



## KEY REQUIREMENTS OF THE ESRS

### OVERVIEW

The European Sustainability Reporting Standards (ESRS) have established a comprehensive framework for corporate sustainability reporting, mandating detailed disclosures across various environmental, social, and governance (ESG) dimensions. These requirements are designed to ensure transparency, accountability, and comparability of sustainability information provided by companies.

---

### DETAILS

Under the ESRS, companies must provide comprehensive disclosures on various aspects of their sustainability performance. The key reporting requirements include:

#### 1. **Double Materiality Assessment (DMA)**

One of the foundational requirements of the ESRS is the Double Materiality Assessment. Companies must evaluate and report on how sustainability issues affect their financial performance (financial materiality) and how their activities impact the environment and society (impact materiality). This dual perspective ensures that companies consider both the internal and external implications of their operations, providing a holistic view of their sustainability impacts.

## **2. Climate Action Plan**

Companies are required to develop and disclose a comprehensive Climate Action Plan. This plan should outline strategies and measures to mitigate climate-related risks and reduce greenhouse gas emissions. It must include specific targets, timelines, and performance indicators, ensuring that companies are committed to tangible actions towards achieving climate resilience and sustainability. The plan should also address adaptation measures to cope with the impacts of climate change on the company's operations and value chain.

## **3. Governance and Strategy**

The ESRS mandates detailed disclosures on corporate governance and strategy related to sustainability. Companies must provide information on their governance structures, including the roles and responsibilities of the board and management in overseeing sustainability issues. They must also explain how sustainability is integrated into their overall business strategy and decision-making processes, highlighting the alignment between corporate objectives and sustainability goals.

## **4. Policies and Procedures**

Companies need to disclose the specific policies and procedures they have implemented to manage sustainability risks and opportunities. This includes environmental policies (e.g., waste management, energy efficiency), social policies (e.g., labour rights, community engagement), and governance practices (e.g., anti-corruption measures). Detailed descriptions of these policies and their operationalization are required to demonstrate the company's commitment to sustainability.

## **5. Risk Management**

The ESRS requires companies to outline their risk management processes related to sustainability. This involves identifying, assessing, and managing sustainability risks and opportunities. Companies must disclose how these risks are integrated into their overall risk management framework and provide information on the measures taken to mitigate identified risks.

## **6. Targets and Performance Metrics**

Setting specific sustainability targets and regularly reporting on progress is a key requirement of the ESRS. Companies must establish quantitative performance metrics for various ESG aspects, such as greenhouse gas emissions, energy consumption, water usage, waste management, employee diversity, and human rights practices. These metrics enable stakeholders to track the company's progress towards its sustainability goals and assess its performance over time.

## **7. Value Chain Reporting**

The ESRS extends reporting requirements beyond direct operations to include the entire value chain. Companies must disclose the sustainability impacts of their suppliers and downstream activities, providing a comprehensive view of their overall impact. This holistic approach ensures that all significant sustainability issues along the value chain are identified and addressed.

## **8. Sector-Specific Requirements**

Although the adoption of sector-specific standards has been delayed until June 2026, the ESRS recognise the unique sustainability challenges and opportunities within different industries and thus require companies to comply with additional requirements relevant to their

sector, ensuring that industry-specific sustainability issues are adequately covered in their reporting.

#### **9. Assurance and Verification**

To ensure the credibility and reliability of the disclosed information, the ESRS mandates that sustainability reports undergo limited assurance by an independent auditor or assurance services provider. This requirement enhances the trustworthiness of the reports and provides stakeholders with confidence in the accuracy of the disclosed data.

The ESRS represent a significant advancement in corporate sustainability reporting within the European Union. By setting detailed and standardised requirements for ESG disclosures, the ESRS ensures that stakeholders have access to reliable and comparable sustainability information. The directive promotes greater transparency, accountability, and integration of sustainability considerations into business strategies, driving progress towards a more sustainable and responsible corporate sector.

For more detailed information on the ESRS and its reporting requirements, please refer to the [European Financial Reporting Advisory Group \(EFRAG\)](https://www.efrag.org/) website, or alternatively, contact us at [info@envisionas.com](mailto:info@envisionas.com).