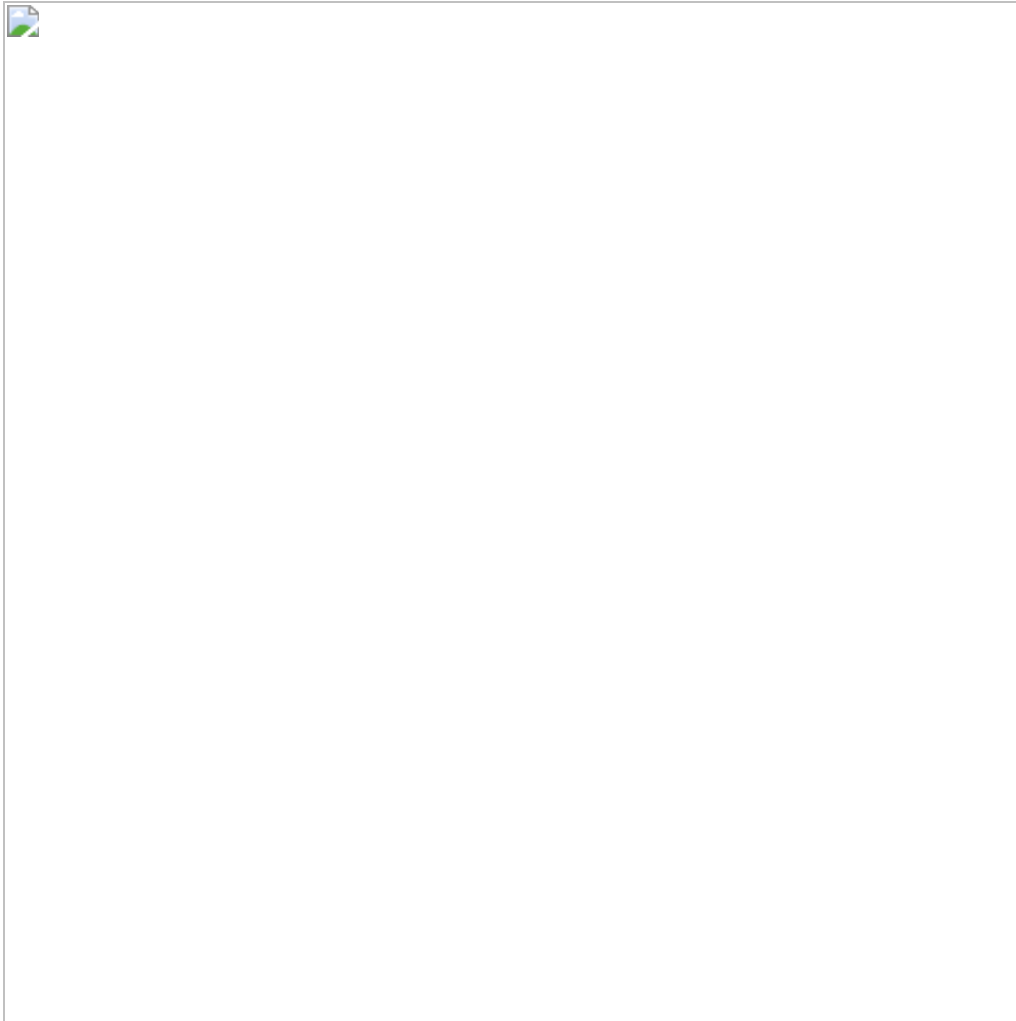


CSRD: the four most popular letters in corporate sustainability

 sgradeckas.substack.com/p/csr-d-the-four-most-popular-letters

Simas Gradeckas



Hi friends 🙌,

Corporate nature disclosure frameworks have been in my periphery for far too long. Although they get a lot of attention, their importance *still* cannot be overstated. They are also shaping the biodiversity credit markets by being the biggest potential credit demand driver.

Finally, I've started to explore each framework in the depth that I always wanted. Time to start sharing notes.

Let's start with arguably the most important (i.e. mandatory) one - the Corporate Sustainability Reporting Directive (CSRD). I'll give a quick rundown (very skippable if you're familiar with it) & then look at how CSRD might affect the thing we care most about - nature.

Let's get to it.

(Click the link  to read the full Deep Dive online)



What is CSRD?

CSRD is an EU directive that mandates companies to disclose information on their ESG impacts to enhance corporate transparency and accountability.

Unique features

Some features that make CSRD stand out:

- Scope

It is the broadest mandatory sustainability reporting standard in the world.

- Standardization

It introduces the European Sustainability Reporting Standards (ESRS) that companies will need to report under. The goal is to achieve consistent, comparable & comprehensive sustainability reporting.

- Reach

It has the largest reach out of any mandatory sustainability reporting standard in the world. ~50,000 companies will now have to comply in the EU, compared to ~12,000 before.

- Assurance requirements

It requires companies to obtain assurance (first limited, then reasonable) over their sustainability reports. It's the first EU-wide mandatory corporate sustainability reporting framework to do so.

- Digital reporting requirement

Companies are required to prepare sustainability reports in a digital, machine-readable format & integrate them in the EU's centralized database.

- Double materiality requirement

Companies will now be required to report not only on:

how sustainability issues affect their business (financial materiality);

but now also on:

how their activities affect society & environment (impact materiality).

Expected benefits

- Better data comparability & consistency

It would improve & make easier the analysis of corporate ESG performance. Historically, unstructured, inaccessible & often non-digital reported data made corporate ESG performance analysis more difficult than it should've been.

- Enhanced transparency & trust; greenwashing prevention

Better & more accessible corporate ESG performance should lead to more trust in what is reported and fewer unsubstantiated corporate claims.

- More informed investor decision-making

CSRD is meant to provide investors with data to do better risk assessments & follow sustainable investment strategies. It will also help the financial market participants with their own disclosures under the Sustainable Finance Disclosure Regulation (SFDR).

- More sustainable business practices

The end (desired) sustainability goal: more environmentally-friendly & socially responsible corporate behavior.

- Economic growth

The end (desired) economic goal: increasing EU's competitiveness by developing new sustainability-focused products, services & processes to increase efficiency & economic growth. In practice, probably the most influential one.

What led to CSRD?

The benefits mentioned above might sound like enough of a reason to come up with something like CSRD. But how exactly did we end up here?

Developments in the EU

Well, to the total surprise of the folks criticizing the EU for “regulating instead of innovating”, the EU has also become the global sustainability regulation leader in the past decades (something that is looking shakier these days).

It culminated in the famous European Green Deal & its overarching goals (climate neutrality by 2050, green growth & many others). To achieve them, more transparent, consistent & reliable corporate sustainability reporting was required. What followed was a set of interconnected directives & regulations to make that happen. The CSRD's predecessor, the Non-Financial Reporting Directive (NFRD), the Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy might ring a bell for some.

