BRAG

Think before you write

Structuring ESRS sustainability
statements effectively

Contents

1. Introduction

As the first round of disclosures of ESRS compliant sustainability statements is expected in the first quarter of 2025, it is crucial to share insights on the possible structuring of these statements. The first adopters of the ESRS for preparing their sustainability statements will be large and listed undertakings, most of which have already disclosed sustainability reports for previous financial years. Consequently, there is already some expertise within these organisations regarding the structuring of such disclosures.

The ESRS provide general requirements in relation to structuring of the statements and more specific requirements for the material information disclosed. The CSRD and ESRS compliant sustainability statement should be disclosed in a dedicated section of the undertaking's management report or consolidated management report where the information about sustainability matters is presented[1].

In this paper the ESRS requirements for the structure of sustainability statement are discussed, followed by insights from the ESRS Set 1 XBRL taxonomy data model structure. Next, market practices for sustainability reports' structures for financial year 2023 are reviewed. Finally, the assessment of possible approaches by companies to their sustainability statements' structure is made, based on criteria selected from the analysis of the contexts for the ESRS compliant sustainability statement's structure. This analysis helps to identify the main advantages of using a well-structured sustainability statement.

---

[1] Article 19a(1) and article 29a(1) of CSRD.

In the paper the below terms used have the following meaning:

- **XBRL taxonomy:** a hierarchical and multidimensional structure of elements used to mark up (tag) information subject to public disclosures that conforms with XBRL International specifications.

- **iXBRL report / instance document:** a report containing information (facts) subject to disclosure by the entity, which are marked with elements from the XBRL taxonomy. The report is publicly available in xHTML format, allowing both human and machine reading.

- **XBRL taxonomy data model:** a hierarchical and multidimensional structure that organizes elements corresponding to a disclosure framework and standardizes their relationships and properties.

2. ESRS requirements for sustainability statement's structure

The ESRS provides general requirements for the structuring of the sustainability statement. Amongst others, ESRS 1 specifies that the sustainability statement shall be a dedicated section of the management report[2], presented in a way that allows to distinguish between ESRS disclosure requirements and other information included in the management report[3], under a structure that facilitates access to the statement and its understanding, and in a format that is human- and machine-readable[4].

As indicated in ESRS 1 paragraph 115, the sustainability statement should be structured into four parts dedicated to:

(i) General information,

(ii) Environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852[5])[6],

(iii) Social information and,

(iv) Governance information.

For each part there are corresponding standards indicating the relevant information requirements, i.e. ESRS 2 for General information, ESRS E1 to E5 for Environmental information, ESRS S1 to S4 for Social information, and ESRS G1 for Governance information.

The structure of the statement is illustrated in Appendix F of ESRS 1, where the four distinctive parts are outlined along with the types of information to be provided in each part.

