



Evaluating the Effectiveness of the EU Corporate Sustainability Reporting Directive (CSRD) in Driving Sustainability Outcomes and Improved Financial Performance

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“Evaluating the Effectiveness of the EU Corporate Sustainability Reporting Directive (CSRD) in Driving Sustainability Outcomes and Improved Financial Performance” analyzes the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) to assess whether the frameworks effectively drive positive outcomes related to material sustainability impacts and financial results.

Summary

The CSRD and ESRS represent significant strides toward enhancing corporate sustainability reporting. However, several challenges hinder their effectiveness in driving positive outcomes related to material impacts and financial performance. The lack of sector-specific standards, unclear guidance on double materiality assessments, and the voluntary nature of outcome-oriented targets limit the comparability and consistency of company disclosures. Additionally, the framework's insufficient emphasis on financial upsides may prevent organizations from fully realizing and communicating the business benefits of their sustainability initiatives. These shortcomings could inadvertently foster a lack of performance-based KPIs which would then limit sustainability-linked value creation for companies, and undermine the intended objectives of the CSRD and ESRS. Addressing these issues is crucial for ensuring that the frameworks enhance transparency and accountability, leading to meaningful improvements in sustainability practices and financial value creation.

Background

The CSRD replaces the European Union's Non-Financial Reporting Directive (NFRD) as part of the EU's Sustainable Finance Package, which aims to direct more investment toward sustainable activities. The CSRD seeks to provide investors and other stakeholders with essential information to assess companies' impacts on people and the environment and evaluate financial risks and opportunities related to climate change and other sustainability matters.

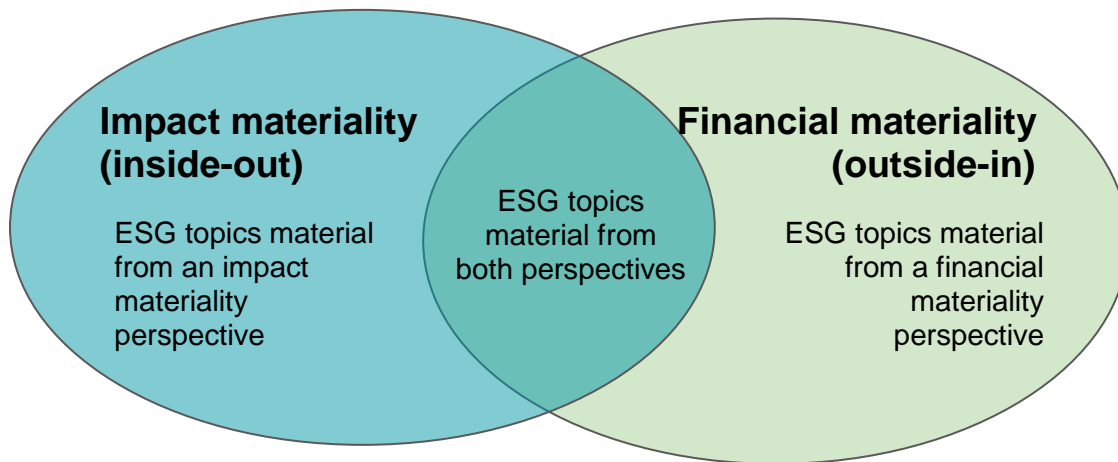
Under CSRD, companies must report in accordance with the ESRS. The ESRS aims to ensure consistent and comparable reporting, enhance transparency, support informed decision-making, increase corporate accountability, and promote the integration of sustainability into business strategies. Only sector-agnostic standards have been published, which include 12 standards—two cross-cutting and ten topical standards across environmental, social, and governance (ESG) topics. The reporting areas for topical standards include:

- **Governance:** Governance disclosures outline the processes, controls, and procedures used to monitor, manage, and oversee impacts, risks, and opportunities.
- **Strategy:** Strategy disclosures discuss how the undertaker's strategy and business model interact with its material impacts, risks, and opportunities, including how it addresses those impacts, risks, and opportunities.
- **Impact, risk, and opportunity (IRO) management:** IRO management disclosures outline the process(es) by which the undertaking identifies impacts, risks, and

opportunities and assesses their materiality. They also explain how the undertaking manages material sustainability matters through policies and actions.

- **Metrics and targets:** Metrics and target disclosures track the undertaking's performance, including its set targets and progress towards meeting them.

The relevance of each topical standard and the associated disclosures must be determined by conducting a materiality assessment. ESRS defines materiality by both impact (inside-out) and financial materiality (outside-in). A topic can be material from either or both perspectives.



