



Webinar

12 September 2024

The structure of the Sustainability Statement



Agenda

1. The Sustainability Statement structure

What do the ESRS say?

1. Working with the Sustainability Statement in practise

How to determine the reporting boundaries?

How to apply Minimum Disclosure Requirements?

1. Key elements to be aware of

2. Questions and Answers



An aerial photograph of a winding asphalt road cutting through a dense, lush forest. A white car is driving on the road, moving away from the viewer. The forest is composed of various shades of green and brown, suggesting a mix of tree types and possibly some autumnal changes. The sky above is filled with soft, white clouds.

The Sustainability Statement Structure

... What do the ESRS say?

Illustrative structure - ESRS 2 General disclosures

Management report

Analysis of the development and performance of the undertakings business and its position

The undertakings likely future developments

Description of the principal risks and uncertainties

Corporate governance statement

Sustainability statements

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 data points 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 E2 Pollution

- Impact, risk and opportunity management and Metrics and targets DR from ESRS E2
- Additional DR from sector specific ESRS
- Potential additional entity specific information

Etc...

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

Etc...

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



01

General information section

Illustrative structure - ESRS 2 General disclosures

Mandatory disclosures

Section	Disclosure requirement content	Disclosure requirement number
1.1 Basis for preparation	General basis for preparation of the sustainability statement	BP-1
	Disclosures in relation to specific circumstances	BP-2
1.2 Governance	The role of the administrative, management and supervisory bodies	GOV-1
	Information provided to, and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	GOV-2
	Sustainability-related performance in incentive schemes	GOV-3
	Statement on due diligence	GOV-4
	Risk management and internal controls over sustainability reporting	GOV-5
1.3 Strategy	Strategy, business model and value chain	SBM-1
	Interests and views of stakeholders	SBM-2
	Material impacts, risks and opportunities and how they interact with its strategy and business model	SBM-3
1.4 Impact, risk and opportunity management	Process to identify and assess material impacts, risks and opportunities <ul style="list-style-type: none"> • ESRS E1 Climate change (paragraph 20 to 21)* • ESRS E2 Pollution (paragraph 11)* • ESRS E3 Water and marine resources (paragraph 8)* • ESRS E4 Biodiversity and ecosystems (paragraph 17 to 19)* • ESRS E5 Resource use and circular economy (paragraph 11)* • ESRS G1 Business conduct (paragraph 6)* 	IRO-1
	Disclosure requirements in ESRS covered by the sustainability statement**	IRO-2

* The required topical information shall be reported alongside the ESRS 2 IRO-1 disclosure requirement.

If climate change is not deemed to be material and therefore all disclosure requirements in ESRS E1 Climate change are omitted, a detailed explanation of the conclusions of the materiality assessment with regard to climate change **shall be disclosed alongside the ESRS 2 IRO-2 disclosure requirement.

This shall include a forward-looking analysis of the conditions that could lead the company concluding that climate change is material in the future.

Illustrative structure - ESRS 2 General disclosures

Disclosures based on materiality

Section	Disclosure requirement content	Disclosure requirement number
1.2 Governance	The role of the administrative, management and supervisory bodies	GOV-1
	<ul style="list-style-type: none"> • ESRS G1 Business conduct (paragraph 5)* Sustainability-related performance in incentive schemes	GOV-3
1.3 Strategy	Interests and views of stakeholders	SBM-2
	<ul style="list-style-type: none"> • ESRS S1 Own workforce (paragraph 12)* • ESRS S2 Workers in the value chain (paragraph 9)* • ESRS S3 Affected communities (paragraph 7)* • ESRS S4 Consumers and end-users (paragraph 8)* Material impacts, risks and opportunities and how they interact with its strategy and business model	SBM-3
	<ul style="list-style-type: none"> • ESRS E1 Climate change (paragraphs 18 to 19)** • ESRS E4 Biodiversity and ecosystems (paragraph 16)** • ESRS S1 Own workforce (paragraph 13 to 16)** • ESRS S2 Workers in the value chain (paragraph 10 to 13)** • ESRS S3 Affected communities (paragraph 8 to 11)** • ESRS S4 Consumers and end-users (paragraph 9 to 12)** 	

*The required topical information **must** be reported alongside the relevant ESRS 2 disclosure requirement in the “General information” section, if the sustainability topic is deemed to be material.