---

[2] ESRS 1, par. 110.
[3] ESRS 1, par. 111 a.
[4] ESRS 1, par. 111 b.
[5] The content and structure of those disclosures is mandated by Commission Delegated Regulation (EU) 2021/2178.
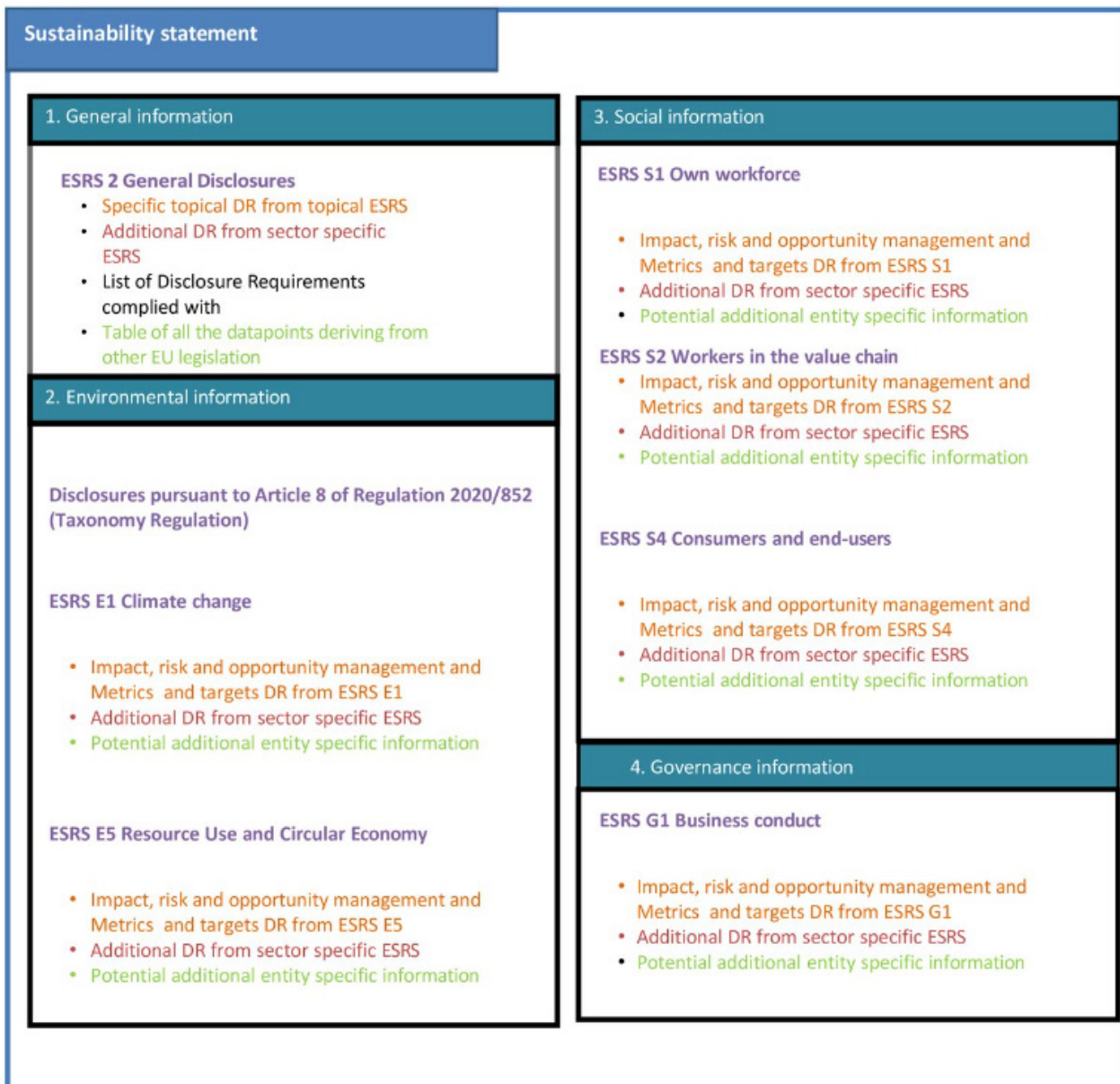[6] ESRS 1, par. 113.

Figure 1: ESRS sustainability statement example structure, ESRS 1 Appendix F.

This implies that it is for the disclosing entity to decide how to arrange the material information within each part of its sustainability statement. In this regard, the structure of each standard and the data model underlying the corresponding XBRL taxonomy could serve as guidance.

The ESRS are in general divided into four sections, dedicated to:

(i)   Governance,

(ii)   Strategy,

(iii) Impact, risk and opportunity (IRO) management, and

(iv) Metrics and targets,

with each section having a set of disclosure requirements. The sequencing of these sections and their respective disclosure requirements supports a logical flow of material information.

The example of ESRS E1 structure shows that when an entity discloses material information on climate change in the Environmental information part of its sustainability statement, it might start with the disclosures on governance, in particular on integration of sustainability-related performance in incentive schemes, followed by strategy, including information on transition plan and more detailed information on material climate-related IROs, IRO management, including information on the processes to identify material climate-related IROs as well as policies, actions and resources adopted, and finally on metrics and targets adopted that relate to climate change.

The figure below illustrates structure of the Climate change standard, which could serve as a guidance for structuring of climate change related section of the Environmental information part of the sustainability statement.

CLIMATE CHANGE

TABLE OF CONTENTS

Objective

Interactions with other ESRS

Disclosure Requirements
- ESRS 2 General disclosures

Governance
- Disclosure requirement related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes

Strategy
- Disclosure Requirement E1-1 – Transition plan for climate change mitigation
- Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Impact, risk and opportunity management
- Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities
- Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation
- Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies

Metrics and targets
- Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation
- Disclosure Requirement E1-5 – Energy consumption and mix
- Disclosure Requirement E1 6 – Gross Scopes 1, 2, 3 and Total GHG emissions
- Disclosure Requirement E1-7 – GHG removals and GHG mitigation projects financed through carbon credits
- Disclosure Requirement E1-8 – Internal carbon pricing
- Disclosure Requirement E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

Figure 2: ESRS E1 table of contents.

Still, the ESRS architecture might present some challenges for the structuring of the statement. One of such challenges is when the standards' specific disclosure requirements on policies, actions and targets mandate that those disclosures should be made in accordance with requirements of ESRS 2 Minimum Disclosure Requirements on Policies (MDR-P), Actions (MDR-A) and Targets (MDR-T) and topical ESRS[7], offering two sets of disclosure requirements (cross-cutting and topical) for the disclosure of policies, actions and targets.