Objective

This analysis seeks to determine if, and to what extent, compliance with CSRD and ESRS requirements can lead to measurable improvements in addressing material sustainability issues while also enhancing financial performance.

Key Considerations

- **Comparability of Disclosures:** Does the ESRS facilitate reporting that allows stakeholders to compare companies' material impacts across sector peers easily?
- **Managing Material Impacts:** Does the ESRS help companies achieve positive outcomes related to their most material sustainability impacts?
- **Link to Financial Performance:** Does the ESRS encourage the disclosure of financial upsides, such as increased profitability, lower cost of capital, or revenue growth?
- **Potential Unintended Consequences:** Does the ESRS inadvertently incentivize problematic behaviors or practices?

Comparability of Disclosures

Across topical standards, the ESRS outlines over 1,000 sector-agnostic data points that companies may disclose. However, despite this extensive list, the framework fails to promote comparable company disclosures.

One major issue is the broad range of generic data points, which leaves room for interpretation. The sustainability topics referenced in **ESRS 1 Appendix A AR 16: Sustainability matters to be included in the materiality assessment** are intended for guidance only, and companies must identify additional sector- and entity-specific issues as relevant. Additionally, ESRS 1 mandates that companies conduct double materiality assessments to determine relevant sustainability matters, with materiality also assessed at the data point level.¹ Companies can determine which data points are material without providing a rationale for omission and define data points according to company-specific circumstances.² While this approach accommodates diverse business models, it also permits significant variation in the data points reported, even among companies facing similar sustainability impacts, risks, and opportunities. The European Financial Reporting Advisory Group (EFRAG) is in the process of developing sector-specific standards³ scheduled to be released in June 2026, but it's unclear how specific and prescriptive these standards will be. It is essential to create room for companies to tailor their disclosures to their specific circumstances. Still, too much freedom could result in companies reporting vastly different data points in the same sector, making it difficult for stakeholders to draw meaningful comparisons based on the disclosed information.

Furthermore, despite the guidance outlined in the Materiality Assessment Implementation Guidance (EFRAG IG 1), a standardized methodology for conducting a materiality assessment is not provided, nor does ESRS offer detailed advice on material IROs. The absence of a clear, standardized methodology or list of IROs can create inconsistency in how companies approach these assessments. This leads to companies identifying different or incomplete lists of material matters, making it difficult for stakeholders to compare data points against companies in the same sector.

Managing Material Impacts

The ESRS requires companies to identify and disclose all material impacts within their value chain. Impacts can be actual or potential, negative or positive over the short-, medium-, or long-term. For material impacts identified, companies report on the following:

- Their governance processes, controls, and procedures used to monitor, manage, and oversee material impacts
- How their strategy and business model interact with its material impacts
- The processes by which they identify, assess, and manage material impacts
- Their performance, including targets it has set and progress towards meeting them

Because sustainability is integral to business strategy, the above structure provides valuable context for material impacts and helps businesses better understand the implications of ESG for their strategy. However, understanding alone is not sufficient. Companies must set specific

¹ Refer to ESRS 1 Appendix E: Flowchart for determining disclosures under ESRS

² Refer to ESRS 1 Appendix A: Entity specific disclosures

³ Sector-specific standards to include: mining, quarrying and coal mining; road transport; textiles, accessories, footwear and jewelry; financial institutions; agriculture, farming and fishing; motor vehicles; energy production and utilities; and food and beverage.

targets to drive meaningful action, and the standards, as written, may disincentivize them from setting ambitious targets.

While the regulation aims to enhance transparency and accountability for a company's material impacts and to encourage positive outcomes, it does not mandate that companies set outcome-oriented targets. Instead, it requires disclosure only for targets that companies have already established. For any targets set, the regulation imposes a set of minimum disclosure requirements, including the nature and scope of the target, baseline value, baseline year, milestones, interim targets, and more.⁴ Therefore, despite robust disclosures for set targets, the standard may actually disincentivize the setting of targets as companies aim to avoid additional disclosure that could expose them to risks if there is not a requirement to do so.

[Link to Financial Performance: Missing the Upside](#)

The ESRS requires companies to report the anticipated financial effects of material sustainability risks and opportunities. However, the standards primarily focus on identifying and managing negative financial risks rather than highlighting potential financial upside opportunities. The ESRS includes around 100⁵ (out of ~1,000) data points related to financial disclosures (see table below), with most found in E1. However, less than five of these data points explicitly address the financial upside (i.e., cost savings from climate mitigation and adaptation plans and revenues from low-carbon products). Otherwise, the disclosure requirements are risk focused (e.g., operating costs, capital expenses, or monetary losses) or remain vague, asking companies to disclose anticipated financial effects from material risks or opportunities but not explicitly indicating which financial measures to disclose.