NFRD Non-Financial Reporting Directive							
Approx. 11 700 companies including: • Large public interest entities (> 500 employees) such as: - Listed companies - Banks and insurance companies, etc. If they exceed some thresholds	2018: first report	Disclose information on: 1. Environmental 2. Social and employee matters 3. Respect for human rights 4. Bribery and corruption + to present general disclosures (business model, due diligence process, etc.)	Double materiality in the NFRD's guidelines (soft law)	On a voluntary basis by Member States	Online reporting / PDF format	In the management report or in a separate non-financial statement	Voluntary disclosure based on international, European or national guidelines
Affect	When ?	Disclosure requirements	Assessment requirement	Audit requirement	Reporting format	Located reporting	Standards
Approx. 42 500 companies including: • Small, medium and large public interest entities (PIE) • Large companies • Third-country companies If they exceed some thresholds Example: Large companies should exceed at least two of the following three criteria: - €25m (balance sheet total); - €50m net turnover; - 250 employees during the financial year	2025: first report from large listed companies 2026: first report from large companies 2027: first report from SMEs which are PIE (with option to opt out to 2029) 2029: first report from third-country companies	Disclose information on 10 topics in line with EU standards (ESRS): 1. Climate change 2. Pollution 3. Water and marine resources 4. Biodiversity and ecosystems 5. Resource use and circular economy 6. Own workforce 7. Workers in the value chain 8. Affected communities 9. Consumers and end-users 10. Business conduct (business model, value chain, views of stakeholders, due diligence, etc.) + to present general disclosures	Double materiality in the directive (hard law)	From limited assurance of the reporting (for the first report) to reasonable assurance of the reporting (after the adoption of a standard on it no later than 1 October 2028)	Human-readable format of reporting with structured machine-readable data, compliant with European Single Electronic Format (ESEF), based on online XBRL	Specific section of the management report	Mandatory disclosure based on European Sustainability Reporting Standards (ESRS), including sector-agnostic and sector-specific standards and a robust materiality assessment
CSRD Corporate Sustainability Reporting Directive							

Lefebvre Sarrut's infographic in association with GRI and MEP Pascal Durand, CSRD rapporteur

LEFEBVRE
SARRUT

↖ ↗
NFRD (the predecessor) vs CSRD ([CSRD Essentials](#), [GRI](#))

International developments

International political agreements also helped. 2015's Paris Agreement for climate & 2022's Global Biodiversity Framework (GBF) for nature are the two most notable ones.

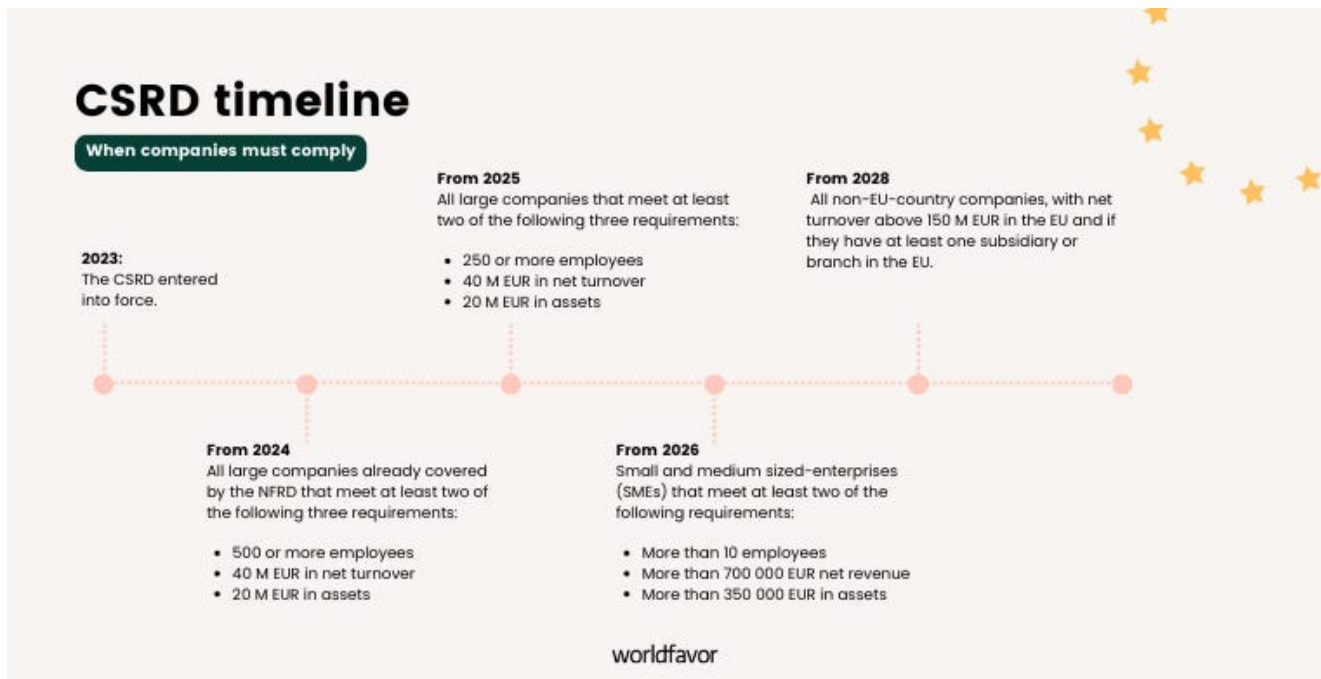
Next to that, we had voluntary corporate reporting frameworks that influenced CSRD. [Sustainability Accounting Standards Board \(SASB\)](#) pioneered sector-specific sustainability reporting that CSRD adopted. [Global Reporting Initiative \(GRI\)](#), being the most widely used, most comprehensive & one of the oldest corporate sustainability reporting frameworks, influenced CSRD in many ways (e.g. double materiality, wide coverage of topics or prioritized stakeholder engagement). And finally, the [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#) influenced CSRD by providing a structured framework for reporting climate-related financial risks & opportunities. It helped shape CSRD's approach to climate reporting, especially in governance, strategy, risk management & metrics and targets related to climate issues. You'll see that as we dig into ESRS in a bit.

So, CSRD is by far the most ambitious EU corporate sustainability reporting framework to date. For now, I'll leave it to others to debate how realistic the EU's desired goal to combine "green" & "growth" is. Either way, CSRD is a central part of it.

Timeline

The plan is to introduce CSRD gradually, starting with the largest & most structurally important EU companies. The smaller companies (SMEs) will have more time to prepare & will face simplified reporting requirements.

But here's what matters: **many large companies will already need to report according to CSRD for 2024.**



↗
↖
CSRD timeline ([Worldfavor](#))

The standards: ESRS

ESRS, or the European Sustainability Reporting Standards are the “what” and “how” to CSRD’s “who”. It’s the implementation muscle of the directive.

ESRS has 3 categories:

1. Cross-cutting standards

The two mandatory standards that describe the general principles, requirements and disclosures.

Next to some general disclosures, the second standard, ESRS 2, also establishes the structure that each material topic (i.e. “sustainability matter”) to be reported will have to follow. That structure is:

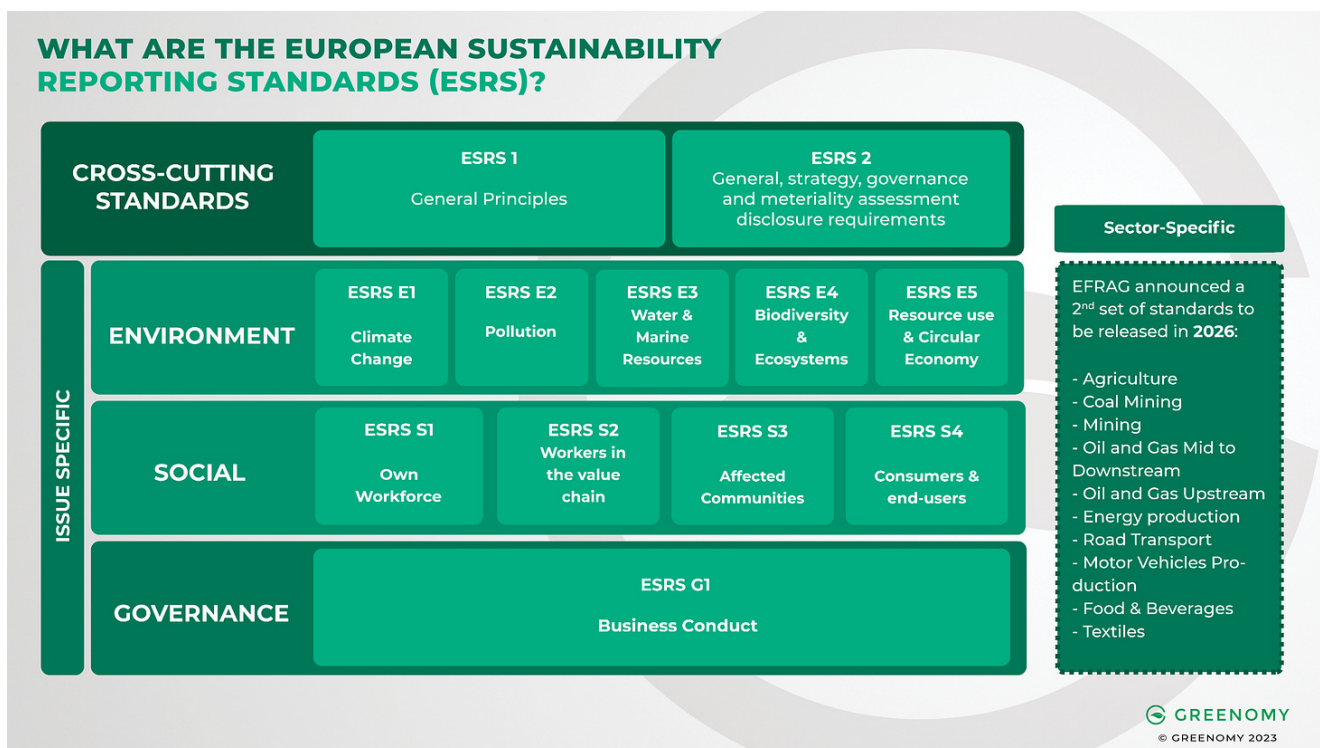
- Governance
- Strategy
- Impact, risk and opportunity (IRO) management
- Metrics and targets