Another challenge arises when standards' application requirements contain information requirements mandating disclosure of material information, in addition to information requirements of a specific disclosure requirement.

The ESRS Set 1 XBRL taxonomy data model provides guidance on how both of the challenges might be addressed.

[7] ESRS 1, par. 33.

XBRL taxonomy data model as a structure of reporting

The data modelling approach adopted by EFRAG in the preparation of the ESRS Set 1 XBRL taxonomy, as explained in the "Draft ESRS XBRL Taxonomy Methodology and Architecture Issues Paper"[8], followed very closely the structure and content of the standards. As a result, navigation in the XBRL taxonomy data model is quite straightforward for any user equipped with knowledge of the ESRS. The figure below shows the presentation linkbase for ESRS E1 where a user of the taxonomy data model can easily recognise the structure of the ESRS E1 standard.

301000 E1.GOV-3 Integration of sustainability-related performance in incentive schemes - general

301002 E1.SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model - general

301006 E1.IRO-1 Processes to identify and assess material climate-related impacts, risks and opportunities - general

301011 E1-1.1 Transition plan for climate change mitigation

301020 E1-2 Policies related to climate change mitigation and adaptation

301030 E1-3 Actions and resources in relation to climate change policies

301040 E1-4 Targets related to climate change mitigation and adaptation - general

301041 E1-4.1 Targets related to climate change mitigation and adaptation - Minimum Disclosure Requirement

301050 E1-5 Energy consumption and mix - general

301060 E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions - general

301061 E1-6.1 Gross Scopes 1, 2, 3 and Total GHG emissions - other numerical disclosures - general

301070 E1-7 GHG removals and GHG mitigation projects financed through carbon credits - general

301080 E1-8 Internal carbon pricing

301090 E1-9 Anticipated financial effects from material physical risks - general

301091 E1-9.1 Anticipated financial effects from material transition risks and potential climate-related opportunities - general

Figure 3: ESRS Set 1 XBRL taxonomy presentation linkbase for ESRS E1.

The representation of each disclosure requirement in the taxonomy data model also follows the logic and structure of the standards, with the main information requirement of the disclosure being the parent tag, followed by more specific information requirements. The figure below exemplifies the hierarchy of the data model for ESRS 2 MDR-T.

---

[8] https://www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/2303221128397656/03-02%20-%20Draft%20ESRS%20XBRL%20Taxonomy%20Architecture%20and%20Methodology%20-%20Issues%20Paper.pdf

Figure 4: ESRS Set 1 XBRL taxonomy presentation linkbase for ESRS 2 MDR-T.

The data model offers many insights into how the sustainability statement might be structured, which is in particular evident for disclosures of policies, actions and targets, and for inclusion of information requirements from the ESRS application requirements.

