated financial effects) in its first year of reporting. The company may comply with ESRS 2 SBM-3 paragraph 48(e) by reporting only qualitative disclosures for the first three years of reporting, if it is impracticable to prepare quantitative disclosures.

03

Topical Standards



Topical Standards

The following standards are sector-agnostic, and companies only need to address topical standards that are material to them. These material impacts can span across environmental, social, and governance pillars, which allows companies to focus their reporting on areas most pertinent to their business.

Companies only need to address topical standards that are material to them.

E1 Climate Change

This standard requires companies to disclose their greenhouse gas (GHG) emissions, climate-related risks, and strategies for mitigating and adapting to climate change. It focuses on how businesses are contributing to or addressing global climate change, including setting emissions reduction targets and transitioning to lower-carbon operations. Reporting under ESRS E1 helps stakeholders understand a company's role in the fight against climate change.

The percentages in this table reflect the relative importance of each category within this standard, illustrating how various climate change-related reporting elements are prioritised in the overall reporting process.

- **Risk and Opportunities (39.5%)**
- **Governance and Strategy (21.7%)**
- **Environmental Performance (21.1%)**
- **Operational Impacts and Actions (17.7%)**

Anticipated Financial Impacts From Climate-Related Risks
21.2%

Data points disclosing the financial implications of physical and transition risks due to climate change.

Climate-Related Risk Identification and Management
14.3%

Data points explaining the processes and tools used to identify, assess, and manage climate-related risks and opportunities.

Resilience Analysis 4%

How climate-related risks and opportunities are integrated into the organisation's strategy and business model.

Climate Transition Planning
9.1%

All data points detailing transition plan requirements, actions, and approvals.

Climate Change Targets
8%

Information on the specific targets set for climate change mitigation and how they align with broader climate goals.

Governance and incentives
2.3%

Policies For Addressing Climate Change
2.3%

GHG Emissions
16%

Comprehensive data on the GHG emissions from the company's operations across different scopes.

Details About Energy Consumption
5.1%

Data points on energy consumption, including the split between renewable and non-renewable sources.

GHG Removals and Mitigation Projects
12.6%

Data points regarding greenhouse gas removals and mitigation projects, including the use of carbon credits.

Actions and Resources Related to Climate Change
5.1%

Specific data points on the actions taken towards climate change mitigation and the resources allocated.

E1 Climate Change

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
E1-6 **Gross Scopes 1, 2, 3 and Total GHG emissions**	Companies/groups not exceeding an average number of 750 employees during the financial year may omit the data points on Scope 3 emissions and total GHG emissions for their first year of reporting.
E1-9 **Anticipated financial effects from material physical and transition risks and potential climate-related opportunities**	The company may omit this disclosure requirement in its first year of reporting. For its first three years of reporting, the company may comply with E1-9 and report only qualitative disclosures if it is impractical to report quantitative disclosures.

E2 Pollution

ESRS E2 focuses on how companies manage and disclose pollution information related to environmental resources, living organisms and food resources, substances of concern, and microplastics. Businesses are required to report on pollutants released into the environment, their sources, and mitigation efforts. This standard aims to provide transparency around how companies are working to reduce their negative environmental impacts and protect ecosystems.

This table shows the proportionate emphasis of each pollution-related category in the standard, indicating the weight of different aspects in contributing to comprehensive sustainability reporting.

- **Pollution Operational Management (35.1%)**
- **Pollution Strategy and Policy (33.3%)**
- **Pollution Impact Identification and Risk Assessment (28.1%)**
- **Chemicals and Hazardous Substances Management (3.5%)**

Measurement and Reporting 28.1%

Provides quantifiable information on pollution, reporting practices, and compliance with environmental regulations.

Implementation Actions 7%

Actions planned and taken and resources used to implement pollution policies effectively across the organisation and its value chain.

Financial Impact Assessment 19.3%

Anticipated financial impacts of pollution-related risks and opportunities.

Target Setting 17.5%

Details the pollution-related targets set by the organisation, including considerations of ecological thresholds and regulatory compliance.