2. Topical standards

The 10 standards across the ESG categories. Companies will only need to report on them if they decide that any of them is material to them. More on that in a bit.

3. Sector-specific standards

To be developed (in 2026) for the priority sectors.



European Sustainability Reporting Standards, visualized (Greenomy)

What exactly will the companies need to disclose?

You might read every ESRS standard and still be left wondering “okay, so what *exactly* will the companies need to disclose?”. Thankfully, EFRAG published a detailed list of spreadsheets of all possible ESRS data points to be disclosed. All ~1,200 of them.

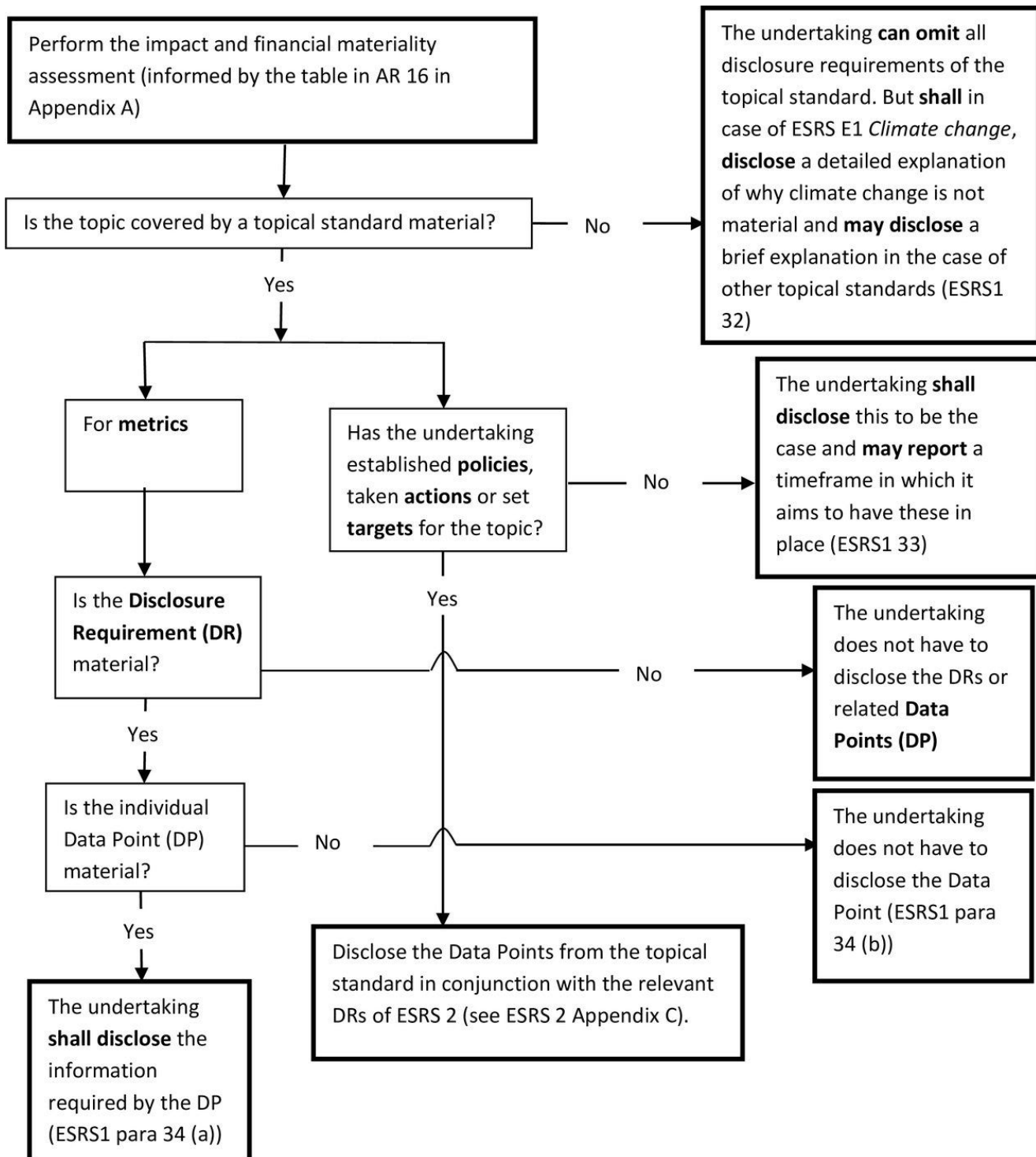
These are not the typical metrics you might expect. The majority of data points are categorized as either narrative (to describe biodiversity policies) or semi-narrative (e.g. yes/no or dropdowns). The rest are more traditional data types (e.g. numbers, or tables/list). Either way, these data points will finally use a unified digital format and will be stored centrally in the European Single Access Point (ESAP). That’s huge.

Even if the sustainability area is found material (e.g. ESRS E4 Biodiversity and Ecosystems), many data points are voluntary.

How to approach ESRS? An example

There is no one way to comply with ESRS. The exact process will differ for each company. And, after spending many days (okay, weeks) digging around, I still couldn’t explain the process without checking my plentiful notes.

That’s where the European financial & sustainability reporting standard developer EFRAG comes to the rescue. They’ve built a flowchart of the logic companies should use to determine their disclosures.