The model effectively brings together information requirements originating from a topical standard and ESRS 2 MDRs regarding policies, actions or targets adopted. The figure below exemplifies how information on those aspects is represented in the taxonomy data model for the disclosure of material targets related to water and marine resources (ESRS E3-3). The hierarchical structure of the data model elements presented below combines the ESRS E3-3 information requirements, from the operative part of the text and from relevant application requirements, with ESRS 2 MDR-T information requirements. Such sequencing of information requirements might serve as a clear guide for structuring of the company's material disclosures.
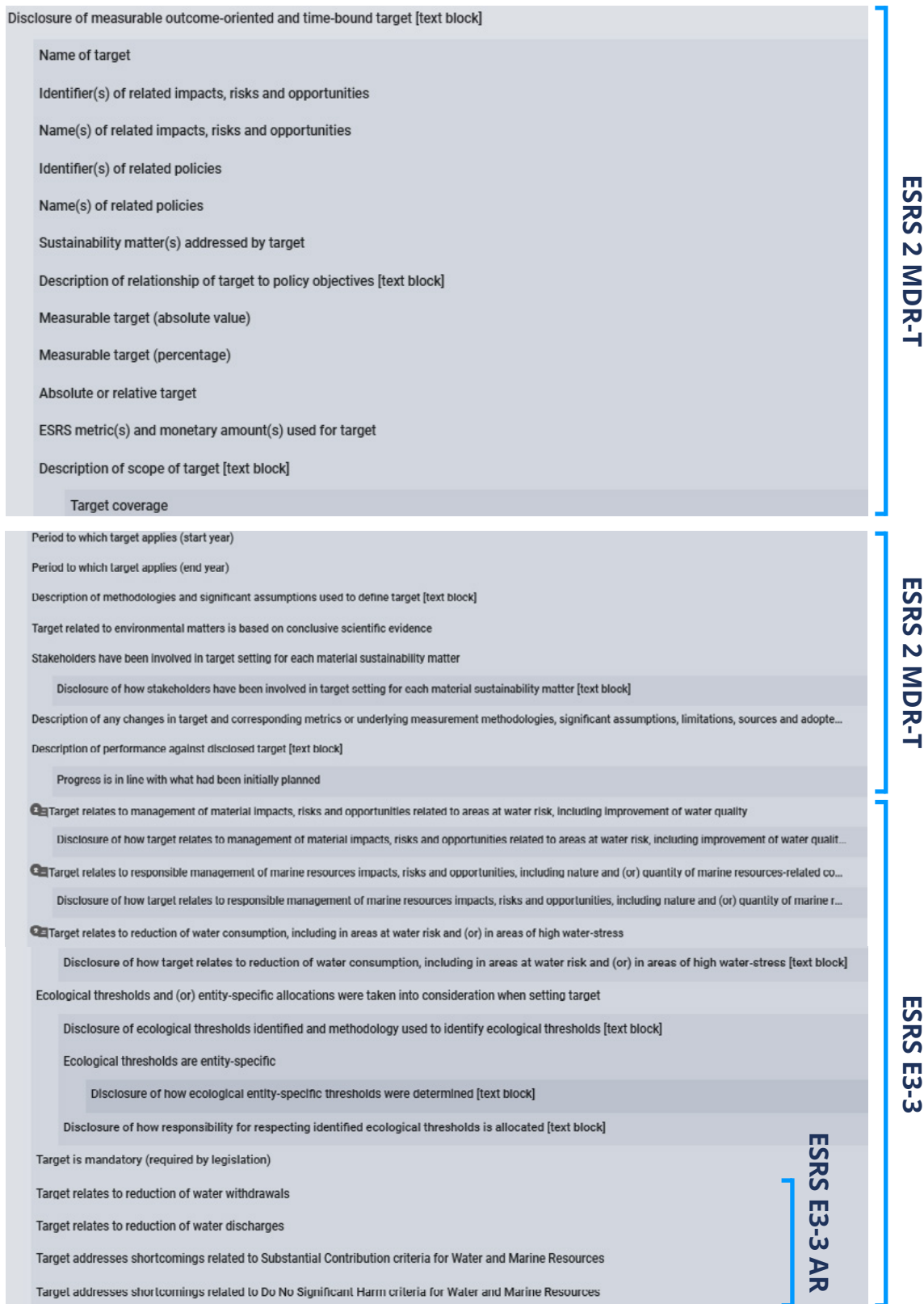
Disclosure of measurable outcome-oriented and time-bound target [text block]

Name of target

Identifier(s) of related impacts, risks and opportunities

Name(s) of related impacts, risks and opportunities

Identifier(s) of related policies

Name(s) of related policies

Sustainability matter(s) addressed by target

Description of relationship of target to policy objectives [text block]

Measurable target (absolute value)

Measurable target (percentage)

Absolute or relative target

ESRS metric(s) and monetary amount(s) used for target

Description of scope of target [text block]

Target coverage

ESRS 2 MDR-T

Period to which target applies (start year)

Period to which target applies (end year)

Description of methodologies and significant assumptions used to define target [text block]

Target related to environmental matters is based on conclusive scientific evidence

Stakeholders have been involved in target setting for each material sustainability matter

Disclosure of how stakeholders have been involved in target setting for each material sustainability matter [text block]

Description of any changes in target and corresponding metrics or underlying measurement methodologies, significant assumptions, limitations, sources and adopte...

Description of performance against disclosed target [text block]

Progress is in line with what had been initially planned

ESRS 2 MDR-T

Target relates to management of material impacts, risks and opportunities related to areas at water risk, including improvement of water quality

Disclosure of how target relates to management of material impacts, risks and opportunities related to areas at water risk, including improvement of water qualit...

Target relates to responsible management of marine resources impacts, risks and opportunities, including nature and (or) quantity of marine resources-related co...

Disclosure of how target relates to responsible management of marine resources impacts, risks and opportunities, including nature and (or) quantity of marine r...

Target relates to reduction of water consumption, including in areas at water risk and (or) in areas of high water-stress

Disclosure of how target relates to reduction of water consumption, including in areas at water risk and (or) in areas of high water-stress [text block]

Ecological thresholds and (or) entity-specific allocations were taken into consideration when setting target

Disclosure of ecological thresholds identified and methodology used to identify ecological thresholds [text block]

Ecological thresholds are entity-specific

Disclosure of how ecological entity-specific thresholds were determined [text block]

Disclosure of how responsibility for respecting identified ecological thresholds is allocated [text block]

Target is mandatory (required by legislation)

Target relates to reduction of water withdrawals

Target relates to reduction of water discharges

Target addresses shortcomings related to Substantial Contribution criteria for Water and Marine Resources

Target addresses shortcomings related to Do No Significant Harm criteria for Water and Marine Resources

ESRS E3-3

ESRS E3-3 AR

Figure 5: ESRS Set 1 XBRL taxonomy presentation linkbase for ESRS 2 MDR-T and ESRS E3-3.

