CDP Policy Explainer on the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

Including links with CDP's disclosure system

January 2024

About the CSRD

Rules requiring all large companies and all listed companies (except listed micro-enterprises) to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment. This helps investors, civil society organizations, consumers and other stakeholders to evaluate the sustainability performance of companies.

Context of the CSRD

CDP Europe welcomes the European Commission's 'Corporate Sustainability Reporting Directive' ((EU) 2022/2464). In its communication from 2019 "The European Green Deal", the European Commission committed to review the provisions concerning non-financial reporting laid out in the 'Accounting Directive' (2013/34/EU).

In the context of the EU's goal to become a net-zero economy by 2050, to put Europe's biodiversity on a path to recovery by 2030, and to protect its citizens from environment-related risks and impacts, the **EU aims to decouple economic growth from resource use and drive sustainable investment**.

Enhancing data availability and accuracy in financial markets is essential to the successful implementation of the European Green Deal. Introducing reporting requirements for companies' compatibility with 1.5°C, covering more environmental matters and removing the exemption allowing sustainability data to be reported separately are key steps in the right direction.

The need for ESRS

In its conclusions of 5 December 2019 on the **deepening of the Capital Markets Union**[1], the Council of the European Union stressed the **importance of reliable, comparable and relevant information on sustainability risks, opportunities and impacts**, and called on the Commission to consider the development of a European non-financial reporting standard.

In its resolution of 29 May 2018 on sustainable finance[2], the European Parliament called for the further development of non-financial reporting requirements in the framework of the 'Accounting Directive'. In its resolution of 17 December 2020 on sustainable corporate governance, the European Parliament expressed the **need to set up a comprehensive Union framework on non-financial reporting that contains mandatory non-financial reporting standards**.

Links with other legislation

In its communication "Action Plan: Financing Sustainable Growth" from 2018, the European Commission set out measures to achieve the following objectives:

- Reorient capital flows towards sustainable investment;
- Manage financial risk stemming from climate change, resource depletion, environmental degradation and social issues; and

[1] Capital markets union: Council sets objectives for the deepening of the project
[2] Texts adopted - Sustainable finance - Tuesday, 29 May 2018

- Foster transparency and long-termism in financial and economic activity.

The disclosure by certain categories of financial and non-financial companies of relevant, comparable and reliable sustainability information is a prerequisite for meeting those objectives.

- The 'Sustainable Finance Disclosure Regulation' ((EU) 2019/2088) governs how financial market participants and financial advisors disclose sustainability information to end investors and asset owners.
- The 'EU Taxonomy Regulation' ((EU) 2020/852) creates a classification system of environmentally sustainable economic activities with the aim of scaling up sustainable investments and combatting greenwashing of financial products that unduly claim to be sustainable.
- The 'Climate Transition Benchmarks and Paris-aligned Benchmarks Regulation' ((EU) 2019/2089) introduces environmental, social and governance disclosure requirements for benchmark administrators, as well as minimum standards for the construction of EU Climate Transition Benchmarks and Paris-aligned Benchmarks.
- The 'Capital Requirements Regulation II' ((EU) 2019/876) requires large institutions that have issued securities admitted to trading on a regulated market to disclose information on ESG risks starting from 28 June 2022.
- The prudential framework for investment firms established by Regulation (EU) 2019/2033 and Directive (EU) 2019/2034 contains provisions concerning the introduction of an ESG risk dimension in the Supervisory Review and Evaluation Process ('SREP') by competent authorities, and contains ESG risk disclosure requirements for investment firms, applicable from 26 December 2022.
- The 'European Green Bond Regulation' (political agreement reached on 28 February 2023, adoption expected soon) will establish an EU voluntary standard for green bonds (EUGBS). The EUGBS will be available to companies and public entities that wish to raise funds on capital markets to finance their green investments. Issuers of EUGBS need to ensure that at least 85% of the funds raised by the bond are allocated to economic activities that align with the 'EU Taxonomy Regulation'.