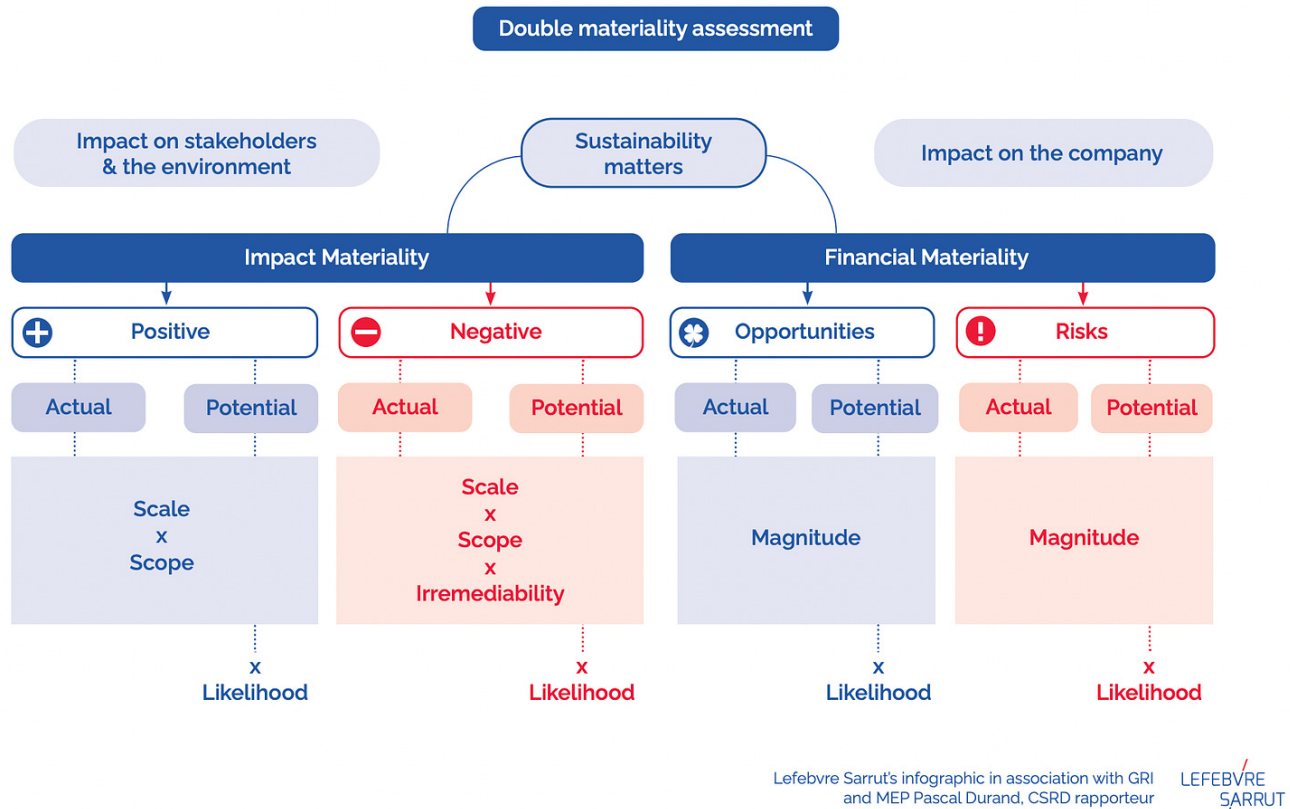
Flowchart for determining disclosures under ESRS (ESRS Official Tex, Appendix E)

Let's dig into the most important parts.

Materiality assessment

Everything in ESRS starts with a materiality assessment.

Again, no one way to do it. What matters is that the company identifies all of its sustainability-related impacts, risks & opportunities (IROs) and then selects the material (i.e. important enough) ones to itself and its stakeholders. They do so by setting custom quantitative or qualitative materiality thresholds for these IROs. For that, they consider the scale ("how deep"), scope ("how wide"), likelihood & irremediability of each.



Best visual explanation of double materiality I've seen ([CSRD Essentials](#), [GRI](#))

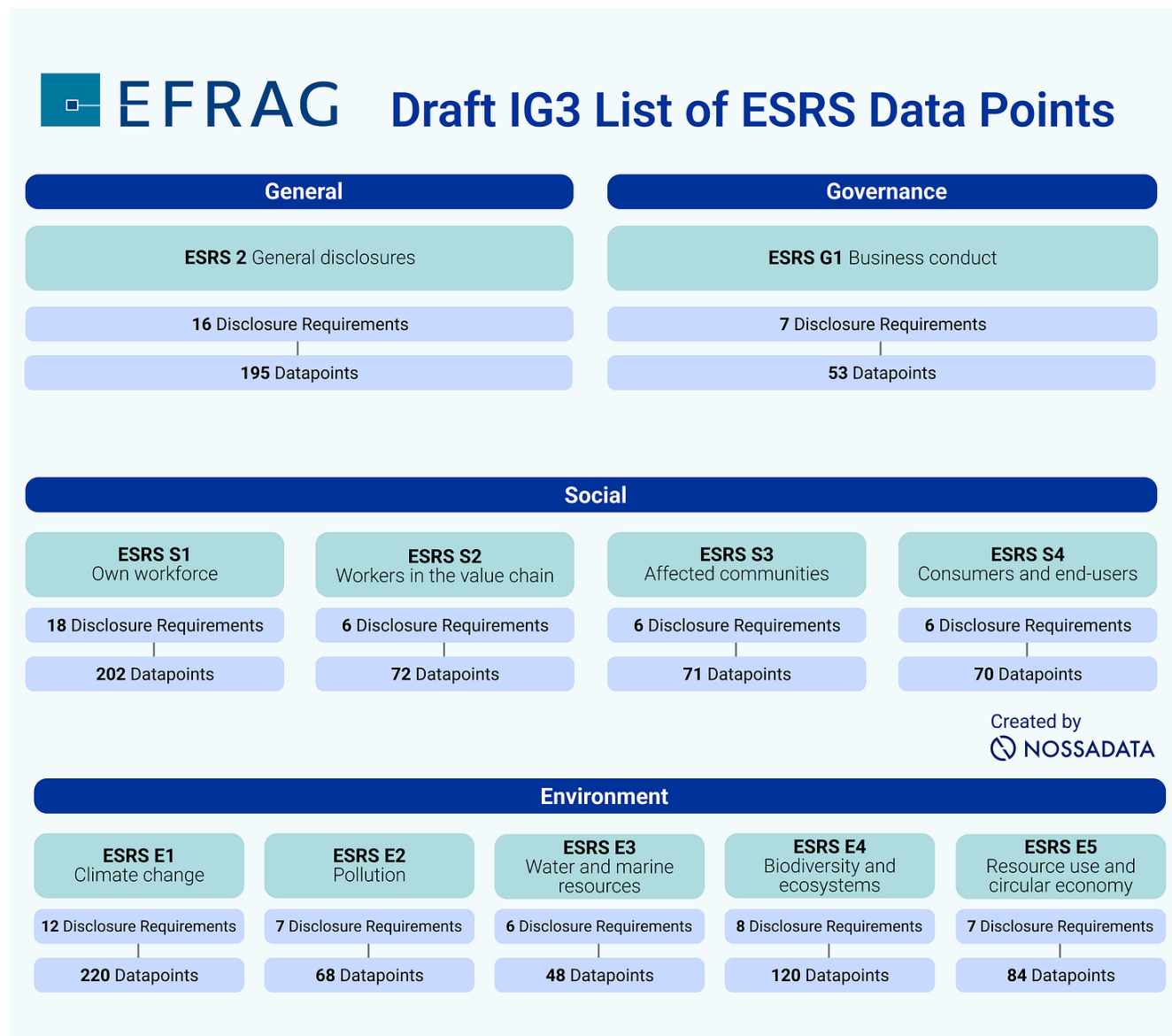
Generally, sustainability-related dependencies & impacts (DIs) are the source of financial risks & opportunities (ROs). You address the impacts & risks to then benefit from the resulting opportunities.

Most financial opportunities are based on resource efficiency and easier access to capital & new markets. Most sustainability opportunities are based on negative impact minimization.

Disclosure Requirements (DRs) vs Data Points (DPs)

Remember the disclosure structure that ESRS 2 sets? That is governance, strategy, IRO management & metrics and targets (+ basis for preparation). Each of these categories has its set of Disclosure Requirements (e.g. "Disclosure Requirement E4-5 – Impact metrics related to biodiversity and ecosystems change" under metrics and targets). And then each

DR has a set of Data Points (DPs) to disclose (e.g. one of the 20+ data points under the Disclosure Requirement E4-5 is “Disclosure of changes in ecosystem structural connectivity”).



↗ ↘
ESRS data points for each standard ([Nossa Data](#))

End result

So that's the logic: understand what is material to you and report on it (oh, and don't forget to report on the general disclosures ESRS 2).