Pollution Policies 15.8%

Data points related to the organisation's pollution management and reduction policies.

Process Identification and Assessment 8.8%

Methodologies and outcomes for identifying pollution-related risks, impacts, and opportunities across operations and value chains.

Substances Management 3.5%

Reports on the use and emissions of substances of concern and very high concern, emphasising compliance and hazard reduction.

E2 Pollution

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
E2-6 **Anticipated financial effects from pollution-related risks and opportunities**	The company may omit this disclosure requirement in its first year of reporting. For its first three years of reporting, with the exception of paragraph 40b, it can comply with E2-6 by reporting only qualitative disclosures.

E3 Water and Marine Resources

This standard covers the sustainable use and management of water and marine resources. Companies must disclose their water usage and discharge activities, marine resource consumption, and strategies to reduce their impact on freshwater and marine ecosystems. ESRS E3 ensures that stakeholders can evaluate how businesses contribute to the conservation of these critical resources.

The table's percentages represent each category's relative focus in the Water and Marine Resources standard, highlighting how different sustainability topics contribute to the complete reporting approach.

- **Water Consumption and Impact Assessment (40.9%)**
- **Implementation and Response Strategies (38.6%)**
- **Water and Marine Resources-Related Policies (20.5%)**

Water Usage and Efficiency
27.3%

Data points on the organisation's total water consumption, recycling, and reuse rates.

Management and Conservation Targets
29.5%

Details the water and marine resources-related targets set by the organisation, including considerations of local ecological thresholds and legal mandates.

Implementation Actions
9.1%

Actions planned and taken and resources related to implementing water and marine resources-related policies.

Financial Impact Assessment
13.6%

Anticipated financial impacts of water and marine resource-related risks and opportunities.

Water and Marine Resources-Related Policies
11.4%

Details about policies related to the sustainable management of water and marine resources.

Process for Screening for Risks, Impacts, and Opportunities
9.1%

Methodologies and outcomes for identifying water and marine resources-related risks, impacts, and opportunities across operations and value chains.

E3 Water and Marine Resources

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
E3-5 Anticipated financial effects from water and marine resources-related risks and opportunities	The company may omit this disclosure requirement in its first year of reporting. For its first three years of reporting, the company may comply with E3-5 by reporting only qualitative disclosures.

E4 Biodiversity and Ecosystems

ESRS E4 focuses on the impacts that companies have on biodiversity and ecosystems. Companies are required to disclose activities that affect natural habitats and species, including deforestation, land use, and conservation efforts. This standard helps ensure businesses are transparent about their efforts to preserve biodiversity and mitigate harm to ecosystems.

These percentages indicate the degree of emphasis placed on each category within the Biodiversity and Ecosystems standard, showcasing the significance of various sustainability aspects.

- **Strategy and Policy Development (36%)**
- **Impact Identification and Assessment (23.7%)**
- **Target Setting and Monitoring (25.9%)**
- **Operational Management and Actions (14.4%)**

Biodiversity Policies 22.3%

Develops and implements policies aimed at preserving and enhancing biodiversity and how the organisation ensures its activities align with environmental sustainability goals.

Strategic Resilience 13.7%

Analyses the resilience of business models to biodiversity and ecosystems-related risks and how the organisation adapts its strategies to withstand environmental changes.

Impact and Dependency Identification 4.3%

Assesses how organisational activities affect ecosystems and how the business depends on natural resources, aiming to identify key areas of impact and reliance.

Site-Specific Impact Assessments 4.3%

Focuses on evaluating and managing environmental impacts at specific operational sites, particularly those impacts related to biodiversity and ecosystems.

Scenario Analysis and Forecasting 3.6%

Utilises scenarios to predict future biodiversity and ecosystem changes and assesses how these changes might impact the organisation's strategy.

Risk and Opportunity Assessment 4.3%

Evaluates potential environmental risks and opportunities associated with biodiversity and ecosystems, informing strategy and decision-making.

Financial Impact Assessment 4.3%

Analyses the financial implications of biodiversity and ecosystem-related impacts and dependencies to assess the potential costs and benefits of environmental strategies.