For example, “Assets at material physical risk before considering climate change adaptation actions” (E1-9a, 66a) highlights exposure to climate-related vulnerabilities. Some disclosures are neutral or depend on interpretation, such as “Disclosure of quantitative information about anticipated financial effects of material risks and opportunities arising from pollution-related impacts” (E2-6, 39a). Few disclosures explicitly emphasize opportunities, such as “Expected cost savings from climate change adaptation actions” (E1-9, 69a), which recognizes the financial benefits of proactive sustainability measures.

This lack of emphasis on positive financial outcomes could result in underreporting of profitability gains, cost reductions, or growth opportunities linked to sustainability efforts, limiting the framework's ability to showcase the full business case for sustainable practices.

⁴ Refer to **ESRS 2 Minimum Disclosure Requirement – Targets MDR-T – Tracking effectiveness of policies and actions through targets** (Par. 78 - 81)

⁵ In order to identify financial disclosures leveraged EFRA IG 3 List of ESRS Data Points and filtered for “Monetary” data types, disclosures in the “Anticipated Financial Effects” sub reporting area, and disclosures related to monetary fines and penalties.

ESRS Standard	Number of Financial Disclosures By Standard
ESRS 2	17
E1	56
E2	11
E3	1
E4	7
E5	6
G1	5
S1	2
	105

Potential Unintended Consequences

The ESRS may inadvertently incentivize problematic behaviors or practices due to its lack of clear guidance and the voluntary nature of certain requirements. The absence of a standardized methodology can lead companies to overlook material IROs, resulting in incomplete or inconsistent disclosures that fail to capture the full scope of their sustainability impacts. Additionally, because setting outcome-oriented targets is voluntary, the standards may disincentivize companies from establishing meaningful targets. Instead, companies may opt for less ambitious targets that do not drive substantial positive change or forgo setting targets altogether. Even when companies do set targets, there is neither a requirement nor an incentive to drive better performance or outcomes. As a result, companies may focus solely on meeting minimum reporting requirements, ultimately undermining the ESRS's intended purpose of promoting genuine sustainability advancements. These limitations could foster a complacent approach to sustainability, preventing companies from fully addressing their material impacts and pursuing meaningful outcomes that drive both societal impact and financial performance.

Recommendations for EFRAG

The following recommendations aim to strengthen the effectiveness of the CSRD and ESRS in achieving their goals.

1. **Deliver on the sector-specific standards as soon as possible:** Releasing mandatory data points for each sector will ensure that companies report on consistent metrics relevant to their industry's material impacts. Therefore, meeting the release date of June 2026 is important.
2. **Mandate target setting for material IROs:** EFRAG should mandate that companies set outcome-oriented targets for material IROs to ensure sustainability reporting drives strategic action rather than becoming a compliance exercise. Allowing companies to disclose material IROs without targets creates an uneven playing field, penalizing companies that set targets while letting others avoid accountability. Moreover, without targets, companies cannot effectively manage progress or leverage the reporting process to inform strategy and deliver measurable outcomes, ultimately failing to drive positive outcomes.