Management report

Analysis of the development and performance of the undertaking's business and its position

The undertaking's likely future developments

Description of the principal risks and uncertainties

Corporate governance statement

Sustainability statement

1. General information

ESRS 2 General Disclosures

- Specific topical DR from topical ESRS
- Additional DR from sector specific ESRS
- List of Disclosure Requirements complied with
- Table of all the datapoints deriving from other EU legislation

2. Environmental information

Disclosures pursuant to Article 8 of Regulation 2020/852 (Taxonomy Regulation)

ESRS E1 Climate change

- Impact, risk and opportunity management and Metrics and targets DR from ESRS E1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

ESRS E5 Resource Use and Circular Economy

- Impact, risk and opportunity management and Metrics and targets DR from ESRS E5
- Additional DR from sector specific ESRS
- Potential additional entity specific information

3. Social information

ESRS S1 Own workforce

- Impact, risk and opportunity management and Metrics and targets DR from ESRS S1
- Additional DR from sector specific ESRS
- Potential additional entity specific information

ESRS S2 Workers in the value chain

- Impact, risk and opportunity management and Metrics and targets DR from ESRS S2
- Additional DR from sector specific ESRS
- Potential additional entity specific information

ESRS S4 Consumers and end-users

- Impact, risk and opportunity management and Metrics and targets DR from ESRS S4
- Additional DR from sector specific ESRS
- Potential additional entity specific information

4. Governance information

ESRS G1 Business conduct

- Impact, risk and opportunity management and Metrics and targets DR from ESRS G1
- Additional DR from sector specific ESRS
- Potential additional entity specific information



Example structure of ESRS sustainability statement could look like (ESRS Official Text, Appendix F). Here, the undertaking has concluded that biodiversity and ecosystems, pollution & affected communities

are not material.

CSRD & nature finance

So, will CSRD help scale the private side of nature finance? Well, first, we need to remember: **decreasing negative impacts is more important than increasing positive ones**. A quick way to prove it: while the famous biodiversity finance gap was estimated at ~\$700B/year, the last estimate of global environmentally harmful subsidies stands at \$2.6T/year. And that's just the subsidies. The vast majority of environmentally harmful activities don't need subsidies to continue. And since negative impact minimization is by far the biggest lever we could pull, that's the main sustainability KPI category we should look at as well. CSRD prioritizes just that.

CSRD should also lead to increased positive nature finance flows though. For proof, let's look into a couple of standards:

ESRS E1 Climate Change

From the climate finance perspective, this standard is built around the climate transition plan. The company must disclose its emission reduction targets, explain how they are compatible with the Paris Agreement's 1.5°C goal and, if possible, with achieving climate neutrality by 2050.

Carbon credits

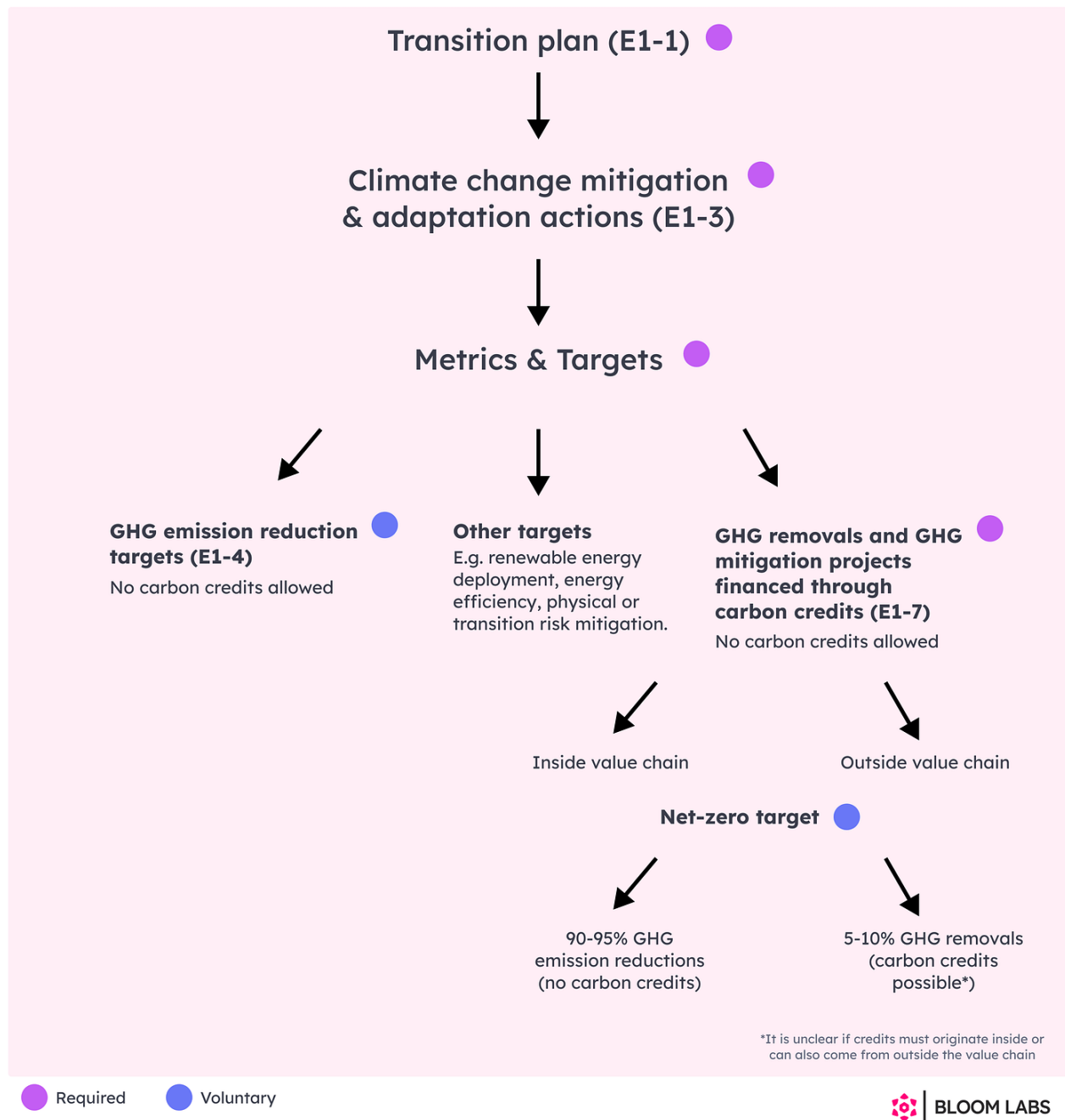
And that's where carbon credits come into play: although they can be used in the transition plan, carbon credits *cannot* be part of the GHG emission reduction targets. Here, only direct reductions count. Even the emission reductions or avoided emissions within the company's value chain (i.e. direct operations + upstream & downstream activities) cannot count towards the emission reduction targets if they don't directly come from existing emission sources. So planting a forest next to your factory won't help to reach your targets. Only absolute emission reductions from the factory itself will. It sounds like Science Based Targets Network (SBTN) is also leaning in the same direction for nature credits as well.

Carbon credits can play a part in a couple of ways though. They might be the last 5-10% a company needs to achieve its net-zero target. Or, they could just be used as contributions to climate finance (i.e. no offsetting).

So here's the question: will companies be incentivized to buy carbon credits if they (almost) can't make shiny claims with them anymore? For the supporters of the contribution claims and Beyond Value Chain Mitigation (BVCM), this is the ultimate test. EU's green claims directive might play an important part here as well.

What matters is ensuring that carbon credits don't interfere with the reduction targets. Some say that's the case, others say the exact opposite - companies who buy carbon credits are more likely to decarbonize faster in their industry. Frankly, I haven't yet done the research to have a strong opinion here.

ESRS E1 <> Nature Finance



A quick sketch of how ESRS E1 could impact nature finance (if companies utilize nature instead of carbon-sucking machines, that is)

ESRS E3 Water and Marine Resources

This standard almost solely focuses on impact minimization (i.e. use less water, put less bad stuff in the water & use marine resources more sustainably).