4. Market practices for sustainability reports' structure

The analysis for the purpose of this paper involved the assessment of 20 sustainability reports disclosed for financial year 2023 by undertakings in the EU. Its aim was to provide a snapshot of reporting practices adopted by undertakings in their sustainability reports prior to the publication of ESRS compliant sustainability statements, which should take place in case of large and listed undertakings in 2025 for the financial year 2024.

The current market practices in the structuring of the sustainability reports by entities in the EU can be generally categorised under two approaches, namely (i) custom structure, or (ii) ESRS-related structure. In the latter case, it has to be noted that undertakings have applied the ESRS-related structure voluntarily as there was no such regulatory obligation for the financial year 2023.

In general, all of the reports were divided into sections dedicated to environmental, social and governance information, with ESRS-related reports having in most cases an additional general information section. Next, in the reports following the custom structure the sections were divided by material topics or objectives, while the ESRS-related reports were divided into material topics and in some cases also subtopics, followed by disaggregation of information for topic or subtopic by a disclosure requirement. The order of disclosure requirements was predominantly in line with the sequencing of information adopted in the ESRS.
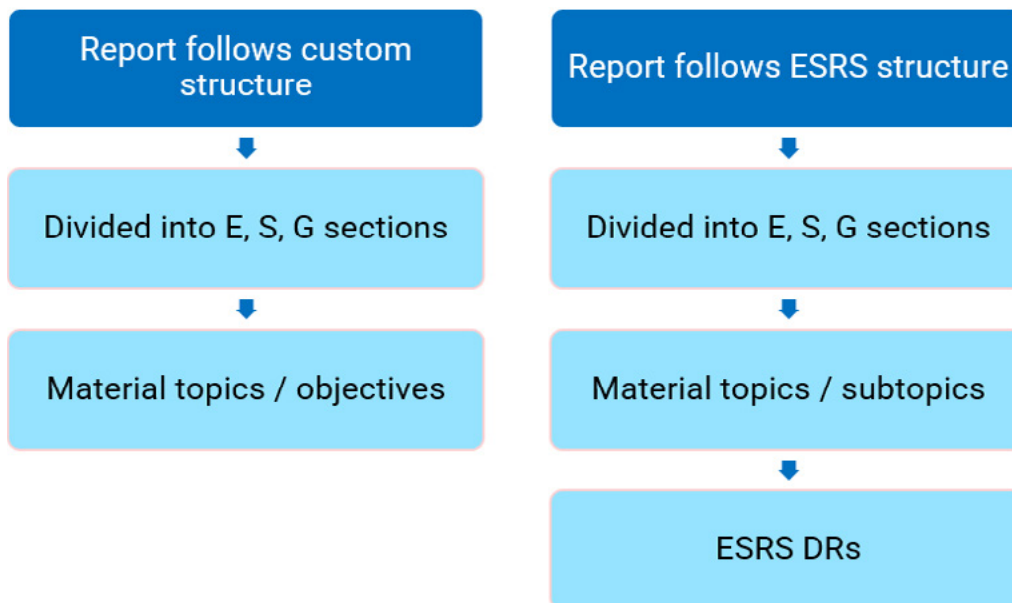
Figure 6: Comparison of sustainability reporting structures.

For the sustainability reports following the ESRS structure, the assessment looked also into how the information disclosed per disclosure requirement aligns with the structure of the standard and that of the data model underlying the XBRL taxonomy.

Here, we observed that it largely depends on whether the information requirements are structured (i.e. in the form of a table) or unstructured (i.e. narrative text). In the former case, undertakings apply the proposed information requirement structure, as is the case in example below referring to ESRS E1-5, paragraph AR 34 table illustrating a voluntary form of presentation of information on energy consumption and mix. The taxonomy data model follows closely the table in paragraph AR 34, as well as does the example of disclosure by a company for its 2023 sustainability report. In result, we can observe a direct correspondence between the company's disclosure and the data model of the taxonomy.
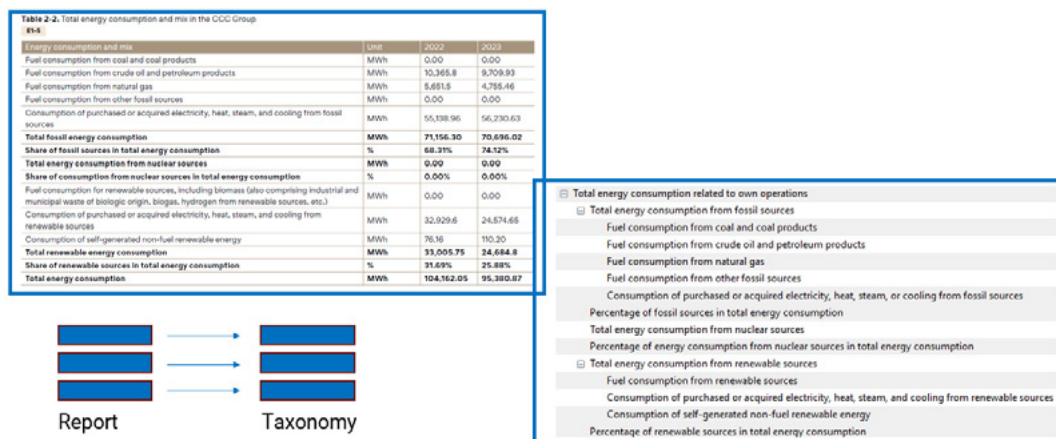
Figure 7: Structure of E1-5 AR 34 disclosure on energy consumption and mix in report and in taxonomy data model.