Related CDP Policy Explainer

- CDP Policy Explainer on the 'EU Taxonomy Regulation' (EU Taxonomy)
- CDP Policy Explainer on the 'Sustainable Finance Disclosure Regulation' (SFDR)

Both including links with CDP's disclosure system

CSRD overview

Entry into force of the CSRD	The CSRD entered into force 14 December 2022. EU Member States to transpose the law into national law by 6 July 2024. **Companies already in the scope of the Non-Financial Reporting Directive' (2014/95/EU) will continue to apply the rules until the CSRD reporting requirements come into force.** The CSRD will be reviewed before 30 April 2029 and every three years thereafter.
When do the reporting rules come into force?	**From 1 January 2024,** with reports due in 2025, for **large public-interest entities** – currently subject to the NFRD – with over 500 employees. **From 1 January 2025**, with reports due in 2026, for **large companies** – not currently subject to the NFRD. **From 1 January 2026,** with reports due in 2027, **listed SMEs** and other companies. SMEs can opt-out until 2028. **From 1 January 2028,** with reports due in 2029, **non-EU companies**.
Which companies are required to report?[3]	**Large companies (listed and not listed)** are defined as meeting two of the following three criteria (either as a single entity or on a consolidated group basis): - balance sheet total > €25mn - net turnover > €50mn - employees > 250 on average during financial year **Listed SMEs**, (except listed micro-enterprises) small and non-complex credit institutions, and captive insurance undertakings. Listed SMEs are defined[4] as having securities listed on a regulated EU market, and meeting at least two of the following criteria: **Medium-sized**: - balance sheet total: €5 - €25mn - net turnover: €10 - €50mn - employees: 50 - 249 on average during financial year **Small-sized**:

[3] Delegated directive - EU - 2023/2775 - EN - EUR-Lex (europa.eu)
[4] Accounting Directive 2013/34/EU Article 2 (1) (a)

	- balance sheet total: €450k - €5mn - net turnover: €900k - €10mn - employees: 10 - 49 on average during financial year - **Non-EU companies**: A non-EU parent company with i) an EU-established subsidiary either listed (including SME subsidiaries, but not microenterprises) or within the large company threshold, or ii) a large EU branch. Meets the following criteria: Net turnover of €150 million in the EU for each of the last two consecutive financial years and at least one subsidiary or branch in the EU which: - i) For a subsidiary: Meets the criteria of a large company or listed company. - ii) For a branch: Has a turnover of more than €40mn.
Assurance of sustainability information	Reporting must be certified by an **accredited independent auditor** or **certifier**. To ensure that companies comply with the reporting rules, an independent auditor or certifier must ensure that the sustainability information complies with the ESRS. The reporting of non-European companies must also be certified, either by a European auditor or by one established in a third country. Although the **objective is to have a similar level of assurance for financial and sustainability reporting,** the absence of a commonly agreed standard for the assurance of sustainability reporting creates the risk of different interpretations and expectations of what a reasonable assurance engagement would consist of for different categories of sustainability information, especially with regard to forward-looking and qualitative disclosures. Therefore, **a progressive approach** to enhancing the level of the assurance required for sustainability information should be considered, **starting with an obligation on the statutory auditor or audit firm to express an opinion about the compliance of the sustainability reporting with Union requirements based on a limited assurance** engagement. That opinion should cover the compliance of the sustainability reporting with the ESRS; the process carried out by the undertaking to identify the information reported pursuant to the sustainability reporting standards; and compliance with the requirement to markup sustainability reporting in the machine-readable format. The auditor should also assess whether the undertaking's reporting complies with the reporting requirements of Article 8 of the 'EU Taxonomy Regulation'. - Assurance standards for sustainability reporting – **limited assurance**: **By 1 October 2026**, the European Commission shall adopt delegated acts in order to provide for limited assurance

standards setting out the procedures that the auditor(s) and the audit firm(s) shall perform in order to draw their conclusions on the assurance of sustainability reporting, including engagement planning, risk consideration and response to risks and type of conclusions to be included in the assurance report on sustainability reporting, or, where relevant, in the audit report.

- Assurance standards for sustainability reporting – **reasonable assurance:**

  By 1 October 2028, the European Commission shall adopt delegated acts in order to provide for reasonable assurance standards, following an assessment to determine if reasonable assurance is feasible for auditors and for undertakings.