At the policy level, companies are encouraged to protect & improve the aquatic environment. The only thing related to nature finance is the mention of “restoration and regeneration of aquatic ecosystem and water bodies.” as a potential action to be taken. And for credit folks - no, they aren’t mentioned. That should give the companies the flexibility to either restore marine ecosystems themselves, contract someone else to do it or use credits for that.

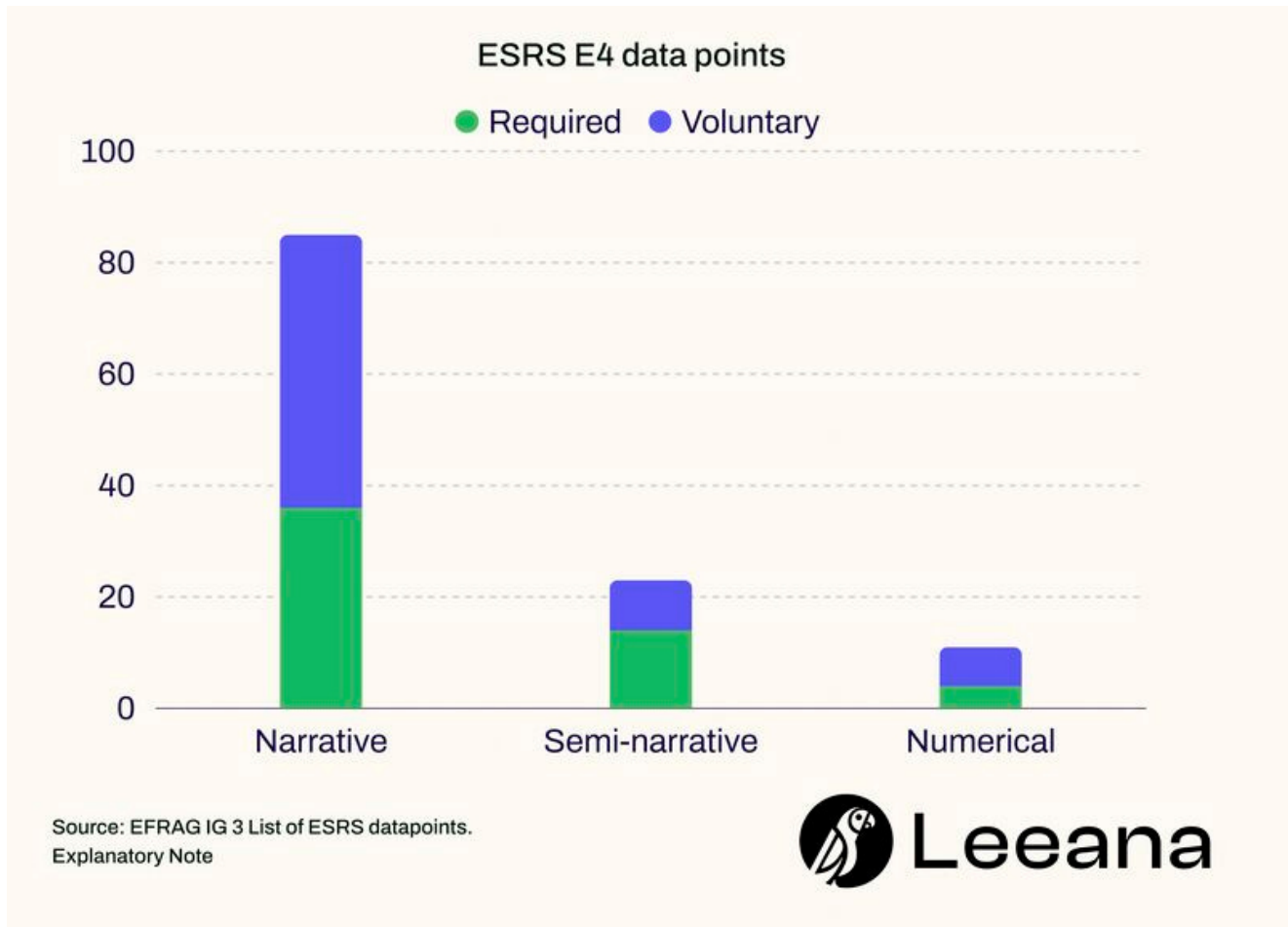
ESRS E4 Biodiversity and Ecosystems

And here goes the most important one to biodiversity credit folks.

Unsurprisingly, the core focus is once again negative impact minimization. For biodiversity, it comes in the form of the 5 main biodiversity loss drivers: land/freshwater/sea use change, direct exploitation of organisms, climate change, pollution & invasive species. The company will need to conduct a materiality assessment for all of these & more. Collectively, they are called “sustainability matters”. *You can find a non-exhaustive list of these in the appendix below.*

If biodiversity and ecosystems are assessed as material, the rest will revolve around the transition plan (similar to climate’s ESRS E1). Ideally, it should align with our overarching biodiversity goals from the Global Biodiversity Framework, EU Biodiversity Strategy for 2030, planetary boundaries (i.e. biosphere integrity & land system change) & more.

From there, we have a long list of disclosure data points. Here’s what they look like:

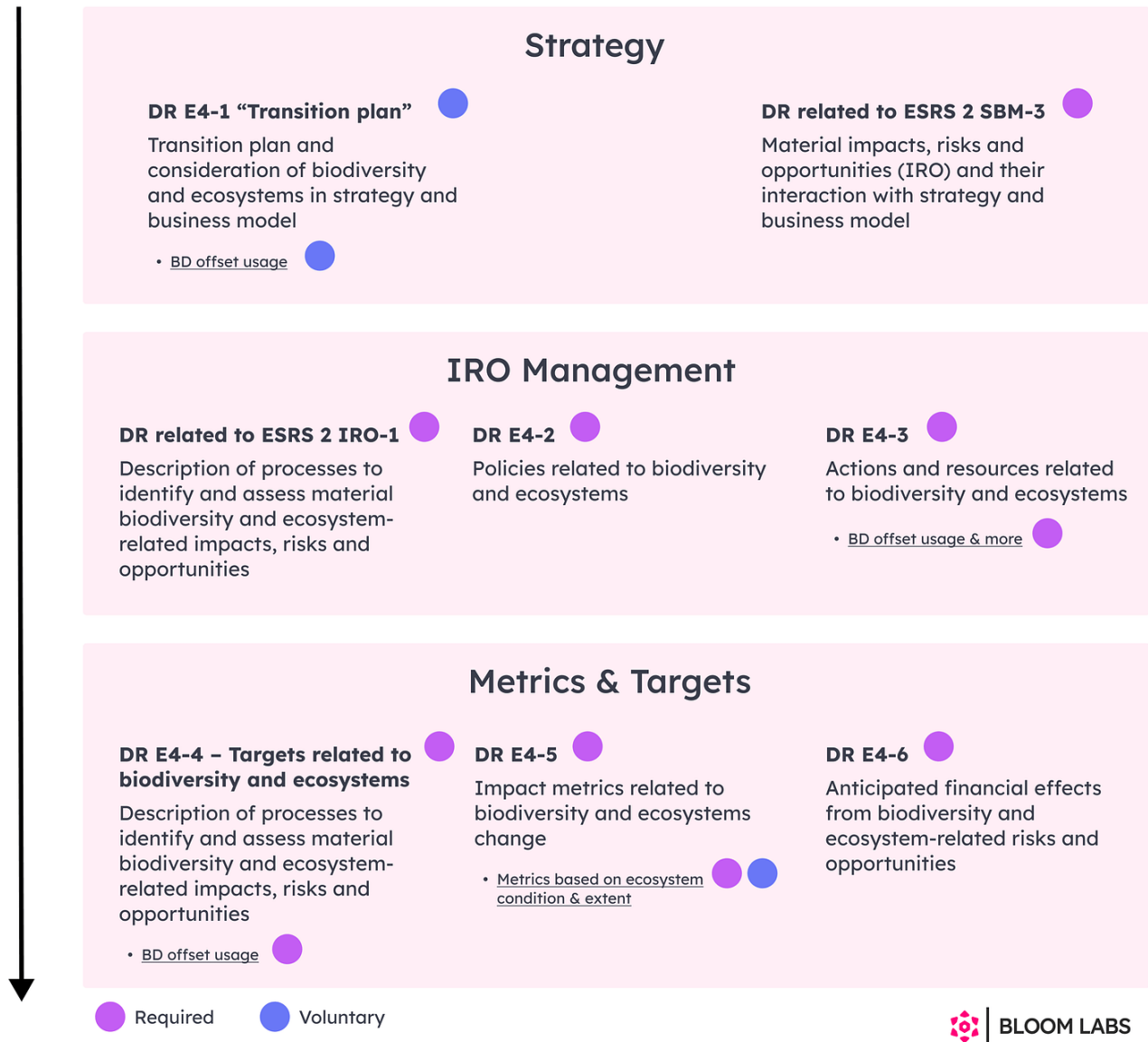


↗
↖
ESRS E4 data points ([Leeana](#))

Biodiversity credits

Let's look into how ESRS E4 might affect the nature finance flows coming from these corporates.