**The required topical information related to SBM-3 shall be presented alongside the ESRS 2 SBM-3 disclosure requirement in the “General information” section, if the sustainability topic is deemed to be material. Additionally, the required SBM-3 related information can also be presented in the related topical section.

Illustrative structure - ESRS 2 General disclosures

Mandatory disclosures

Section	Disclosure requirement content	Disclosure requirement number
1.1 Basis for preparation	General basis for preparation of the sustainability statement	BP-1
	Disclosures in relation to specific circumstances	BP-2
1.2 Governance	The role of the administrative, management and supervisory bodies	GOV-1
	Information provided to, and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	GOV-2
	Sustainability-related performance in incentive schemes	GOV-3
	Statement on due diligence	GOV-4
	Risk management and internal controls over sustainability reporting	GOV-5
1.3 Strategy	Strategy, business model and value chain	SBM-1
	Interests and views of stakeholders	SBM-2
	Material impacts, risks and opportunities and how they interact with its strategy and business model	SBM-3
1.4 Impact, risk and opportunity management	Process to identify and assess material impacts, risks and opportunities <ul style="list-style-type: none"> • ESRS E1 Climate change (paragraph 20 to 21)* • ESRS E2 Pollution (paragraph 11)* • ESRS E3 Water and marine resources (paragraph 8)* • ESRS E4 Biodiversity and ecosystems (paragraph 17 to 19)* • ESRS E5 Resource use and circular economy (paragraph 11)* • ESRS G1 Business conduct (paragraph 6)* 	IRO-1
	Disclosure requirements in ESRS covered by the sustainability statement**	IRO-2

Let's dig into IRO-2

ESRS 2 IRO-2

Disclosure requirements in ESRS covered by the company's sustainability statement

ESRS	DR	Name of DR	Page	Paragraph
General information				
ESRS 2	BP-1	General basis for preparation of sustainability statements	x	x
ESRS 2	BP-2	Disclosures in relation to specific circumstances	x	x
ESRS 2	GOV-1	The role of administrative, management and supervisory bodies	x	x
ESRS 2	GOV-2	Information provided to, and sustainability matters addressed by the company's administrative, management and supervisory bodies	x	x
	GOV-3	Integration of sustainability-related performance in incentive schemes	x	x
	GOV-4	Statement on due diligence	x	x
	GOV-5	Risk management and internal controls over sustainability reporting	x	x
	SBM-1	Strategy, business model and value chain	x	x
	SBM-2	Interests and views of stakeholders	x	x
	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	x	x
	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	x	x
	IRO-2	Requirements in ESRS covered by the undertaking's sustainability statement	x	x
Environmental information				
ESRS E	N/A	Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)	x	x
ESRS E1	E1-1	Transition plan for climate change mitigation	x	x
ESRS E1	...	...	x	x
Social information				
ESRS S1	S1-1	Policies related to own workforce	x	x
ESRS S1	...	...	x	x
Governance information				
ESRS G1	G1-1	Business conduct policies and corporate culture	x	x
ESRS G1	...	...	x	x

The reporting company shall include a list of disclosure requirements complied with in preparing the sustainability statement, following the outcome of the materiality assessment, including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement.

This **may** be presented as a content index.

ESRS 2 IRO-2

Below is an extract from ESRS 2 Appendix B:

List of data points in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page	Materiality
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816, Annex II		X	
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816 Annex II			Not material

The reporting company **shall** include a table of all the data points and topical standards that derive from other EU Legislation, indicating where they can be found in the sustainability statement.

OBS:

All of the data points listed in ESRS 2 Appendix B need to be listed, even the ones that are not material.

In this case the company need to state that the information is “not material”.



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Environmental information section

Illustrative Structure for Subsection 2.1: EU Taxonomy

Section	Disclosure requirement content	Disclosure requirement number
EU Taxonomy		
2.1 EU Taxonomy	Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)	N/A
E1 Climate change		
2.2.1 E1 Climate change Strategy	Transition plan for climate change mitigation	E1-1*
2.2.2 E1 Climate Change IRO management	Policies related to climate change mitigation and adaptation	E1-2*
	Actions and resources in relation to climate change policies	E1-3*
2.2.3 E1 Climate change Metrics and targets	Targets related to climate change mitigation and adaptation	E1-4*
	Energy consumption and mix	E1-5*
	Gross Scopes 1, 2, 3 and Total GHG emissions	E1-6*
	GHG removals and GHG mitigation projects financed through carbon credits	E1-7*
	Internal carbon pricing	E1-8*
	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	E1-9*
	E.g. entity specific metrics	

EU Taxonomy disclosures shall be presented together in a **clearly identifiable** part of the "Environmental information" section.