Where and how companies should report	- Companies should **report sustainability information in a clearly identifiable dedicated section of the management report** and Member States should no longer be allowed to exempt undertakings from the obligation to include in the management report information on sustainability matters. - Companies shall be required to prepare their **management report in the electronic reporting format** according to 'ESEF Regulation' ((EU) 2019/815), more specifically in XHTML format, and to mark up their sustainability reporting, including the disclosures required by Article 8 of the 'EU Taxonomy Regulation'. - A **digital taxonomy for the ESRS** will be necessary to allow the reported information to be tagged. - **Subsidiary undertakings established in EU territory** whose ultimate parent undertaking is governed by the law of a third country shall publish and make accessible a sustainability report and, where appropriate, at the group level of that ultimate third-country parent undertaking.

CSRD reporting requirements

Information in management report

Undertakings shall include in the management report information:

- necessary to understand the undertaking's impacts on sustainability matters, and
- information necessary to understand how sustainability matters affect the undertaking's development, performance and position,
- both related to short-, medium- and long-term time horizons, as applicable,
- on the process carried out to identify this information.

The information shall be clearly identifiable within the management report, through a dedicated section of the management report, and shall contain all the parts of the following table.

Reporting area	**CSRD reporting requirements**	**Links with CDP's disclosure system**
Business model and strategy	A brief description of the undertaking's business model and strategy, including: (i) the resilience of the undertaking's business model and strategy in relation to risks related to sustainability matters; (ii) the opportunities for the undertaking related to sustainability matters; (iii) the plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the 'Paris agreement' and the objective of achieving climate neutrality by 2050 as established in the 'European Climate Law' and, where relevant, the exposure of the undertaking to coal-, oil- and gas-related activities; (iv) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters; (v) how the undertaking's strategy has been implemented with regard to sustainability matters;	☑
Targets	A description of the time-bound targets related to sustainability matters set by the undertaking, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the undertaking has made towards achieving those targets, and a statement of whether the undertaking's targets related to environmental factors are based on conclusive scientific evidence;	☑
Governance	A description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in	☑

	relation to fulfilling that role or the access such bodies have to such expertise and skills;	
Policies	A description of the undertaking's policies in relation to sustainability matters;	✓
Board incentives	Information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;	✓
Due diligence and actions	A description of: (i) the due diligence process implemented by the undertaking with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process; (ii) the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the undertaking is required to identify pursuant to other Union requirements on undertakings to conduct a due diligence process; (iii) any actions taken by the undertaking to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;	✓
Risks	A description of the principal risks to the undertaking related to sustainability matters, including a description of the undertaking's principal dependencies on those matters, and how the undertaking manages those risks;	✓
Metrics	Indicators relevant to the disclosures referred to in all points above. The information on business model and strategy shall include information related to short-, medium- and long-term time horizons, as applicable.	✓
Own operations and value chain	Where applicable, the information above shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain.	✓

CSRD rules regarding the ESRS

Provision	ESRS reporting requirements as per CSRD	Links with CDP's disclosure system
Review cycle	The Commission shall, **at least every three years** after the date of application of the reporting requirements, taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG), and, where necessary, it shall amend the ESRS delegated acts to take into account relevant developments, including developments with regard to international standards.	n/a
EFRAG work program	The Commission shall, at least once a year, **consult the European Parliament**, and consult jointly the **Member State Expert Group on Sustainable Finance**, referred to in the 'EU Taxonomy Regulation', and the **Accounting Regulatory Committee**, referred to in the Regulation on the application of international accounting standards, on EFRAG's work program as regards the development of sustainability reporting standards.	n/a
Quality and type of information	The ESRS shall ensure the quality of reported information, by requiring that it is **understandable, relevant, verifiable, comparable** and represented in a faithful manner. The ESRS shall specify the **forward-looking, retrospective, qualitative and quantitative information**, as appropriate.	
Administrative burden	The ESRS shall avoid imposing a disproportionate administrative burden on undertakings, including by taking account, to the greatest extent possible, of the **work of global standard-setting initiatives for sustainability reporting**, and existing standards and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development	CDP is referenced in the CSRD as one of these.
Double materiality	Building on the double materiality principle, ESRS should cover **all information that is material to users of that information**.	CDP's vision for a comprehensive and integrated approach to environmental disclosure is informed by a 'building block' approach: a global baseline founded on existing frameworks and standards which