Community Consultation and Engagement 2.9%

How the organisation engages with local communities and stakeholders to gather insights and feedback on biodiversity-related impacts, fostering inclusive decision-making processes.

Monitoring and Reporting 15.8%

Tracks and reports on biodiversity-related impacts and the effectiveness of mitigation and conservation efforts to provide transparency and accountability.

Ecological Targets 10.1 %

Sets specific, measurable targets related to biodiversity and ecosystem conservation, aiming to achieve predefined environmental outcomes.

Implementation of Actions 12.2%

Data points that outline specific actions and projects to mitigate biodiversity impacts, contribute to conservation efforts, and sustainably manage resources.

Resource Allocation and Mitigation 2.2%

E4 Biodiversity and Ecosystems

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
All disclosure requirements	Companies/groups not exceeding an average number of 750 employees during the financial year may omit all E4 disclosure requirements for their first two years of reporting.
E4-6 **Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities**	The company may omit this disclosure requirement in its first year of reporting. For its first three years of reporting, the company may comply with E4-6 by reporting only qualitative disclosures.

E5 Circular Economy

This standard covers how companies manage their resource usage and promote circular economy practices, such as waste reduction, recycling, and responsible sourcing. ESRS E5 is designed to help stakeholders understand how businesses are moving away from linear models of production and consumption towards more sustainable and regenerative practices.

In this table, the percentages illustrate the relative weight of each category under the standard, providing insight into the prioritisation of different sustainability reporting areas.

- **Resource Management and Monitoring (46%)**
- **Policy Development and Implementation (40.5%)**
- **Impact Assessment (13.5%)**

Resource Outflows and Waste Management
33.8%

Evaluates outputs of the production process, particularly waste generation, waste treatment, and efforts towards circular economy principles.

Resource Management Actions
24.3%

Implements practices that enhance resource efficiency and sustainability throughout the operational lifecycle.

Circular Economy Targets
8.1%

Establishes and tracks targets to advance resource efficiency and reduce environmental footprint.

Circular Economy Policies
8.1%

Uses policies that prioritise recycling, reuse, and the reduction of virgin resource use.

Resource Inflows and Utilisations
12.2%

Tracks the sourcing and use of raw and recycled materials in production.

Financial Implication of Resource Use
8.1%

Analyses the financial benefits and risks associated with sustainable resource use and management practices.

Impact Screening and Methodology
2.7%

Consultation Processes
2.7%

E5 Circular Economy

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
E5-6 **Anticipated financial effects from resource use and circular economy-related risks and opportunities**	The company may omit this disclosure requirement in its first year of reporting. For its first three years of reporting the company may comply with E5-6 by reporting only qualitative disclosures.

S1 Own Workforce

ESRS S1 requires companies to report on material positive and negative actual or potential impacts on their workforce. This includes related material risks and opportunities. These disclosures broadly encompass how the organisation's operations and dependencies affect its workforce, actions taken to manage these impacts, and the financial effects of short-, medium-, and long-term risks and opportunities.

This table provides the proportional focus each category holds in the standard, illustrating the importance of various sustainability themes within the broader reporting process.

- **Workforce Engagement and Management (49.4%)**
- **Health, Safety, and Working Conditions (23.8%)**
- **Material Impacts, Risks, and Opportunities (21.2%)**
- **Diversity and Equal Opportunities (5.6%)**

Workforce Engagement 12.5%

Data points covering engagement strategies, effectiveness assessments, and processes for engaging vulnerable groups.

Characteristics of Employees 12.5%

Detailed breakdowns of employee demographics, turnover rates, and methodologies for data compilation.

Safety and Health 10%

Data points covering health and safety management systems, incident reporting, and family-related leaves.

Incidents and Complaints 8.8%

Data points related to tracking and resolving workplace incidents and complaints.

Collective Bargaining 5%

Data points detailing the extent of collective bargaining coverage and its impact on working conditions.

Wages and Benefits 9.4%

Data points related to wage adequacy and social protection coverage.