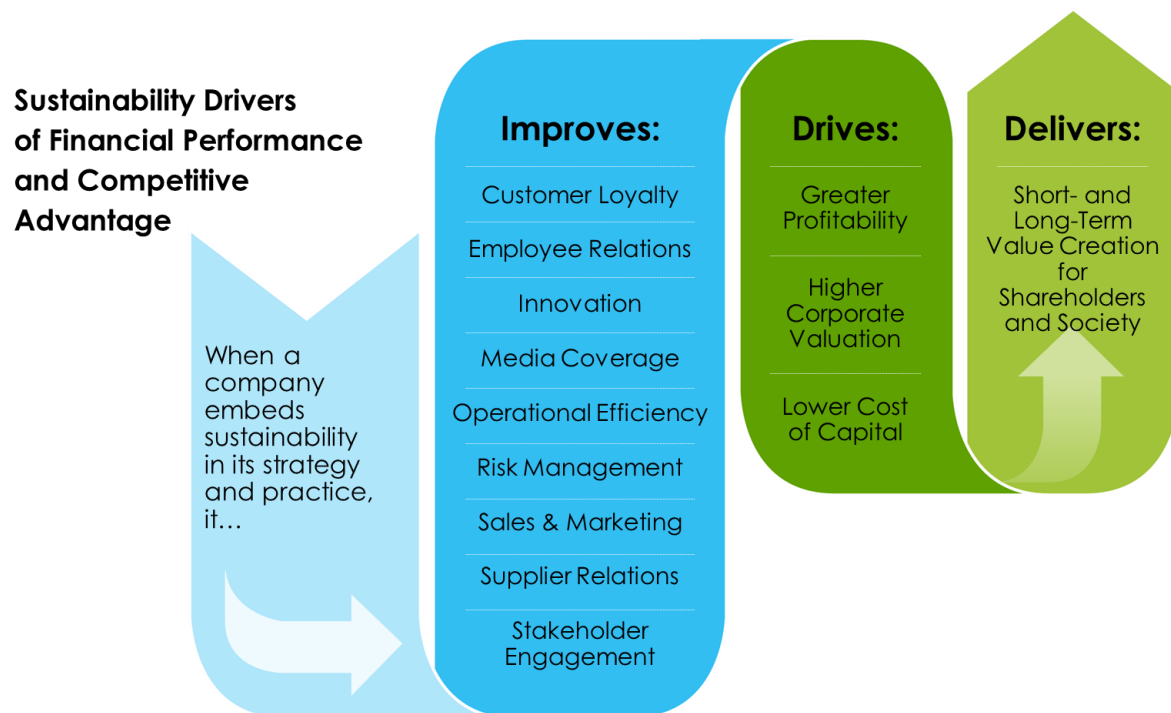
While it may not be realistic for companies to set targets for all material impacts, requiring them to set at least four outcome-oriented targets—one of which must be a decarbonization target aligned with a 1.5°C scenario—will create a strong foundation for meaningful action. (The [Overview of Reporting Process](#) section below provides additional details and examples.)

3. **Standardize the double materiality assessment approach and disclosure:** Provide a standardized methodology or detailed guidelines for conducting double materiality assessments. This could include:
- A standardized list of sector-specific IROs to help companies reduce variation in materiality assessments.
 - Establishing a clear framework with defined rankings and definitions for Scale, Scope, Likelihood, and Irremediability. This is particularly important to address cultural differences and regional nuances that may influence interpretations of severity. Additionally, since the impacts of various sustainability matters differ, consider defining these criteria (Scale, Scope, Likelihood, and Irremediability) by specific sustainability issues. This approach will facilitate easier measurement and ensure comparability in reporting across businesses. For example, criteria for climate could be defined as:

	Scale	Scope	Likelihood	Irremediability
High	Value chain operations contribute to over >1 million metric tons of CO ₂ annually	Impacts millions of people globally	>75% chance of occurrence	Irreversible damage
Moderate	Value chain operations contribute 100,000 - 1 million metric tons of CO ₂ annually	Affects thousands of people regionally	40-75% chance of occurrence	Harm is partially reversible if action is taken
Low	Value chain operations contribute to <100,000 metric tons of CO ₂ annually	Minimal impact on local communities, affecting hundreds of people nearby	<40% chance of occurrence	Impacts are manageable and reversible through remediation efforts

- Defining categories of stakeholders (e.g., local communities, NGOs, investors) and minimum requirements for engagement, including standardized questions for stakeholder consultations to ensure consistency and comparability across companies.
 - Providing a checklist or scoring system that auditors can use to evaluate compliance with the materiality methodology.
 - Requiring companies to disclose their detailed approach and criteria used in their double materiality assessment, enabling report users to understand the basis of their conclusions.
4. **Emphasize positive financial effects and outcomes:** Expand disclosure requirements to capture potential financial upsides of sustainability initiatives. Consider leveraging the NYU Stern Center for Sustainable Business (CSB) Return on Sustainability Investment (ROSI™) framework, which assesses risks and opportunities, identifies key value indicators, and suggests monetization methods to quantify financial benefits. The ROSI framework highlights nine value drivers that support growth, profitability, and corporate valuation: risk management, stakeholder engagement, operational efficiency, talent management, supplier relations, media coverage, customer loyalty, sales & market impact, and innovation (see Figure 1).

Figure 1.



After identifying material risks and opportunities, a company should leverage ROSI™ to outline the expected economic benefits using its nine value drivers. Next, quantify these benefits by

estimating their magnitude and the timeline for realization. Finally, the benefits are translated into economic value, stress tests are performed, and the return on investment is forecasted.