Illustrative structure for subsection 2.2: ESRS E1 Climate change

Section	Disclosure requirement content	Disclosure requirement number
EU Taxonomy		
2.1 EU Taxonomy	Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)	N/A
E1 Climate change		
2.2.1 E1 Climate change Strategy	Transition plan for climate change mitigation	E1-1*
2.2.2 E1 Climate Change IRO management	Policies related to climate change mitigation and adaptation	E1-2*
	Actions and resources in relation to climate change policies	E1-3*
2.2.3 E1 Climate change Metrics and targets	Targets related to climate change mitigation and adaptation	E1-4*
	Energy consumption and mix	E1-5*
	Gross Scopes 1, 2, 3 and Total GHG emissions	E1-6*
	GHG removals and GHG mitigation projects financed through carbon credits	E1-7*
	Internal carbon pricing	E1-8*
	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	E1-9*
	E.g. entity specific metrics	

OBS:

Minimum disclosure requirements shall be applied together with the corresponding disclosure requirements and application requirements in the topical ESRS. This information shall be presented in the section with the related topic.



03

Social information section

Illustrative structure for subsection 3.1: ESRS S1 Own workforce

Section	Disclosure requirement content	Disclosure requirement number
3.1.1 Own workforce IRO management	Policies related to own workforce	S1-1*
	Processes for engaging with own workers and workers' representatives about impacts	S1-2*
	Processes to remediate negative impacts and channels for own workers to raise concerns	S1-3*
	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	S1-4*
3.1.2 Own workforce Metrics and targets	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S1-5*
	Characteristics of the company's employees	S1-6*
	Characteristics of non-employee workers in the company's own workforce	S1-7*
	Collective bargaining coverage and social dialogue	S1-8*
	Diversity metrics	S1-9*
	Adequate wages	S1-10*
	Social protection	S1-11*
	Persons with disabilities	S1-12*
	Training and skills development metrics	S1-13*
	Health and safety metrics	S1-14*
	Work-life balance metrics	S1-15*
	Compensation metrics (pay gap and total compensation)	S1-16*
	Incidents, complaints and severe human rights impacts	S1-17*
E.g. entity specific metrics		

OBS:

Minimum disclosure requirements shall be applied together with the corresponding disclosure requirements and application requirements in the topical ESRS. This information shall be presented in the section with the related topic.



04


Governance information section

Illustrative structure for section 4: ESRS G1 Business conduct

Section	Disclosure requirement content	Disclosure requirement number
4❖1❖1 Business conduct IRO management	Corporate culture and business conduct policies and corporate culture	G1-1*
	Management of relationships with suppliers	G1-2*
	Prevention and detection of corruption and bribery	G1-3*
4❖1❖2 Business conduct Metrics and targets	Confirmed incidents of corruption or bribery	S1-4*
	Political influence and lobbying activities	S1-5*
	Payment practices	S1-6*
	E.g. entity specific disclosures	

OBS:

Minimum disclosure requirements shall be applied together with the corresponding disclosure requirements and application requirements in the topical ESRS. This information shall be presented in the section with the related topic.



Working with the Sustainability Statement in practise

... How to determine the reporting boundaries?

The different “layers” of reporting boundaries

The reporting boundary for the sustainability statement is not always the same as the reporting boundary for the financial statements. Entities need to understand the entity’s reporting obligations under the CSRD as well as any reporting exemptions which the entity intends to use.

Own operation

- The parent entity
- Subsidiaries
- Joint operations where assets and liabilities are in scope of consolidation in the financial statements