Characteristics of Non-Employees 6.2%

Metrics on non-employee demographics and methodologies for data compilation.

Action Implementation and Outcomes 8.1%

Data points that detail specific actions taken to mitigate risks and manage the effectiveness of these actions in practice.

Opportunity Development and Leveraging 3.7%

Data points that focus on strategic initiatives and positive developments for the workforce.

Diversity and Inclusion 3.7%

Data points including diversity at the management level and across age groups.

Training and Development 4.4%

Risk Identification and Management 7.5%

Focused on the front-end of risk management, involving the detection and evaluation of potential threats and their implications.

Target Setting and Outcome Monitoring 1.9%

Human Rights 1.9%

Compensation Data Points 4.4%

S1 Own Workforce

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
S1-1 **Policies related to own workforce**	Companies/groups not exceeding an average number of 750 employees during the financial year may omit all S1 disclosure requirements for their first year of reporting.
S1-7 **Characteristics of non-employees in the company's own workforce**	The company may omit this disclosure requirement in its first year of reporting.
S1-8 **Collective bargaining coverage and social dialogue**	The company may omit this disclosure requirement in regard to its Non-European Economic Area countries for its first year of reporting.
S1-11 **Social protection**	The company may omit this disclosure requirement in its first year of reporting.
S1-12 **Persons with disabilities**	The company may omit this disclosure requirement in its first year of reporting.
S1-13 **Training and skills development**	The company may omit this disclosure requirement in its first year of reporting.
S1-14 **Health and safety**	The company may omit the data points on cases of work-related ill-health and on the number of days lost to injuries, accidents, fatalities, and work-related ill health in its first year of reporting.
S1-14 **Health and safety**	The company may omit reporting on non-employees in its first year of reporting.
S1-15 **Work-life balance**	The company may omit this disclosure requirement in its first year of reporting.

S2 Workers in the Value Chain

ESRS S2 focuses on companies' responsibilities towards workers in their supply chains. It requires businesses to disclose information on labour practices, human rights, and working conditions across their value chains. This standard highlights the importance of responsible sourcing and ethical labour practices beyond direct employees.

The table displays the emphasis allocated to each theme in the standard, indicating how different sustainability aspects are valued in the overall reporting approach.

- **Impact Remediation and Improvement (42.6%)**
- **Workers Rights and Engagement (30%)**
- **Target Setting and Performance Monitoring (15%)**
- **Strategic Impact Assessment (12.4%)**

Positive Impact Strategies 23.8%

Focuses on actions to deliver positive impacts for value chain workers, including improving working conditions and supporting the Sustainable Development Goals.

Negative Impact Remediation 18.8%

Details processes for addressing negative impacts on value chain workers, including grievance mechanisms and communication channels.

Labour Policies Development and Implementation 15%

Outlines policies related to human rights and labour standards, their alignment with international standards, and implementation monitoring.

Engagement Practices 12.5%

Describes methods and frequencies of engagements with value chain workers and/or their representatives.

Supplier Management 2.5%

Target Setting and Performance Monitoring 15%

Sets and tracks performance of measurable targets for improving positive impacts, reducing negative impacts, and managing risks and opportunities for value chain workers.

Worker Impact Identification 6.2%

Identifies value chain workers at risk due to the organisation's operations and their specific contexts.

Risk Assessment and Opportunity Exploration 6.2%

Evaluates risks and opportunities for improving conditions for value chain workers, focusing on mitigation and beneficial strategies.

S2 Workers in the Value Chain

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
All disclosure requirements	Companies/groups not exceeding an average number of 750 employees during the financial year may omit all S2 disclosure requirements for their first two years of reporting.

S3 Affected Communities

ESRS S3 emphasises the impact of business operations on local communities. Companies must disclose their engagement with communities, the potential social impacts of their activities, and the steps they are taking to address concerns like land rights, displacement, and access to resources. This standard ensures that stakeholders can assess how companies contribute to or harm the communities in which they operate.