ESRS E4 <> Nature Finance



↗ ↘
A quick sketch of how ESRS E4 could impact nature finance

Offsets in the transition plan

If the company decides to use biodiversity offsets in its transition plan, it *may* explain how it does so, the scale of its usage and if it considered the mitigation hierarchy (i.e. avoid → minimize → restore → offset, in that order).

Actually, this whole standard & its transition plan is one big mitigation hierarchy to me. What matters is that offsets are used in addition to, not *instead of* impact minimization.

Offsets in IRO management

Here, the company may disclose how it has applied the mitigation hierarchy in its actions. It *must* disclose if it used biodiversity offsets in its action plans though. If it has, it must disclose:

- the aim of the offset and key performance indicators used;
- the financing effects (direct and indirect costs) of biodiversity offsets in monetary terms;
- a description of offsets including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with.

It must also describe whether and how it has incorporated local and indigenous knowledge and nature-based solutions into biodiversity and ecosystems-related actions.

Metrics and targets

Let's look into how a company's metrics and targets might affect the money flows to nature.

Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems

As the title says, here the companies **must** disclose their relevant targets. Here's what it might look like:

Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope			Connected policy or legislation relevant if
		2025	2030	Up to 2050	
Avoidance					
Minimisation					
Rehabilitation and restoration					
Compensation or offsets					



Example presentation of company's biodiversity & ecosystems targets ([ESRS E4](#))

I'm not sure if this table is meant for separate activities (e.g. raw material procurement or manufacturing process) or separate biodiversity loss drivers (e.g. total land use or pollution) though.

Disclosure Requirement E4-5 – Impact metrics related to biodiversity and ecosystems change

As the title suggests, the company will have to report metrics related to its material impacts on biodiversity & ecosystems. Let me cherry-pick some snippets to prove how important ecosystem condition & extent are:

- 35. If the undertaking identified **sites** located in or near **biodiversity-sensitive areas** that it is negatively affecting (see paragraph 19(a)), the undertaking shall disclose the number and area **<- ecosystem extent** (in hectares) of sites owned, leased or managed in or near these protected areas or key **biodiversity** areas.
- 36. If the undertaking has identified material impacts with regards to land-use change, or impacts **ecosystem condition & extent ->** on the extent and condition of **ecosystems**, it may also disclose their land-use based on a Life Cycle Assessment.
- 38. If the undertaking has concluded that it directly contributes to the **impact drivers** of **land-use change, freshwater**-use change and/or sea-use change, it shall report relevant **metrics**. The undertaking may disclose metrics that measure:
 - (a) the conversion over time (e.g. 1 or 5 years) of land cover (e.g. **deforestation** or mining); **<- ecosystem extent**
 - (b) changes over time (e.g. 1 or 5 years) in the management of the ecosystem (e.g., through the intensification of agricultural management, or the application of better management practices or forestry harvesting); **<- impacts to ecosystem condition**
 - (c) changes in the spatial configuration of the landscape (e.g. fragmentation of **habitats**, changes in ecosystem connectivity); **<- ecosystem condition (& extent?)**
 - (d) changes in ecosystem structural connectivity (e.g. habitat permeability based on physical features and arrangements of habitat patches); and **<- ecosystem condition (& extent?)**
 - (e) the functional connectivity (e.g. how well genes or individuals move through land, freshwater and seascape). **<- ecosystem condition (& extent?)**
- 41. If the undertaking identified material impacts related to ecosystems, it may disclose:
 - (a) with regard to ecosystems extent, **metrics** that measure area coverage of a particular ecosystem without necessarily considering the quality of the area being assessed, such as **habitat** cover. For example, forest cover is a measure of the extent of a particular ecosystem type, without factoring in the condition of the ecosystem (e.g., provides the area without describing the species diversity within the forest). **<- ecosystem extent**
 - (b) with regard to ecosystems condition: **<- ecosystem condition**
 - i. metrics that measure the quality of ecosystems relative to a pre-determined reference state;
 - ii. metrics that measure multiple species within an ecosystem rather than the number of individuals within a single species within an ecosystem (for example: scientifically established species richness and abundance indicators that measure the development of (native) species composition within an ecosystem against the reference state at the beginning of the first reporting period as well as the targeted state outlined in the Kunming-Montreal Global Biodiversity Framework, or an aggregation of species' conservation status if relevant); or iii. metrics that reflect structural components of condition such as habitat connectivity (i.e., how linked habitats are to each other).
- AR 26. Measurable **targets** related to **biodiversity** and **ecosystems** may be expressed as:
 - (a) size and location of all **habitat** areas protected or restored, whether directly or indirectly controlled by the undertaking, and whether the success of the restoration measure was or is approved by independent external professionals; **<- ecosystem extent**
 - (b) recreated surfaces (environments in which management initiatives are implemented so as to create a habitat on a **site** where it did not exist initially); or **<- ecosystem extent**
 - (c) number or percentage of projects / sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors).



I don't mean to discount the species-related disclosures. Companies can disclose targets & metrics related to invasive species, species extinction risk & single species population size and range as well. But since the vast majority of biodiversity credits are land-based, they might not be the best mechanism to use for species-related targets (at least for now). Beyond minimizing impacts on species, internal value chain projects or custom species projects might work better.

Summary

Land, land, land

In climate, the common unit of account is tons of CO2 equivalent. In biodiversity, it is hectares. Or rather “condition-adjusted area” (ecosystem condition x extent = quality hectares). The genius of using the same unit to measure both negative and positive impacts is that it dramatically simplifies accounting. And that makes it easier to act (i.e. minimize negative impacts, maximize positive impacts). We’re not there yet for nature but we’re getting closer.

May (not shall)

Unlike ESRS E1, the biodiversity standard has fewer “shalls” and more “mays”. Most importantly, the companies are not required to disclose their transition plan here. Without it, how can the companies be forced to set ambitious nature targets?

Credits vs offsets

Guess how many times “biodiversity credits” are mentioned in the ESRS E4. That’s right - 0. “Biodiversity offsets” is the preferred term here. That tells a lot. The standard doesn’t even acknowledge that biodiversity credits could be used for something other than offsetting. Will we see contribution claims mentioned in the future? Who knows.