Operational control

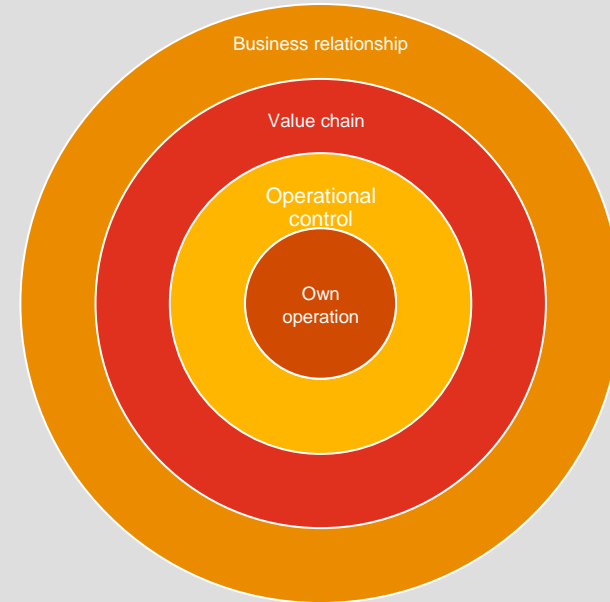
- Sites, assets, and undertakings (including associates, joint ventures, and joint operations) outside the financial perimeter can be under “operational control”
- The concept is applied in ESRS E1 Climate change, E2 Pollution, and E4 Biodiversity and ecosystems.

Value chain (suppliers and customers)

- Direct and indirect business relationships in the entity’s upstream and/or downstream value chain, i.e. customers and suppliers.
- Not limited to direct contractual relationships and may include information on IROs throughout the entire supply chain, i.e. beyond tier 1 (beyond first customer or first supplier).
- Associates, joint ventures, and joint operations may be actors in the reporting entity’s value chain. When disclosing information on metrics, the data shall not be limited to the share of equity held.

Business relationship (investments)

- Shareholding positions in associates and joint ventures and other investments which are neither under operational control nor actors in the value chain.



Operational control

Some environmental standards require reporting on entities, sites, operations, or assets under the reporting entity's "Operational control".

Some of the environmental standards require reporting on entities, sites, operations, or assets under the entity's "**Operational control**" where these are not already part of "own operations".

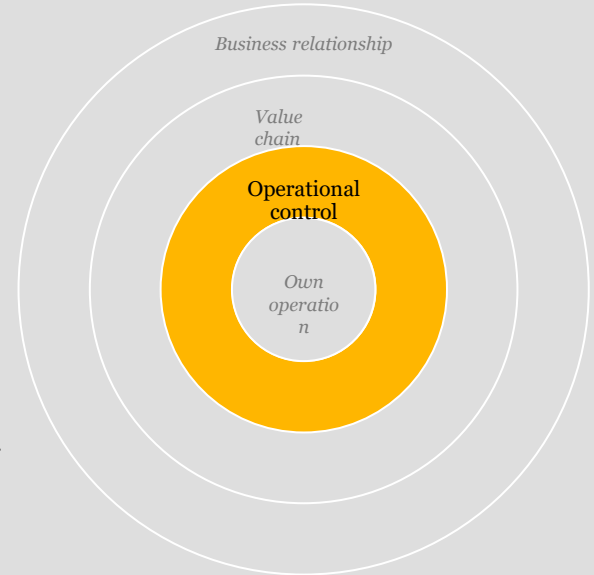
The definition of "operational control" is (from *Annex II, Table 2 Terms defined in the ESRS*):


"Operational control (over an entity, site, operation or asset) is the situation where the undertaking has the ability to direct the operational activities and relationships of the entity, site, operation or asset."

Determining whether operational control exists, depends on **facts and circumstances**. Not having the authority to make all decisions concerning an operation does not affect the determination of operational control (*EFRAG VCIG 44*).

Entities such as **associates, joint ventures, and joint operations** can be under operational control. As entities under operational control are considered own operations rather than value chain, the entity shall include 100% of relevant emissions, irrespective of its ownership percentage.

The concept of "operational control" is mentioned in three environmental standards: ESRS E1 Climate change, ESRS E2 Pollution and ESRS E4 Biodiversity and ecosystems.





Working with the Sustainability Statement in practise

*... How to apply Minimum Disclosure
Requirements?*

What are Minimum Disclosure Requirements?

ESRS 2 implements the **Minimum Disclosure Requirements (MDRs)** set out in ESRS 1 for companies to report on.

The purpose of the MDRs is to establish a common reference base for all ESRS to avoid diverging content.

There are **MDRs for** Policies (MDR-P), Actions (MDR-A), Targets (MDR-T) and Metrics (MDR-M).

MDRs shall be applied together with the corresponding Disclosure Requirements and Application Requirements in the topical ESRS.

And the reported information shall be presented in the section with the related topic.