For example, during a double materiality assessment, a company may determine that its operations materially impact society and the environment through greenhouse gas emissions and uncover opportunities to reduce operational costs and improve efficiency. By integrating energy management into its decarbonization strategy, the company can save on energy costs, reduce exposure to energy price volatility, and potentially command market premiums. The company can use ROSI™ to define and monetize the financial benefits for each identified opportunity, as demonstrated in Figure 2.

Figure 2 illustrates the proposed financial upside of decarbonization through improved energy management practices and outlines the corresponding monetization approach.

Figure 2.

Decarbonization Strategy	Practices	Value drivers	Financial Benefits
Energy Management	Implement on-site renewable energy	Sales and Marketing	Additional revenue due to green premiums
		Operational Efficiency	Tax incentives and rebates
		Risk Management	Reduced dependence on grid and protection against rising energy prices
		Operational Efficiency	Reduces utility costs
	Use Power Purchase Agreements	Operational Efficiency	Tax incentives and rebates

		Operational Efficiency	Lower costs of energy procurement through negotiated contract rates.
		Sales and Marketing	Green premiums
	Improve Energy Efficiency	Operational Efficiency	Lower Operational Costs

Summary of Benefits	Year					
		1	2	3	4	5
Energy cost savings from switching lights		\$ 154.1	\$ 505.4	\$ 545.0	\$ 587.7	\$ 633.8
Repairs and maintenance cost savings		\$ 2,040.0	\$ 2,080.8	\$ 2,122.4	\$ 2,164.9	\$ 2,208.2
Energy cost savings from HVAC Upgrades		\$ 226.5	\$ 244.2	\$ 263.3	\$ 284.0	\$ 306.2
GHG		\$ 3,650	\$ 4,034	\$ 4,501	\$ 5,004	\$ 5,429
Total Benefits		\$ 6,071	\$ 6,865	\$ 7,431	\$ 8,040	\$ 8,577
Capital Investment (Net)	\$11,000					
Net Present Value	\$16,105					

Research Inputs		
	Value	Source
Inflation rate outlook	2.7%	BLS
Cost of Capital/Discount Rate	9%	NYU Stern
Internal price of carbon (2025 estimate)	\$46	Bloomberg NEF

For ROSI™ Framework & Resources, refer [here](#).

Recommendations for Practitioners

1. Identify sector-specific sustainability issues

With EFRAG's sector-specific standards still under development, practitioners can proactively benchmark sustainability disclosures against peers and industry best practices. Actions could include:

- While you may not be reporting in line with voluntary standards, consider leveraging existing standards (e.g., SASB and GRI) as a starting point to identify sector-specific issues.
- To augment your analysis of existing standards, consider analyzing disclosures from competitors and sector leaders to identify common and emerging material issues.
- Consider leveraging industry associations (e.g., The Fashion Pact) and topical resources (e.g., World Wildlife Fund, Task Force for Nature Related Disclosures) to supplement identification of sector-specific issues.
- Engage internal and external stakeholders to identify potentially material issues specific to your business.

2. Adopt outcome-oriented targets for material impacts

While the ESRS does not mandate setting targets, consider establishing specific, measurable, achievable, relevant, and timed targets that are outcome-oriented for material impacts to demonstrate accountability and drive better corporate performance, compliance, and positive outcomes. Just as with any other corporate initiative, you will want to focus on performance-oriented KPIs that align with your business strategy and then map them to the CSRD. Consider:

- Setting clear, time-bound goals for emissions reductions, waste management, or human rights practices in the supply chain.
- Regularly measuring and reporting on progress toward these goals to build credibility with investors and other stakeholders.
- Communicating these targets publicly to show commitment and drive performance.

3. Develop a structured double materiality assessment approach

The Double Materiality Assessment process is inherently open-ended, requiring practitioners to interpret and apply EFRAG's assessment criteria—such as scale, scope, and likelihood—based on their specific context, which could result in comparable companies prioritizing different topics. Given the lack of a standardized methodology, companies must develop an internal framework to navigate this ambiguity and prioritize material topics effectively. Having a clear focus on the most material issues to manage will also be more likely to drive improved financial performance. An internal framework could include:

- A clearly documented and repeatable process that can be improved year-over-year.

- Establishing consistent criteria for assessing the financial and impact materiality of each issue.
- Documenting and justifying choices about which data points are material to improve transparency and align with emerging best practices.

4. Enhance Disclosure on Positive Financial Outcomes for Sustainability Initiatives

Rather than stopping at the minimum ESRS disclosure requirements, build on the work already completed to establish disclosures that track and quantify the financial benefits of ESG initiatives. This approach can drive greater profitability, enhance corporate valuation, and reduce the cost of capital while delivering both short- and long-term value creation for shareholders and society. By focusing on outcome-oriented KPIs and leveraging tools like the ROSI™ framework in Figure 1 above, you can measure and demonstrate the financial value of sustainability efforts.