In the two examples below, of unstructured information requirements, the data model follows the sequence of information requirements of ESRS 2 MDR-P, while companies' reports offer a slightly different structure, in particular as regards the placement of information on how the policy is made available to affected stakeholders in the overall disclosure structure.
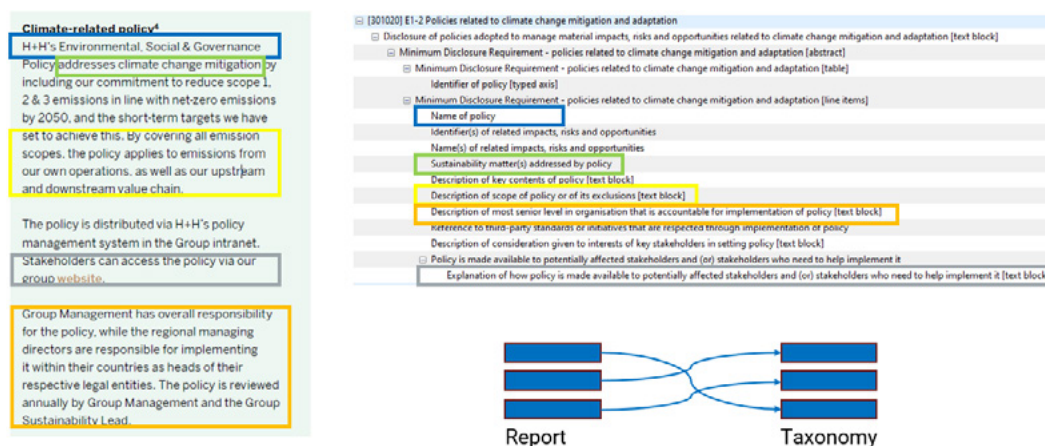
Figure 8a: Structure of ESRS 2 MDR-P disclosure on policy in reports and in taxonomy data model.

Figure 8b: Structure of ESRS 2 MDR-P disclosure on policy in reports and in taxonomy data model.

Possible approaches by companies for sustainability statements' structure

The assessment of possible approaches by companies in their sustainability statements' structure may be considered in several contexts, such as (i) ESRS requirements, (ii) data model underlying the XBRL taxonomy, (iii) public nature of disclosures, and (iv) data analysis. These can have impact, albeit to a different degree, on the choice of the statements' structure.
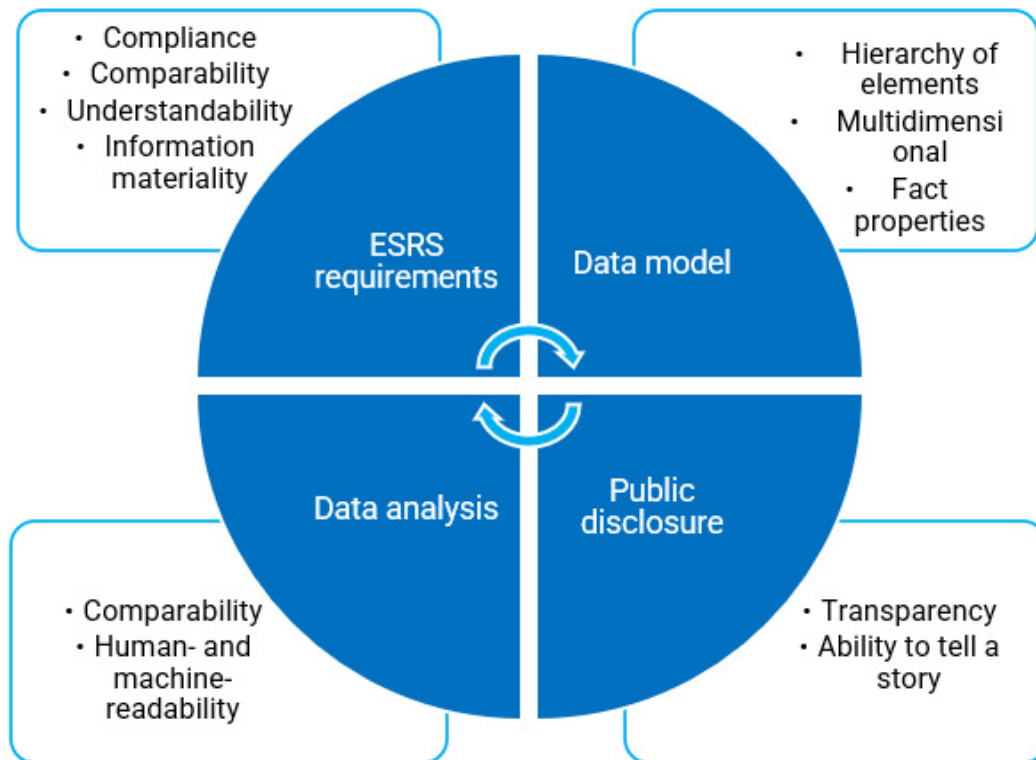