		can be further built upon by jurisdictional requirements, aimed at a wide range of stakeholders or those incorporating different materiality concepts. Ultimately, all companies must ensure they are pairing disclosure on climate-related financial risk with disclosure on all environmental impacts.
Environmental factors	The ESRS shall specify the information that undertakings are to disclose about the following environmental factors: (i) climate change mitigation, including as regards scope 1, scope 2 and, where relevant, scope 3 greenhouse gas emissions; (ii) climate change adaptation; (iii) water and marine resources; (iv) resource use and the circular economy; (v) pollution; (vi) biodiversity and ecosystems;	Yes, for climate change, water, and biodiversity and ecosystems. CDP is expanding its disclosure system into all environmental topics.
Social and human rights factors	The ESRS shall specify the information that undertakings are to disclose about the following social and human rights factors: (i) equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity; (ii) working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of works councils, collective bargaining, including the proportion of workers covered by collective agreements, the information, consultation and participation rights of workers, work life balance, and health and safety; (iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, including the UN Convention on the Rights of Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labor Organization's Declaration on Fundamental	n/a

	Principles and Rights at Work and the fundamental conventions of the International Labor Organization, the European Convention for the protection of Human Rights and Fundamental Freedoms, the European Social Charter, and the Charter of Fundamental Rights of the European Union;	
Governance factors	The ESRS shall specify the information that undertakings are to disclose about the following governance factors: (i) the role of the undertaking's administrative, management and supervisory bodies with regard to sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills; (ii) the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting and decision-making process; (iii) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare; (iv) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities; (v) the management and quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, including payment practices, especially with regard to late payment to small and medium-sized undertakings.	Yes, CDP disclosure covers part (i) but only in relation to sustainability matters in E1, and some of E2, E3, and E4. (iv) is partially covered by CDP disclosures.
Links with other legislation	When adopting ESRS delegated acts, the Commission shall, to the greatest extent possible, take account of: - the information that financial market participants need in order to comply with their disclosure obligations laid down in the 'Sustainable Finance Disclosure Regulation' and the delegated acts adopted pursuant to it; - the criteria, indicators and methodologies set out in the delegated acts adopted pursuant to the 'EU Taxonomy Regulation', including the technical screening criteria and the reporting requirements set out in the delegated act adopted pursuant to Article 8; - the disclosure requirements applicable to benchmark administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks; - the uniform disclosure formats specified in technical standards developed by the European Banking Authority, adopted pursuant	See CDP factsheets on the 'EU Taxonomy' and the 'Sustainable Finance Disclosure Regulation'. Both including links with CDP's disclosure system.

to Article 434a of regulation (EU) No 575/2013; amended by regulation (EU) 2019/876;

- the Commission recommendation on the use of common methods to measure and communicate the life cycle environmental performance of products and organizations – PEF and OEF – (2013/179/EU);
- the 'ETS Directive' (2003/87/EC);
- the 'European Climate Law' ((EU) 2021/1119);
- the eco-management and audit scheme – EMAS Regulation ((EC) No 1221/2009);
- the 'EU Whistleblowing Directive' ((EU) 2019/1937).

Scope of the ESRS

The ESRS should specify the information that undertakings **disclose on all major environmental factors**, including their impacts and dependencies on climate, air, land, water and biodiversity **as per the environmental objectives of the European Union** enacted in the 'EU Taxonomy Regulation'. The ESRS should comprehensively address and clearly specify any geographical and contextual information companies need to disclose in order to provide a thorough understanding of their principal impacts on sustainability matters, as well as the principal risks to the company arising from sustainability matters.

Undertakings in the same sector are often exposed to similar sustainability-related risks, and they commonly have similar impacts on society and the environment. Comparisons between undertakings in the same sector are especially valuable to investors and other users of sustainability information. **The ESRS should therefore specify both information that undertakings in all sectors should disclose and information that undertakings should disclose depending on their sector of activity.**

EFRAG mandate

The European Financial Reporting Advisory Group (EFRAG) is a non-profit association established under Belgian law that serves the public interest by providing advice to the Commission on the endorsement of international financial reporting standards. EFRAG has established a reputation as a European center of expertise on corporate reporting and is well placed to foster coordination between Union sustainability reporting standards and international initiatives that seek to develop standards that are consistent across the world.