To effectively connect sustainability initiatives to financial value, consider the five steps of the ROSI™ methodology:

1. **Assess Material Opportunities and Risks:** Identify the material sustainability strategies for the sector and the company, using SASB or GRI as guides. Refer to step 4 of the ESRS reporting process.
2. **Identify Associated Strategies:** For each material risk or opportunity, identify the material changes in business practice. For example, if child labor is identified as a material operational risk, a sustainability initiative focused on child labor remediation could be implemented as an associated strategy. Refer to step 6 of the ESRS reporting process.
3. **Determine Expected Benefits:** Determine the potential and realized financial and societal benefits of these practices through the lens of the value drivers of financial performance (innovation, operational efficiency, supplier loyalty, etc.). This would be tied to the impact identified for the relevant risk or opportunity. Impacts are identified in step 3 of the ESRS reporting process. For example, a benefit of child labor remediation is the reduced risk of work stoppages in the supply chain.
4. **Quantify Results of Benefits:** For example, this can be measured by key value indicators such as days of work stoppages and average cost per day. Step 7 of the ESRS reporting process.
5. **Monetize the Benefits:** Apply a monetization process to calculate monetary values for the intangible and tangible benefits. For example, you can calculate avoided costs by estimating the annual reduction in stoppages. Step 9 of the ESRS reporting process.

For additional example metrics, refer to [CSB's ROSI™ Resources and Tools](#). To see how these steps integrate into the overall ESRS reporting process, refer to the Overview of ESRS Reporting Process below.

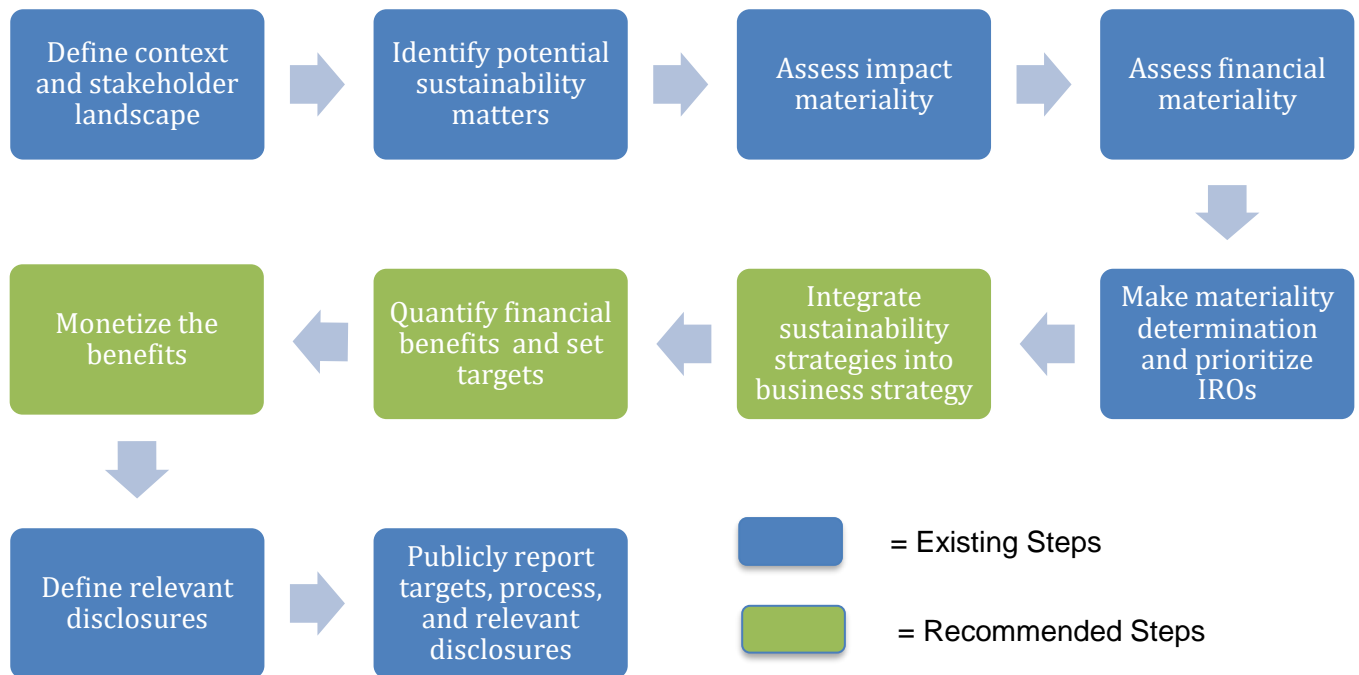
5. Implement Continuous Improvement Processes for Reporting