Figure 9: Contexts and criteria for assessment of ESRS compliant sustainability statement's structure.

5.1 ESRS requirements

First and foremost, the structure of a sustainability statement has to comply with the requirements of the CSRD and of the ESRS. The most relevant ESRS provisions in this regard can be found in ESRS 1 Chapter 8, which have already been discussed in this paper. In addition to those, the structure of the statement can also be assessed from the perspective of ESRS 1 principles regarding qualitative characteristics of information, such as comparability, and understandability[9], as well as in light of the materiality of information requirement.

The comparability of information is defined as information that "can be compared with information provided by the undertaking in previous periods and, can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry"[10]. Although this requirement applies primarily to the content of the sustainability statement, one might also infer its more indirect application to the statement's structure. In particular, as regards comparability of the statement from its human readable layer, both between undertakings in the same reporting period and for an undertaking in different reporting periods. In both cases consistent application of a given structure might enhance the comparability of disclosures from a human readable layer of a statement, which is a criterion adopted for the assessment of statement's structure.

Understandability of information is defined as information that is clear and concise, with the latter being defined as avoidance of unnecessary duplication of information and use of well-structured sentences and paragraphs, as well as disclosure of material information[11]. Information understandability coming from the structure of paragraphs of the statement could also be enhanced by means of using a consistent structure, hence understandability is adopted as a criterion for the assessment of statement's structure.

The materiality of information is a requirement that implies disclosure of information within a disclosure requirement when the company assesses that the information is relevant because it: (i) is significant in relation to the matter it depicts or explains, or (ii) meets users' decision-making needs[12]. In addition, when disclosing information on metrics for a material sustainability matter under the "Metrics and targets" section of the relevant topical ESRS, the undertaking "may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement"[13]. Still, a set of information needs to be disclosed irrespective of the outcome of the materiality assessment (always disclose all ESRS 2 disclosure requirements and all its specific information requirements, as well as IRO-1 disclosure requirements in topical standards)[14]. The materiality of information implies that more specific elements constituting the structure of the statement, pertaining to granular information requirements, might be subject to change between reporting periods, as informed by the results of the materiality assessment and by the information materiality itself.

---

[9] ESRS 1, par. 19 b.
[10] ESRS 1, Appendix B, QC 10.
[11] ESRS 1, Appendix B, QC 16 and 17.
[12] ESRS 1, par. 31.
[13] ESRS 1, par. 34 b.
[14] ESRS 1, par. 29.

5.2 Data model underlying XBRL taxonomy

The data model for the ESRS Set 1 XBRL taxonomy is a hierarchical and multidimensional structure that organizes elements corresponding to ESRS Set 1 in parent-child relationships, following the standards' logic and structure, and standardises their properties. Hence, the data model's structure, i.e. multidimensional hierarchy of elements, can provide a clear guidance on the sequence of material information disclosed in the statement, as discussed in previous sections of the paper, and is a criterion for the assessment of statement's structure.

5.3 Public nature of disclosures

The public nature of sustainability-related disclosures mandated by CSRD implies that the ESRS provide a standardised framework for the disclosure of material information on sustainability matters. Hence, the aim of the framework is to increase the transparency of material disclosures through standardisation of the information content.

The public nature of disclosures also implies that these can be read and analysed by various stakeholders, from society at large to specialised subject matter analysts. The application of iXBRL as the format of disclosures that is both human- and machine-readable enables access to information and its analysis by those different groups of data users.