When adopting sustainability reporting standards, the Commission should take account of technical advice that EFRAG will develop.

Links with other legislation and frameworks

The ESRS shall be coherent with other Union law. In particular, ESRS are supposed to be aligned with the disclosure requirements laid down in

- the 'Sustainable Finance Disclosure Regulation',
- and they should take account of underlying indicators and methodologies set out in the various delegated acts adopted pursuant to the 'EU Taxonomy Regulation',
- disclosure requirements applicable to benchmark administrators pursuant to the 'Benchmark Regulation' ((EU) 2016/1011),
- the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks,
- and of any work carried out by the European Banking Authority in the implementation of the Pillar III disclosure requirements of the 'Prudential requirements for credit institutions and investment firms Regulation ((EU) No 575/2013).

Further, the ESRS should take account of Union environmental law, including:

- eco-management and audit scheme - EMAS Regulation ((EC) No 1221/2009), and
- the 'ETS Directive' (2003/87/EC) and its updates, and
- the Commission recommendation on the use of common methods to measure and communicate the life cycle environmental performance of products and organizations – PEF and OEF – (2013/179/EU), its annexes and updates.

Other relevant Union law should be taken into account, including

- the 'Industrial Emissions Directive (2010/75/EU), and
- the 'Corporate Sustainability Due Diligence Directive' ((EU) 202X/XX), as well as the other requirements laid down in Union law for undertakings as regards directors' duties and due diligence,
- the European Commission guidelines on non-financial reporting and reporting climate-related information,
- other reporting requirements of the 'Accounting Directive' not directly related to sustainability, with the aim of providing the users of the reported information with a better understanding of the development, performance, position and impact of the company.

In order to minimize disruption for companies that already report sustainability information, **the ESRS should take account of existing standards and frameworks for sustainability reporting** and accounting where appropriate. Such existing standards and frameworks include GRI, TCFD, TNFD, ISSB and **CDP**.

CDP as the global platform for environmental reporting

TCFD – In 2018, CDP aligned with the recommendations of the Task Force of Climate-related Financial Disclosure.

TNFD – CDP supports the TNFD as a knowledge partner, playing an active role in using its data to inform TNFD development. In September 2023 CDP announced its intention to align with TNFD.

CDP's questionnaires also support disclosures according to other standards and frameworks including the GRI, GHG Protocol and the CEO Water Mandate.

ISSB – From 2024 CDP questionnaires integrate the IFRS S2 Climate-related Disclosures Standard.

US SEC – CDP disclosure is already in line with what the SEC is likely to use as the foundation for mandatory reporting.

XBRL – In September 2023, CDP and XBRL announced their partnership to accelerate digital sustainability disclosure.

EU EFRAG – In November 2023, EFRAG and CDP announced their cooperation to drive market uptake of the European Sustainability Reporting Standards

Finally, the ESRS should take account of internationally recognized principles and frameworks, including

- the Sustainable Development Goals,
- the UN Guiding Principles on Business and Human Rights,
- the OECD Guidelines for Multinational Enterprises,
- the OECD Due Diligence Guidance for Responsible Business Conduct and related sectoral guidelines,
- the Global Compact,
- the International Labour Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy,

- the ISO 26000 standard on social responsibility, and
- the UN Principles for Responsible Investment.

Timeline of the ESRS

- **Sector-agnostic ESRS**: First set of sustainability reporting standards were adopted on **31 July 2023**.[5]
- **ESRS for small and medium-sized companies:** The Commission shall, by **30 June 2024**, adopt delegated acts to provide for sustainability reporting standards proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities.