ESRS 2 - General disclosures

Area	Disclosure requirement (DR)
Basis for preparation	<ul style="list-style-type: none"> BP-1 – General basis for preparation of sustainability statements BP-2 – Disclosures in relation to specific circumstances
Governance (GOV)	<ul style="list-style-type: none"> GOV-1 – The role of the administrative, management and supervisory bodies GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies GOV-3 – Integration of sustainability-related performance in incentive schemes GOV-4 – Statement on due diligence GOV-5 – Risk management and internal controls over sustainability reporting
Strategy (SBM)	<ul style="list-style-type: none"> SBM-1 – Strategy, business model and value chain SBM-2 – Interests and views of stakeholders SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model
Impact, risk and opportunity management (IRO management)	<p><i>Disclosures on the materiality assessment process</i></p> <ul style="list-style-type: none"> IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement
	<p><i>Minimum disclosure requirement on policies and actions</i></p> <ul style="list-style-type: none"> Policies MDR-P – Policies adopted to manage material sustainability matters Actions MDR-A – Actions and resources in relation to material sustainability matters
Metrics and targets (MT)	<p><i>Minimum disclosure requirement on metrics and targets</i></p> <ul style="list-style-type: none"> Metrics MDR-M – Metrics in relation to material sustainability matters Targets MDR-T – Tracking effectiveness of policies and actions through targets

Example of Minimum Disclosure Requirements

Minimum Disclosure Requirement - Policies

Minimum Disclosure Requirement – Policies MDR-P – Policies adopted to manage material sustainability matters

63. The undertaking shall apply the **minimum disclosure requirements** defined in this provision when it discloses the **policies** it has in place with regard to each **sustainability matter** identified as material.
64. The objective of this **Minimum Disclosure Requirement** is to provide an understanding of the **policies** that the undertaking has in place to prevent, mitigate and remediate actual and potential **impacts**, to address **risks** and to pursue **opportunities**.
65. The undertaking shall disclose information about **policies** adopted to manage material **sustainability matters**. The disclosure shall include the following information:
 - (a) a description of the key contents of the policy, including its general objectives and which material impacts, risks or opportunities the policy relates to and the process for monitoring;
 - (b) a description of the scope of the policy, or of its exclusions, in terms of activities, upstream and/or downstream value chain, geographies and if relevant, affected stakeholder groups;
 - (c) the most senior level in the undertaking's organisation that is accountable for the implementation of the policy;
 - (d) a reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;
 - (e) if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy; and
 - (f) if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.

Example: E1- 2

Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation

22. The undertaking shall describe its **policies** adopted to manage its material **impacts, risks and opportunities** related to **climate change mitigation and adaptation**.
23. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has **policies** that address the identification, assessment, management and/or **remediation** of its material **climate change mitigation and adaptation impacts, risks and opportunities**.
24. The disclosure required by paragraph 22 shall contain the information on the **policies** the undertaking has in place to manage its material **impacts, risks and opportunities** related to **climate change mitigation and adaptation** in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.
25. The undertaking shall indicate whether and how its policies address the following areas:
 - (a) **climate change mitigation**;
 - (b) **climate change adaptation**;
 - (c) energy efficiency;
 - (d) **renewable energy** deployment; and
 - (e) other

Key elements to be aware of

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Key elements to be aware of

Sustainability statement

The sustainability statement must be presented in a dedicated section in the management report (management's review)

Double materiality

Companies in scope must conduct a double materiality assessment to determine what to report on. Only sustainability matters that are identified as material are to be reported on.

Cross referencing vs. incorporation by reference

Cross-referencing is about referencing to disclosures within the sustainability statement and incorporation by reference is referencing to disclosures outside of the sustainability statement.

Reporting order

Follow ESRS as general rule on different levels: Sections, ESRS, disclosure requirements and data points.

DRs related to ESRS 2

Topical disclosures related to ESRS 2 shall be located in the general information section.

Minimum disclosure requirements (MDRs)

MDRs shall be applied together with the corresponding disclosure requirements and application requirements in the topical ESRS. The information shall be presented in the section with the related topic.

EU regulation

Be aware of EU regulation when omitting information and considering phase-ins.

Digital tagging

Digital tagging of ESRS will not be mandatory until the European Commission adopts the XBRL taxonomy as part of the ESEF Regulatory Technical Standards (RTS) that will be prepared by European Securities and Market Authority (ESMA).

Visualisations

Disclosures itself need to be understandable without visualisations. The digital markup of the sustainability statement only contains text and amounts and not visualisations.

Thank you for your attendance



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