Percentages in this table highlight the significance of each category within the Affected Communities standard, demonstrating the role each aspect plays in contributing to full-spectrum sustainability reporting.

- **Strategic Policy and Implementation (40%)**
- **Engagement and Communication (35%)**
- **Target Setting and Performance Tracking (13.7%)**
- **Community Impact Assessment (11.3%)**

Action Planning and Resource Allocation
25%

Actions planned or underway to address community impacts, detailing the resources allocated and the strategic actions taken. Encompasses how these plans are executed and adapted to mitigate risks and capitalise on opportunities.

Grievance Mechanisms and Remediation
20%

Overview of remediation processes and grievance mechanisms available for community concerns, including anti-retaliation measures and measurement of effectiveness.

Policy Integration and Compliance Management
15%

Policies regarding community impacts, their alignment with international human rights standards, and compliance with regulatory frameworks, including specific policies related to human rights, community engagement, and grievance remedies.

Community Engagement Practices
15%

Assessment of engagement strategies with affected communities, including methods, frequency, and stakeholder roles.

Target Setting and Performance Accountability
13.7%

Data points for setting and evaluating performance targets related to community impacts, focusing on effectiveness and strategic alignment.

Community Disclosure and Impact Evaluation 6.3%

Full disclosure and detailed evaluation of the organisation's impacts on communities, ensuring comprehensive inclusion and assessment of both positive and negative effects.

Risk and Opportunity Analysis 5%

Analysis of risks and opportunities related to community impacts, focusing on identifying vulnerable groups and specific risks.

S3 Affected Communities

Phase-In Disclosure Requirements

Disclosure Requirement	Phase-In or Effective Data
All disclosure requirements	Companies/groups not exceeding an average number of 750 employees during the financial year may omit all S3 disclosure requirements for their first two years of reporting.

S4 Consumers and End Users

This standard requires companies to disclose information about the social and safety impacts of their products and services on consumers and end-users. It covers product safety, quality, customer satisfaction, and the company's efforts to address any negative effects on consumers. ESRS S4 helps ensure transparency about how businesses are prioritising consumer rights and well-being.

The percentages illustrate the relative weight assigned to each category in the Consumers and End-users framework, showing how various sustainability reporting areas contribute to a balanced and comprehensive report.

- **Remediation and Strategic Actions (46.8%)**
- **Consumer Rights and Engagement (26.6%)**
- **Target Setting and Performance Monitoring (15.2%)**
- **Consumer Impact and Risk Management (11.4%)**

Action Implementation and Effectiveness
25.3%

Focuses on the actions taken to mitigate risks, capitalise on opportunities, and the processes for continuous improvement in enhancing consumer welfare and business practices.

Policy Compliance
13.9%

Ensures company policies align with international standards and legal requirements concerning consumer rights, detailing practices around changes in policies and communication of policies to stakeholders.

Impact Remediation
21.5%

Outlines processes and channels available to consumers for raising concerns and obtaining remedies and assesses the effectiveness and trust in these mechanisms.

Engagement Strategies
12.7%

Describes the methods and effectiveness of engaging with consumers, including how consumer feedback influences business decisions and policy formation.

Target Setting and Performance Monitoring
15.2%

Involves setting specific, measurable targets related to impacts on consumer and tracking performance against these goals, including stakeholder engagement in target setting and the analysis of outcomes to foster improvement.

Impact Assessment 6.3%

Evaluates the breadth of the consumer base impacted by the business' operations and value chain, documenting types of impacts and affected consumer groups.

Risk and Opportunity Analysis 5.1%

Analyses potential risks and opportunities related to consumer interactions and impacts, focusing on specific groups at greater risk and overall risk management strategies.