The CSRD and ESRS requirements will likely evolve as sector-specific standards are released. Adopt a continuous improvement mindset by:

- Regularly reviewing and updating your reporting processes to accommodate new guidelines and best practices.
- Seeking feedback from investors, customers, and other stakeholders on the clarity and relevance of your disclosures.
- Keep abreast of regulatory updates from EFRAG and adjust your approach as needed to remain compliant and proactive.
- Consider acquiring ESG reporting software and implementing appropriate processes and controls to ensure robust and streamlined reporting.

Disclaimer: This analysis is based on the finalized ESRS published in December 2022. The [Omnibus Proposal](#), released on February 26, 2025, is expected to impact this analysis by reducing the number of data points and clarifying provisions that are deemed unclear. However, it is unlikely that the proposal will enhance the requirements for financial disclosures; if anything, some disclosures may be reduced. Thus, if the Omnibus Proposal passes, these recommendations will likely remain relevant.

Overview of the ESRS Reporting Process



- 1. Define Context and Stakeholder Landscape:** The first step involves understanding the assessment context, including the operational boundaries, upstream and downstream value chain, activities, and business relationships. Relevant affected stakeholders and users of the report should also be identified, such as employees, investors, suppliers, consumers, local communities, public authorities, and even nature as a “silent stakeholder.”
- 2. Identify Potential Sustainability Matters:** Companies should identify sustainability matters relevant to their specific business beyond the general list provided by ESRS. This involves determining actual and potential impacts, both positive and negative, as well as associated risks and opportunities. Stakeholder engagement, expert input, and scientific analysis are key to identifying these matters and ensuring a comprehensive understanding of the issues that could affect the business.

3. **Assess Impact Materiality:** Using ESRS criteria as a guide, companies assess material impacts by evaluating both negative and positive effects. Actual negative impacts are evaluated based on severity, including scale, scope, and irremediability, referencing frameworks like the UN Guiding Principles on Business and Human Rights. Positive impacts are assessed by their scale, scope, and likelihood. A data-driven approach, including life cycle assessments, alongside qualitative stakeholder input, will provide a deeper understanding of material issues and ensure effective management of social and environmental impacts.

Example Impact: Transitioning to 100% renewable energy across operations significantly reduces greenhouse gas (GHG) emissions, contributing to global climate change mitigation.

4. **Assess Financial Materiality (Risks and Opportunities):** Companies need to evaluate financial risks and opportunities linked to sustainability matters by considering resource dependencies and the sustainability performance of business partners. Financial implications are classified as risks or opportunities, and their materiality is evaluated based on likelihood and potential financial magnitude. This analysis should be conducted for short- and long-term scenarios, drawing on frameworks like ISSB's standards and IFRS S1 for comprehensive financial disclosure and reporting alignment. Consider risks and opportunities through the lens of the mediating factors of financial performance (innovation, operational efficiency, supplier loyalty, etc.).

Example Risk: Failure to transition to renewable energy can expose companies to regulatory penalties, rising carbon pricing costs, supply chain disruptions, and reputational damage.

Example Opportunity: Investing in renewable energy can lead to cost savings from reduced reliance on volatile fossil fuel markets, attract sustainability-conscious investors, and strengthen brand reputation among environmentally conscious consumers.

5. **Make Materiality Determinations and Prioritize Material IROs:** After identifying potential IROs (impacts, risks, and opportunities), companies prioritize them based on their significance to financial performance and societal impact. This step involves establishing thresholds using stakeholder input, data analysis, and industry benchmarks. A materiality matrix can help rank these factors, ensuring the company focuses on the most critical issues.
6. **Identify Sustainability Strategies and Integrate into Business Strategy:** To ensure sustainability priorities are embedded in the company's strategic direction, assess the alignment of identified material impacts, risks, and opportunities (IROs) with overall business strategy. This process should identify where sustainability initiatives can drive innovation, create competitive advantages, and support long-term growth. For each material IRO, determine the necessary changes in business practices and implement associated strategies.