The structure of sustainability reports applied thus far varies, with companies using a number of guidelines and (or) frameworks, to a different degree of detail, e.g. by using a particular methodology for data calculation, specific metric, or process for identifying material matters. Still, a common thread in those reports is a tendency to be able to tell a story, which is adopted as a criterion for the assessment of statement's structure.

5.4 Data analysis

The analysis of data is enabled by using a human- and machine-readable format (i.e., iXBRL) and a digital taxonomy that serves to mark-up fact values in the statement (iXBRL report). The use of the machine-readable format, with ability to set fact properties such as date, value, unit, accuracy, scale, change from previous reporting period, or entity identification by way of context identifier, gives significant analytical opportunities and increases data comparability, which is a criterion for the assessment of statement's structure.

5.5 Assessment of possible approaches

The criteria selected from the analysis of contexts of the ESRS compliant sustainability statement's structure served to assess two possible approaches to structuring of the sustainability statement, as informed by the review of the market practices: (i) structure following the ESRS taxonomy data model, and (ii) custom structure.

	Structure following ESRS taxonomy data model	Custom structure
Compliance	***	***
Comparability	***	*
Understandability	***	**
Information materiality	***	***
Hierarchy of elements	***	*
Multidimensional	***	***
Fact properties	***	***
Ability to tell a story	**	***
Human readability	***	***
Machine readability	***	***
Transparency	***	**

*** High
** Medium
* Low

Figure 10: Assessment of criteria for ESRS compliant sustainability statement's structure.

The comparison of approaches informs that sustainability statement's structure following the ESRS Set 1 taxonomy data model provides more comparability of disclosed data between disclosing entities, if adopted by those entities, and for an entity between reporting periods, if adopted consistently. The increased comparability of data under this approach is predominantly linked to the human-readable layer of the statement, as machine-readable data comparability should be the same under both approaches. One example where such comparability is increased are structured information requirements, as is reflected in example from E1-5 paragraph AR 34 relating to energy consumption and mix and discussed in the paper. For unstructured disclosures a similar level of comparability could only be achieved, for the human-readable layer, by the adoption of the data model structure, still subject to information materiality.

Understandability is increased by use of a consistent structure, based on the data model. The data model structure also helps to address the avoidance of unnecessary duplication of information, as it has been developed with elements reusability in mind[15], and improves the clarity in structuring of statements' paragraphs.

The clear reflection in the taxonomy data model of the logic of the standards, disclosure requirements and its information requirements is exemplified in the data model hierarchy of elements, which should translate into a better order of information requirements in the statement itself.

[15] A1.4. Avoidance of overlapping narrative elements and re-usage across DRs, EFRAG ESRS Set 1 XBRL Taxonomy, Explanatory Note and Basis for Conclusions, August 2024.

A custom structure of the statement might fare better in the company's ability to tell a story, which should not be disregarded. Under the structure that follows the ESRS taxonomy data model the companies would have less flexibility regarding how the information is to be arranged, although the content of the information should comply with the standards.

Ultimately, transparency, which can be regarded as a summary criterion, is increased to a greater extent under the structure following the ESRS taxonomy data model, primarily thanks to improved comparability from a human-readable layer, and greater understandability because of the application of a clear hierarchy of elements.

6. Conclusion

Although ESRS provide general requirements for the structuring of the ESRS compliant sustainability statement, the advantages of using the ESRS Set 1 XBRL taxonomy data model hierarchy are clear.

Following the structure of the taxonomy data model would bring additional benefits in terms of tagging of the sustainability statement and its assurance. The tagging would be a more straightforward and less error prone task when the statement is aligned with the data model structure, in particular for the marking-up of narrative disclosures. Furthermore, the exercise of the limited assurance of the ESRS compliant sustainability statements would be enhanced under such structure of the statement.

As companies prepare for the first publication of ESRS-based material disclosures it is high time to consider the most effective structure of their sustainability statements.
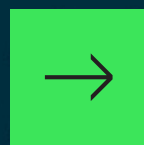
About the Author

Szymon Gębski

Szymon is well-versed in analysis of legal requirements, financial and non-financial reporting frameworks, as well as in creating data models that correspond to those requirements. Szymon holds a PhD in Law and gained professional experience as a consultant for international organizations, public institutions and private companies, as well as a researcher at the European University Institute. He has experience in analysis of sustainability standards and reporting frameworks, such as ESRS, ISSB, or EU taxonomy. He was one of the experts developing a methodology for collection and analysis of data on environmental finance within the Global Financial Innovation Network. He serves as a leader on ESG issues in relevant teams at BR-AG and leads initiatives related to sustainable development. Szymon also contributed to the development by EFRAG of XBRL taxonomies for ESRS and Article 8 disclosures.

BRAG

IS NOW PART OF

Regnology

→ **Learn more**

BRAG