S4 Consumers and End Users

Phase-In Disclosure Requirements

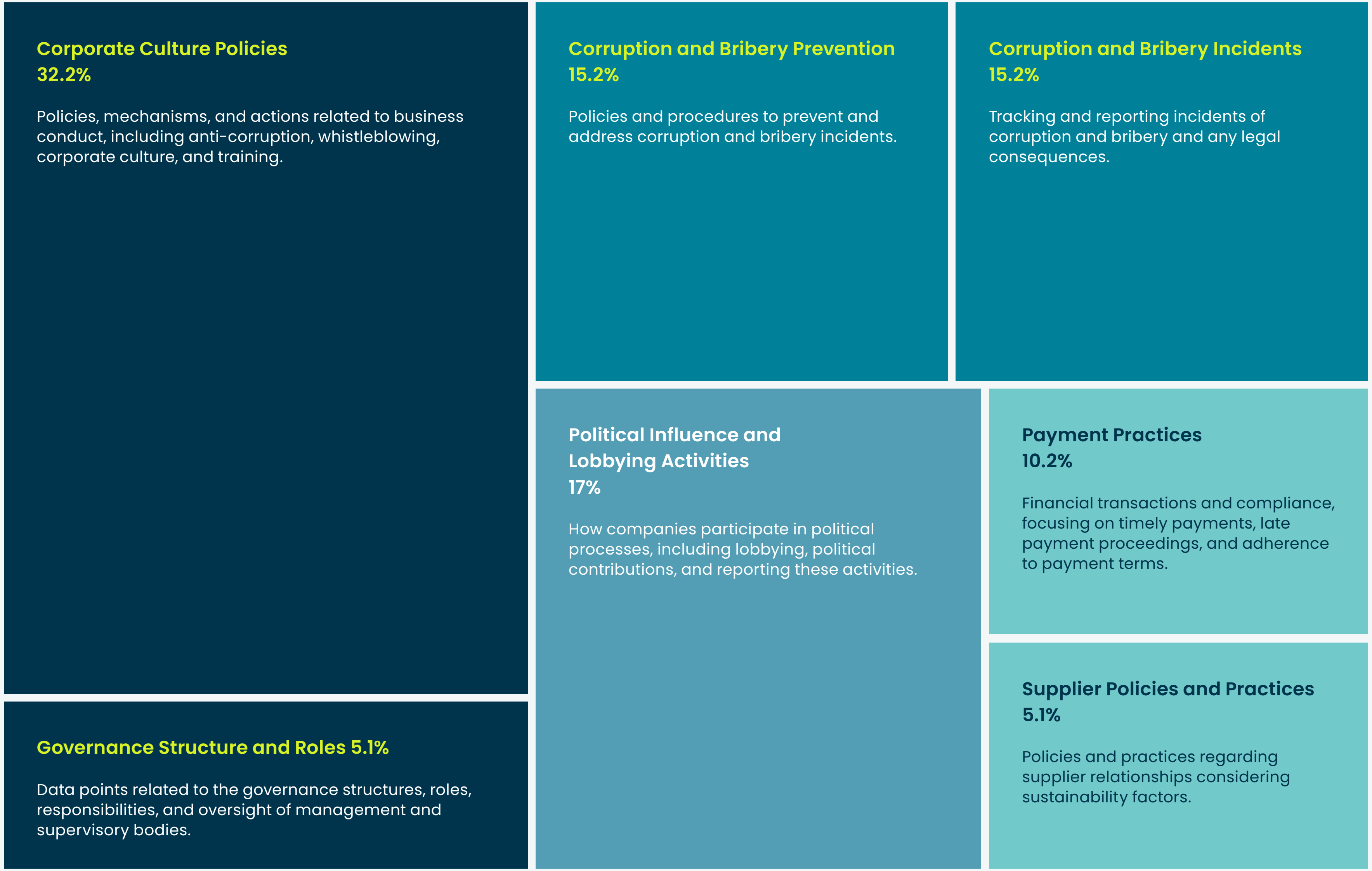
Disclosure Requirement	Phase-In or Effective Data
All disclosure requirements	Companies/groups not exceeding an average number of 750 employees during the financial year may omit all S4 disclosure requirements for their first two years of reporting.

G1 Business Conduct

The G1 standard focuses on how companies manage and disclose issues related to business ethics, corporate culture, and responsible business practices, including political influence and lobbying activities. This standard covers key areas such as anti-corruption and anti-bribery policies, whistleblower protection, and animal welfare. It also requires companies to report on their relationships with suppliers. This standard helps stakeholders assess a company’s ethical conduct and responsible business practices.