Example Sustainability Strategy:

Opportunity	Sustainability Strategy
Transitioning to renewable energy reduces operational costs and mitigates energy price volatility. Company invests in on-site solar and wind installations while negotiating long-term Power Purchase Agreements (PPAs) with renewable energy providers.	Transitioning to renewable energy reduces operational costs and mitigates energy price volatility. Company invests in on-site solar and wind installations while negotiating long-term Power Purchase Agreements (PPAs) with renewable energy providers.

- 7. Quantify Benefits/Loss and Set Targets:** Companies should identify the associated benefit or loss associated with each risk and opportunity, using key value indicators to measure the tangible and intangible outcomes of sustainability initiatives. For select material IROs the business should set specific, measurable, achievable, relevant, and timebound (SMART) targets. Targets should be regularly reviewed and updated to reflect changing circumstances, new regulations, or stakeholder feedback, ensuring they remain relevant and achievable over time. By grounding targets in quantified benefits, companies can more effectively track progress, communicate value creation to stakeholders, and adapt to evolving business and sustainability priorities.

Example Emission Reduction Target: A company commits to reducing absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2019 baseline, and Scope 3 emissions by 30% over the same period. These targets are validated by SBTi, ensuring alignment with the 1.5°C global warming pathway. To achieve this, the company will transition to 100% renewable energy in owned operations, engage suppliers on emissions reductions, and implement energy efficiency measures across its supply chain.

Example Benefit: The financial benefit of transitioning to renewable energy includes long-term electricity cost savings, reduced exposure to fossil fuel price volatility, and enhanced brand loyalty among sustainability-conscious consumers.

- 8. Monetize the Benefit:** Apply a monetization process to calculate monetary values for the intangible and tangible benefits.

Example Calculation: Annual cost savings from renewable energy transition = (Average fossil fuel energy cost per MWh – Renewable energy cost per MWh) × Total energy consumption (MWh).

- 9. Define Relevant Disclosures:** Companies must define appropriate ESG disclosures, including quantitative and qualitative information on material IROs, and highlight the positive financial impacts of sustainability efforts.

10. Publicly Report Targets, Processes, and Relevant Disclosures: Transparent public reporting on ESG goals, progress, and strategies is crucial for building trust and accountability. The company should disclose its materiality assessment process, including the methodologies used, assumptions made, and thresholds established, as well as the interaction of material IROs with business strategy. This includes disclosing policies, actions, metrics, and targets to manage material IROs, as required by ESRS, ensuring that the company meets regulatory requirements and communicates its sustainability efforts clearly to stakeholders.

Author Bios

Samantha Cannon is a full-time MBA candidate at NYU Stern, specializing in Luxury & Retail with a focus on sustainability. She brings nearly a decade of experience in public accounting, internal auditing, and ESG reporting. Prior to Stern, Samantha supported clients across industries in preparing for evolving regulatory requirements, including the EU's Corporate Sustainability Reporting Directive (CSRD), helping to operationalize data collection, materiality assessments, and reporting controls. She is now serving as ESG Controller for an outdoor apparel and sports retailer.

Tensie Whelan is Distinguished Professor of Practice for Business and Society and the Founding Director of the NYU Stern Center for Sustainable Business, where she is bringing her 25 years of experience working on local, national and international environmental and sustainability issues to engage businesses in proactive and innovative mainstreaming of sustainability.

As President of the Rainforest Alliance, she built the organization from a \$4.5 million to \$50 million budget, transforming the engagement of business with sustainability. Her previous work included serving as Executive Director of the New York League of Conservation Voters, Vice President of the National Audubon Society, Managing Editor of *Ambio*, a journal of the Swedish Academy of Sciences, and a journalist in Latin America.

Tensie has served on numerous nonprofit boards and currently serves on the advisory boards of ALO Advisors, Giant Ventures and Nespresso. She was most recently appointed to the board of Emerald SPAC, and is an Advisor to the Future Economy Project for Harvard Business Review. Tensie holds a B.A. from New York University, an M.A. from American University, and is a graduate of the Harvard Business School Owner President Management (OPM) Program. She was awarded the Stern Faculty Excellence Award in 2020 and made Distinguished Professor of Practice in 2023 in recognition of her contributions to Stern.

NYU Stern Center for Sustainable Business

The NYU Stern Center for Sustainable Business (CSB) was founded on the principle that sustainable business is good business. We provide education, conduct research, and influence industry practice by proving the financial value of sustainability for business management and performance. At CSB, we aim to equip future and current corporate leaders with updated business frameworks that embrace proactive and innovative mainstreaming of sustainability, resulting in competitive advantage and resiliency for their companies as well as a positive impact for society. For more information, visit www.stern.nyu.edu/sustainability.