  Update: EFRAG work on SMEs comprises of a mandate for technical advice for simplified listed SMEs ESRS (art 29c CSRD) (LSME Standard), which will be legally binding (delegated acts), and a recommendation to develop a Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME Standard), that the European Commission (EC) would adopt/endorse (as « recommendation » of the EC, not a delegated act, not binding).[6]
- **Sector-specific ESRS:** Second set of sustainability reporting standards by means of delegated acts by **30 June 2026**. This presents a two-year postponement to enable companies to focus on the implementation of the first set of general ESRS adopted on 31 July 2023. Sector-specific European Sustainability Reporting Standards (ESRS) should clarify what exactly and to what detail should companies in particular sectors disclose about their impact on people and the planet, including on decarbonization, biodiversity or human rights since methods and impacts differ depending on the sector.[7]

  However, the Commission publishes eight sector-specific ESRS as soon as they are ready before the deadline.
- **ESRS for third-country undertakings:** The Commission shall adopt by **30 June 2026** a delegated act specifying the information to be provided in sustainability reports concerning third country undertakings. Reporting is required from 2028.

The Commission should **review the ESRS,** including the ESRS for small and medium-sized undertakings, **every three years** to take account of relevant developments, including the development of international standards.

[5] European sustainability reporting standards – first set (europa.eu)
[6] efrag.org
[7] Sustainability reporting: MEPs agree with later adoption of standards | News | European Parliament (europa.eu)

ESRS coherence with international standards and frameworks

The ESRS are aligned with the proposed standards by the International Sustainability Standards Board (ISSB) at the IFRS Foundation. The architecture of the ESRS mirrors the ISSB standards, which are based on the Task Force on Climate-related Financial Disclosures and integrate all the proposed IFRS disclosures and principles (subject to specifications to ensure alignment with requirements stemming from EU legislation, including the SFDR). The financial materiality assessment is aligned with the ISSB.

Furthermore, the draft ESRS are aligned with the Global Reporting Initiative's (GRI) Reporting Standards, integrating GRI's indicators to the extent they are applicable across all sectors. The impact materiality assessment is aligned with GRI and sustainability due diligence norms (in particular, UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprise). On biodiversity, the draft ESRS are also aligned with the latest recommendations by the Task Force on Nature-related Financial Disclosures.

Adopted ESRS – set 1: Sector-agnostic

These sector-agnostic ESRS apply to all companies in the scope of the CSRD, regardless of which sector(s) they operate in.

A couple of key deviations from the EFRAG technical advice in the final text are:

Provision	ESRS reporting requirements as per ESRS delegated regulation	Links with CDP's disclosure system
Materiality	Undertakings are required to carry-out a materiality assessment for all topics covered by the topical standards. ESRS 1 and ESRS 2, the non-topical standards, always apply and do not require a materiality assessment. This measure is expected to lead to a significant burden reduction for undertakings and shall help to ensure that the standards are proportionate.	Ensuring a **strong double-materiality framework is key to effective sustainable disclosures and to identifying the full range of impacts and dependencies**. Not only does it guarantee companies take stock of their impact on the environment and their exposure to environmental risks, and opportunities, but it also helps businesses target appropriate response strategies to enhance business and environmental resilience. In 2023, the **response rates of EU companies disclosing through CDP** (vs. requested to disclose) were: Climate change: Response rate: 43% in EU, 38% globally Forests: Response rate: 44% in EU, 32% globally Water Security: Response rate: 40% in EU, 59% globally
Phasing-in certain requirements	In addition to the phase-ins proposed by EFRAG, the Commission has provided for further phase-ins that shall help all companies, and in particular smaller companies that are subject to sustainability reporting requirements for the first time, to apply the standards effectively. The additional phase-ins introduced by the Commission are: - **Undertakings with less than 750 employees may omit**: **scope 3 GHG emissions data** and the disclosure requirements specified in the standard on "own workforce" **in the first year** that they apply the standards; and **the disclosure requirements specified in the standards on biodiversity** and on value-chain workers, affected communities, and consumers and	CDP encourages companies to not make use of the phasing-in and to **start reporting on scope 3 GHG emissions and biodiversity from the beginning**.