“Start with nature risk”

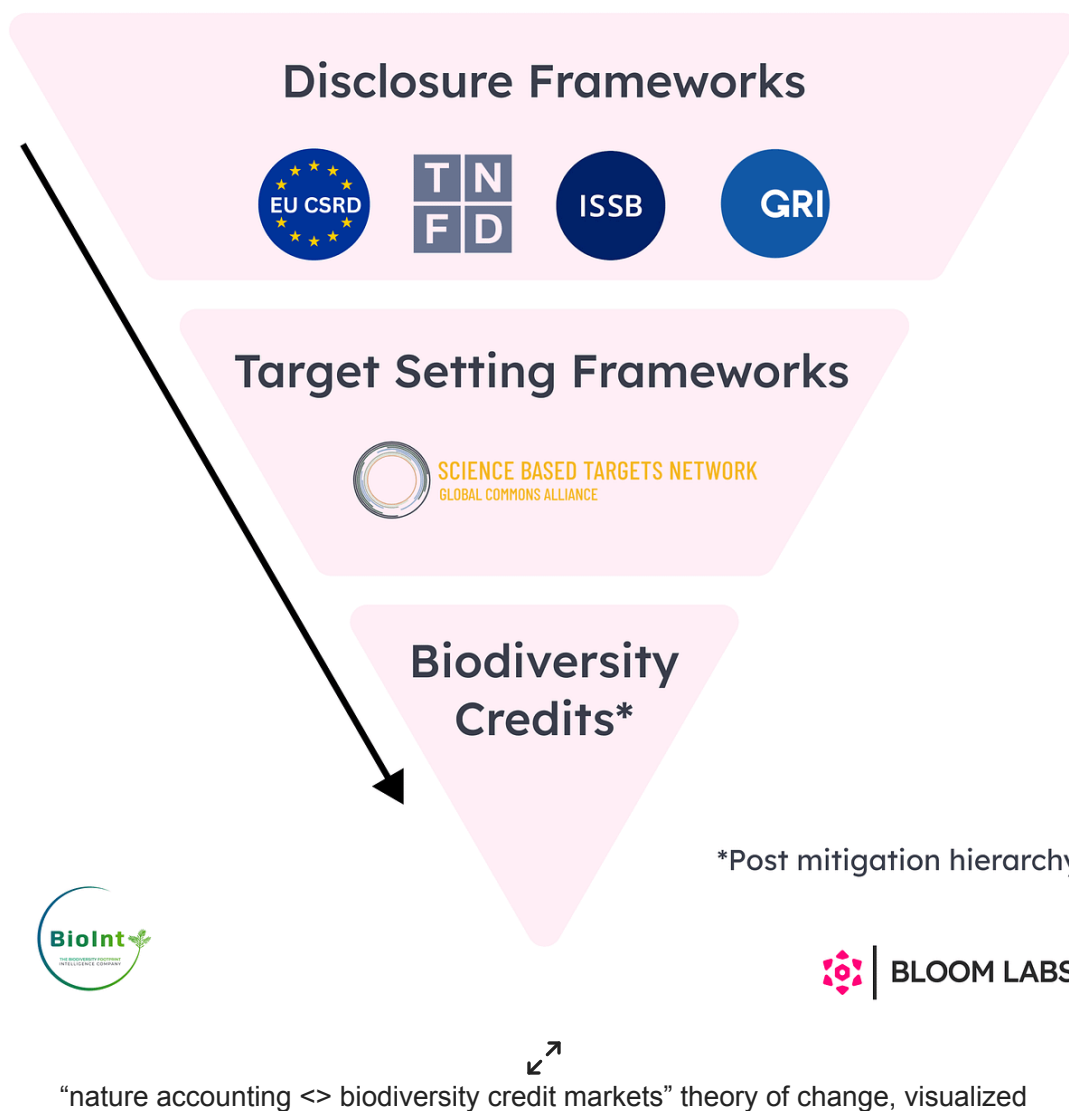
I know that’s what Raviv Turner would say if asked how to scale nature finance. Relevant ecosystem services are key to attracting private finance. The problem is, most companies don’t even know how much they depend on them. If nature reporting helps uncover more of these dependencies, investing in addressing them is the practical (read: commercial) solution for companies.

Nature accounting & biodiversity credit markets

Just to remind folks, here’s the “nature accounting <> biodiversity credit markets” theory of change:

1. Companies start reporting on nature (sometimes voluntarily, usually not).
2. As a result, they finally develop a corporate nature strategy (just like they have for climate).
3. Ideally, the strategy includes some targets.
4. They prioritize decreasing negative impacts on nature (avoid → minimize → restore).

5. Some/many unmitigated impacts remain. One of the solutions is to buy biodiversity credits to 1. contribute to global biodiversity goals and/or 2. offset your remaining impacts.



Parting thoughts

Here's the main question I was left with: what proportion of companies will consider biodiversity & ecosystems (and climate change + water & marine resources) material and what will they do about it?

ESRS E4, just like many (all?) other ESRS standards, is challenging if you take it seriously. As far as I can tell, no company is incentivized to consider biodiversity & ecosystems material if they aren't actually serious about addressing it. Companies from some industries

(e.g. food & beverage) will probably have a hard time justifying ESRS E4 as immaterial. I would expect many other industries to do just that though. Even if in the long (or even short) run, it comes at a detriment to their bottom line.

Here's the paradox of biodiversity: virtually every company depends on it but few address it. My explanation of this paradox comes in 3 words: "long feedback loops". Few companies depend on biodiversity *directly*. Most are protected by one, two (or ten?) layers of abstraction. If you're Google, apart from your guzzling data centers and their desperate reliance on water, you might claim that your 7 products (each with 1 billion+ users) don't rely on biodiversity. And that might be true. Your customers (or their customers) probably couldn't claim the same.

That's why it's so difficult to make anyone pay for it. That's how it goes with public goods. And that's why ambitious and timely environmental action must be led by policy, not private sector. The private sector is of course indispensable and can play a crucial part in making policy goals happen. But it cannot self-govern the response to the global environmental crisis.

Phew. That was a lot. I'll try to be more brief next time (keyword: try).

Have a good day!

Appendix

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E1	Climate change	- Climate change adaptation - Climate change mitigation - Energy	
ESRS E2	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	Water and marine resources	- Water - Marine resources	- Water consumption - Water withdrawals - Water discharges - Water discharges in the oceans - Extraction and use of marine resources
ESRS E4	Biodiversity and ecosystems	- Direct impact drivers of biodiversity loss	- Climate Change - Land-use change, fresh water-use change and sea-use change - Direct exploitation - Invasive alien species - Pollution - Others
		- Impacts on the state of species	Examples: - Species population size - Species global extinction risk
		- Impacts on the extent and condition of ecosystems	Examples: - Land degradation - Desertification - Soil sealing
		- Impacts and dependencies on ecosystem services	
ESRS E5	Circular economy	- Resources inflows, including resource use - Resource outflows related to products and services - Waste	
ESRS S1	Own workforce	- Working conditions	- Secure employment - Working time - Adequate wages - Social dialogue - Freedom of association, the existence of works councils and the information, consultation and participation rights of workers - Collective bargaining, including rate of workers covered by collective agreements - Work-life balance - Health and safety
		- Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Training and skills development - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity
		- Other work-related rights	- Child labour - Forced labour - Adequate housing - Privacy
ESRS S2	Workers in the value chain	- Working conditions	- Secure employment - Working time - Adequate wages - Social dialogue - Freedom of association, including the existence of work councils - Collective bargaining - Work-life balance - Health and safety
		- Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Training and skills development - The employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity
		- Other work-related rights	- Child labour - Forced labour - Adequate housing - Water and sanitation - Privacy
ESRS S3	Affected communities	- Communities' economic, social and cultural rights	- Adequate housing - Adequate food - Water and sanitation - Land-related impacts - Security-related impacts
		- Communities' civil and political rights	- Freedom of expression - Freedom of assembly - Impacts on human rights defenders
		- Rights of indigenous peoples	- Free, prior and informed consent - Self-determination - Cultural rights
ESRS S4	Consumers and end- users	- Information-related impacts for consumers and/or end-users	- Privacy - Freedom of expression - Access to (quality) information
		- Personal safety of consumers and/or end-users	- Health and safety - Security of a person - Protection of children
		- Social inclusion of consumers and/or end-users	- Non-discrimination - Access to products and services - Responsible marketing practices
ESRS G1	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	- Prevention and detection including training



Sustainability matters covered in topical ESRS. This list is *not* exhaustive.