The percentages in this table convey the relative weighting of each governance-related category within the standard, emphasising the role of different sustainability areas in shaping a well-rounded reporting process.

- **Governance, Leadership, and Corporate Responsibility (37.3%)**
- **Anti-Corruption and Anti-Bribery (30.4%)**
- **Political Influence and Lobbying (17%)**
- **Supplier Relationships and Management (15.3%)**



04

Next Steps

Next Steps

01

DETERMINE REPORTING TIMELINE AND COMPLIANCE REQUIREMENTS

Identify when your company will be required to comply with the CSRD based on company size, industry, and location. Map out your reporting deadlines, keeping an eye on phased rollout timelines and key regulatory milestones to stay well-prepared and avoid last-minute compliance challenges. Novata's readiness assessment can help you get started.

02

CONDUCT A DOUBLE MATERIALITY ASSESSMENT

Begin with a comprehensive double materiality assessment to pinpoint your organisation's material ESRS topics. This involves analysing both financial and impact materiality to determine which ESG issues significantly affect your business financially and which areas have substantial impacts on the environment, people, and society. The results will guide you in selecting the specific data points.

03

DEVELOP AND IMPLEMENT REPORTING PROCESSES EARLY

Set up structured processes for data collection, monitoring, and reporting to streamline future disclosures. This can include training and upskilling team members for data collection, establishing cross-functional teams to manage different aspects of reporting, and creating internal guidelines for data accuracy and consistency. Initiating these processes now will give your company a head start and ensure that future reports align seamlessly with CSRD.

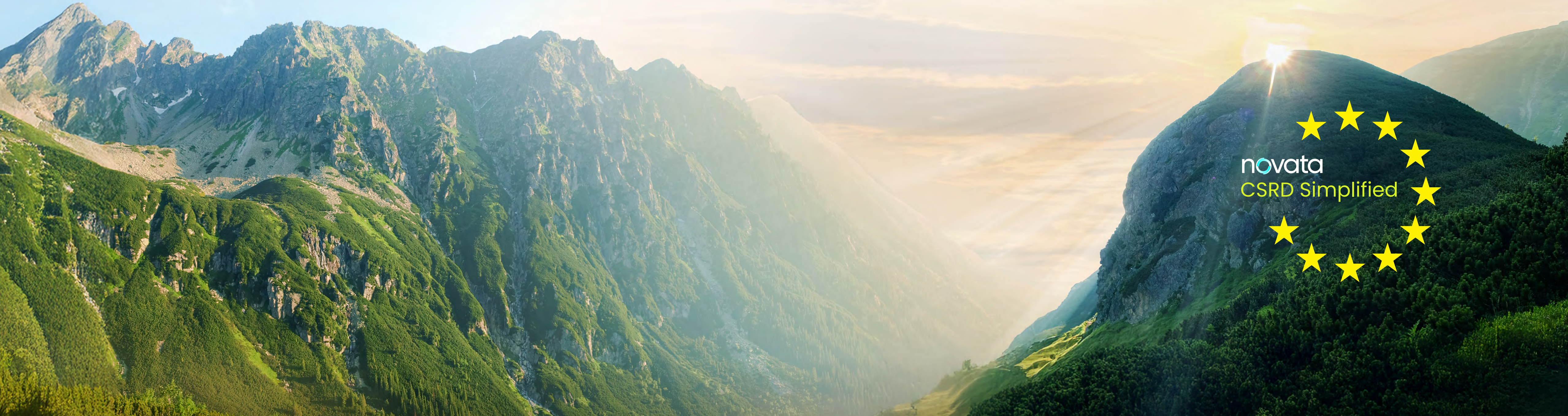
04

IDENTIFY SUPPORTING RESOURCES

If you're uncertain about where to begin or whether you're on the right path, now is the time to seek support. Navigating this new era of sustainability reporting can be challenging, and few companies can manage it entirely on their own. Identifying the right expertise can make a significant difference in setting yourself up for success and maximising the impact of your efforts. Engaging with the right partners and tools can provide the guidance you need to confidently move forward in your sustainability journey.