	end-users **in the first two years** that they apply the standards. - **All undertakings may omit the following information in the first year** that they apply the standards: **anticipated financial effects related to non-climate environmental issues** (pollution, water, biodiversity, and resource use); and certain datapoints related to their own workforce (social protection, persons with disabilities, work-related ill-health, and work-life balance).	
Making certain disclosures voluntary	The draft standards submitted by EFRAG already included many voluntary datapoints. The Commission has further converted a number of the mandatory datapoints proposed by EFRAG into **voluntary datapoints**. This includes, for example: **biodiversity transition plans**; certain indicators about "non-employees" in the undertaking's own workforce; and an explanation of why the undertaking may consider a particular sustainability topic not to be material.	CDP encourages companies to **prepare for holistic nature transition planning**. In 2022, CDP introduced new questions on biodiversity. Data disclosed by publicly listed companies headquartered in Europe find **companies are getting ready for transitioning towards nature-positive business models** with hundreds of companies planning to do more in the next two years. Also, **many companies already disclose elements of biodiversity transition plans**.
Further flexibilities in certain disclosures	In addition to making certain datapoints voluntary, certain flexibilities were introduced for some of the mandatory datapoints. For example, there are additional flexibilities in the disclosure requirements on the financial effects arising from sustainability risks and on engagement with stakeholders, and in the methodology to use for the materiality assessment process.	CDP data show that **financial planning was the poorest performing element of a credible climate transition plan** in 2022, with only 3% of organizations meeting the disclosure criteria for this element.
Interoperability with global standard-setting initiatives	The Commission and EFRAG have continued to engage closely with International Sustainability Standards Board and the Global Reporting Initiative to ensure a high degree of interoperability with ESRS, and further modifications to the draft ESRS have been made in light of that engagement.	**EFRAG and CDP cooperation agreement to drive market uptake of the ESRS**
Annex I	i. Cross-cutting standards: - ESRS 1 General requirements - ESRS 2 General disclosures ii. Standards on Environmental, Social and Governance matters: - ESRS E1 Climate change	See **2023 CDP coverage of the ESRS 1 General requirements and the ESRS E1, E2, E3, E4 and E5**

	- ESRS E2 Pollution - ESRS E3 Water and marine resources - ESRS E4 Biodiversity and ecosystems - ESRS E5 Resource use and circular economy - ESRS S1 Own workforce - ESRS S2 Workers in the value chain - ESRS S3 Affected communities - ESRS S4 Consumers and end-users - ESRS G1 Business conduct	
Annex II	List of Acronyms and the Glossary with the definitions to be used for the purposes of carrying out sustainability reporting in accordance with ESRS	CDP list of sustainability definitions CDP Climate Change questionnaire 2023 - Glossary CDP Forests questionnaire 2023 - Glossary CDP Water Security questionnaire 2023 - Glossary

EU sustainable finance policies in the CDP disclosure system

CDP has consistently advocated for the development of impactful and high-quality disclosure standards and frameworks that provide clarity, enhance compliance, and support companies in their reporting needs, including those being developed by the European Union.

CDP's questionnaire includes **taxonomy questions** and already covers approximately 20 out of 30 **corporate adverse impact indicators** on climate, forest, biodiversity, and water.

CDP also collects data on 8 out of 9 **SFDR mandatory principle adverse impacts.** Six can already be calculated leveraging 2022 CDP questionnaire data points (e.g. GHG emissions and renewable and non-renewable energy consumption/production) and 2 of them were included for the first time in 2023 (question C15.4a on activities near biodiversity sensitive areas with potential for negative impact and question W1.2k on emissions to water). Additionally, we collect information for **additional adverse impacts** including carbon reduction initiatives, water consumption, water sourced from areas of stress, and policies related to water and deforestation.

For more information on how CDP is integrating EU sustainable finance regulations, see here.

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CDP Europe and the CDP global system

CDP Europe is a charitable organization registered in Brussels and Berlin and on the EU Transparency Register since 2012. It is part of the CDP Global System, a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 740 financial institutions with over $130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit cdp.net or follow us @CDP and on LinkedIn to find out more.

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More information on CDP Europe's governance and finances can be found here.

CDP FinACTION project

Under the EU-funded FinACTION project, CDP leverages EU LIFE funding to drive market uptake and scale EU ambition and best practice globally through the CDP system while engaging and enabling companies to disclose and act on their environmental impacts in line with ambitious European regulatory requirements and a science-based transition to a net-zero and nature-positive economy.

More information about this project can be found here.

CDP Europe in European and international media

Les Echos FINANCIAL TIMES Bloomberg euronews.

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