05

Reporting on CSRD With Novata



Reporting on CSRD With Novata

Getting started with ESRS and reporting under the CSRD can feel overwhelming, but Novata is here to simplify the process. Our platform is specifically designed to streamline the collection, management, and reporting of CSRD-related data.

EXPERT SUPPORT

Backed by a team of sustainability experts who stay closely aligned with the latest regulatory updates, we provide ongoing support and guidance to ensure your reporting is both accurate and compliant. As the standards evolve, so does our platform—ensuring you're always equipped with the most up-to-date tools and insights. With deep expertise rooted in our close relationship with the sustainability reporting community, including our involvement with the Friends of EFRAG initiative, we bring unparalleled insight into the evolving regulatory landscape, ensuring you meet the stringent demands of CSRD compliance with precision and confidence.

IN-DEPTH MAPPING FOR COMPLETE DATA CLARITY

What sets Novata apart from other solutions is our ability to aggregate vast numbers of data points and our focus on making that data actionable. Novata's Metrics and Regulations team meticulously analysed the EFRAG and ESRS documents, breaking them down even further into more than 1,000 distinct data points. With Novata, each data point is designed to capture a single piece of information, allowing for more precise and streamlined data collection and resulting in clearer and more actionable insights.

Novata's Offerings

Novata offers a comprehensive approach to CSRD compliance, guiding reporting organisations through each step of the reporting process:

CSRD ASSESSMENT

Since the regulation has a phased-in approach for reporting, some companies began collecting data in 2024 to ensure compliance. **The CSRD assessment** helps identify if and when a company is subject to CSRD reporting.

DOUBLE MATERIALITY ASSESSMENT (DMA)/ADVISORY OFFERINGS

Novata assists companies in conducting their DMA by providing expert guidance to identify and evaluate the sustainability issues that are most significant to the business and external stakeholders. Novata's Advisory team of seasoned experts provides specialised support to companies navigating CSRD compliance through three key offerings.

The **ESRS Readiness** service assists companies at the beginning of their journey, guiding them through the double materiality assessment, helping them understand the material ESRS topics and stakeholder engagement requirements, and providing guidance and training to support buy-in.

The **Metric Screening** service is for companies with a completed double materiality assessment that need assistance identifying and prioritising the specific data points required for CSRD disclosure.

Lastly, the **Data Readiness** service helps businesses refine their data collection strategy by assessing their ESRS data point list, identifying necessary resources, and offering guidance to streamline data collection efforts.

CSRD SOLUTION

Novata offers a CSRD solution designed to streamline and consolidate the complex process of sustainability reporting.
The Novata platform provides an intuitive interface that enables companies to securely store their documents, policies, processes, and evidence in one place.
With built-in tools for data point tracking, stakeholder engagement, and reporting templates, Novata's platform empowers businesses to efficiently comply with CSRD requirements while providing valuable insights to drive sustainability performance and strategy.

Thank You

Thank you for reading Novata's ESRS Essentials: A Guide to Navigating the European Sustainability Reporting Standards. We hope you found the insights valuable.

Learn more about Novata and our CSRD solutions.

REQUEST DEMO

Certified B Corporation

ABOUT NOVATA

Novata is an ESG data management platform and advisory practice that empowers businesses to achieve their sustainability goals. We make it easy for private markets to navigate the evolving ESG landscape; collect, analyse, and report on the metrics that matter; and connect their sustainability strategy to meaningful outcomes—because it's good for business and it's good for the planet.

Backed by the Ford Foundation, Hamilton Lane, Microsoft, Motive Partners, Omidyar Network, and S&P Global, Novata is majority controlled by mission-driven organisations and its employees, and is a B-Corp-certified public benefit corporation. www.novata.com

AUTHORS

ALEX TUAI
ESG Metrics and Regulations Associate
Novata

CLAIRE LU
Metrics Intern
Novata