

**ESGTool platform methodology**

Disclaimer: Methodology has been developed within the project “#C012 Sustainability Reporting Tool” (#C012 Sus Tool) funded by e Interreg Baltic Sea Region program contributing to EUSBSR PA Innovation Action 2 'Digital Innovation and Transformation.

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## Acronyms

|  |  |
| --- | --- |
| AR | Application Requirement |
| BSR | Baltic Sea Region |
| CE | Circular Economy |
| CSRD | Corporate Sustainability Reporting Directive |
| DMA | Double Materiality Assessment |
| DR | Disclosure Requirement |
| EFRAG | European Financial Reporting Advisory Group |
| ESG | Environmental, Social and Governance |
| ESRS | European Sustainability Reporting Standards including the cross- cutting and topical standards under sector agnostic standards |
| EU | European Union |
| E1 | ESRS Standard for Climate Change |
| E2 | ESRS Standard for Pollution |
| E3 | ESRS Standard for Water and Marine Resources |
| E4 | ESRS Standard for Biodiversity and Ecosystems |
| E5 | ESRS Standard for Resource Use and CE |
| EUSBSR PA | EU Strategy for the Baltic Sea Region Policy Area |
| GOV | Disclosure Requirement category under ‘Governance’ in ESRS 2 |
| G1 | ESRS Standard for Business Conduct |
| IRO | Impact, Risk and Opportunity |
| LSME | European Sustainability Reporting Standards for listed Small and Medium Enterprises |
| MDR-A | Disclosure Requirement category under ‘Actions’ in ESRS 2 |
| MDR-M | Disclosure Requirement category under ‘Metrics’ in ESRS 2 |
| MDR-P | Disclosure Requirement category under ‘Policies’ in ESRS 2 |
| MT- or MDR-T | Disclosure Requirement under ‘Targets’ in ESRS 2 |
| NDA | Non-Disclosure Agreement |
| NFRD | Non-Financial Reporting Directive |
| NGO | Non- Governmental Organization |
| PDF | File format: ‘Portable Document Format’ |
| SBM | Disclosure Requirement category under ‘Strategy’ in ESRS 2 |
| SFDR | Sustainable Finance Disclosures Regulation |
| SME | Small and Medium-sized Enterprise |
| S1 | ESRS Standard for Own Workforce |
| S2 | ESRS Standard for Workers in the Value Chain |
| S3 | ESRS Standard for Affected Communities |
| S4 | ESRS Standard for Consumers and End Users |
| TBC | To Be Clarified |
| VSME | European Sustainability Reporting Standards for non- listed Small and Medium Enterprises (Voluntary) |
| XLXS | Excel based file format |

For a comprehensive list of acronyms used within the ESRS please refer to:<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F23%2520Appendix%2520VI%2520-%2520Glossary%2520and%2520acronyms.pdf>

# Introduction

This document outlines the aim and the scope of the ESG Tool development as well as the methodological background of the tool development. The tool references ESRS standards and offers small and medium companies in Finland, Estonia, Latvia and Lithuania a 5-stage process for the first steps in Sustainability awareness.

SME’s can use the data and the supportive materials provided by the tool to further analyse their ESG approach. The tool is not an official ESRG reporting tool, and cannot be used to create official reports.

The tool and its methodology has been developed within the project “#C012 Sustainability Reporting Tool” (#C012 Sus Tool). The project is financed by the Interreg Baltic Sea Region program contributing to EUSBSR PA Innovation Action 2 'Digital Innovation and Transformation. The project consortium consists of the sector ministries of the countries of the region and leading ICT associations/organizations:

* Estonia: Ministry of Economic Affairs and Communication (lead partner), Ministry of Finance, Let’s Do It Foundation (Teeme Ära Sihtasutus) and Estonian Association of Information Technology and Telecommunications (ITL);
* Latvia: Ministry of Environmental Protection and Regional Development and LIKTA;
* Lithuania: association INFOBALT;
* Finland: DIMECC.

# 1. The need for a comprehensive ESG Tool

## 1.1. Regulatory background

ESG (Environmental, Social, and Governance) factors in businesses have gained increased significance in recent years. This is due to the growing recognition that our current activities are surpassing the limits set by the planet, impacting the environment, society, and the market. It's crucial to consider ESG aspects to ensure fair opportunities for future generations.

The European Union has taken considerable steps in safeguarding and future-proofing Europe including the European market. The following legislation is part of the European Green Deal that partly guides the future development of Europe and ensures that future European generations have equal opportunities to the current ones.

The BSR Interreg Sustool- project (hereinafter - Sustool) consortium is developing a methodology to create a comprehensive ESG Tool targeted for small and medium enterprises to raise awareness of disclosure requirements set by the Corporate Sustainability Reporting Directive (CSRD) 2022/2464[[1]](#footnote-1) and its delegated Act 2023/2772 that includes the European Sustainability reporting Standards (ESRS)[[2]](#footnote-2) and guide them to align their business operations according to the new regulatory demands. The regulation aims to standardise sustainability-related data, enhance transparency of the impacts, risks, and opportunities, and strengthen trust within the European market from investors and consumers’ points of view. This tied together with the larger scale aims of the Green Deal as Europe strives to be the first climate-neutral continent.

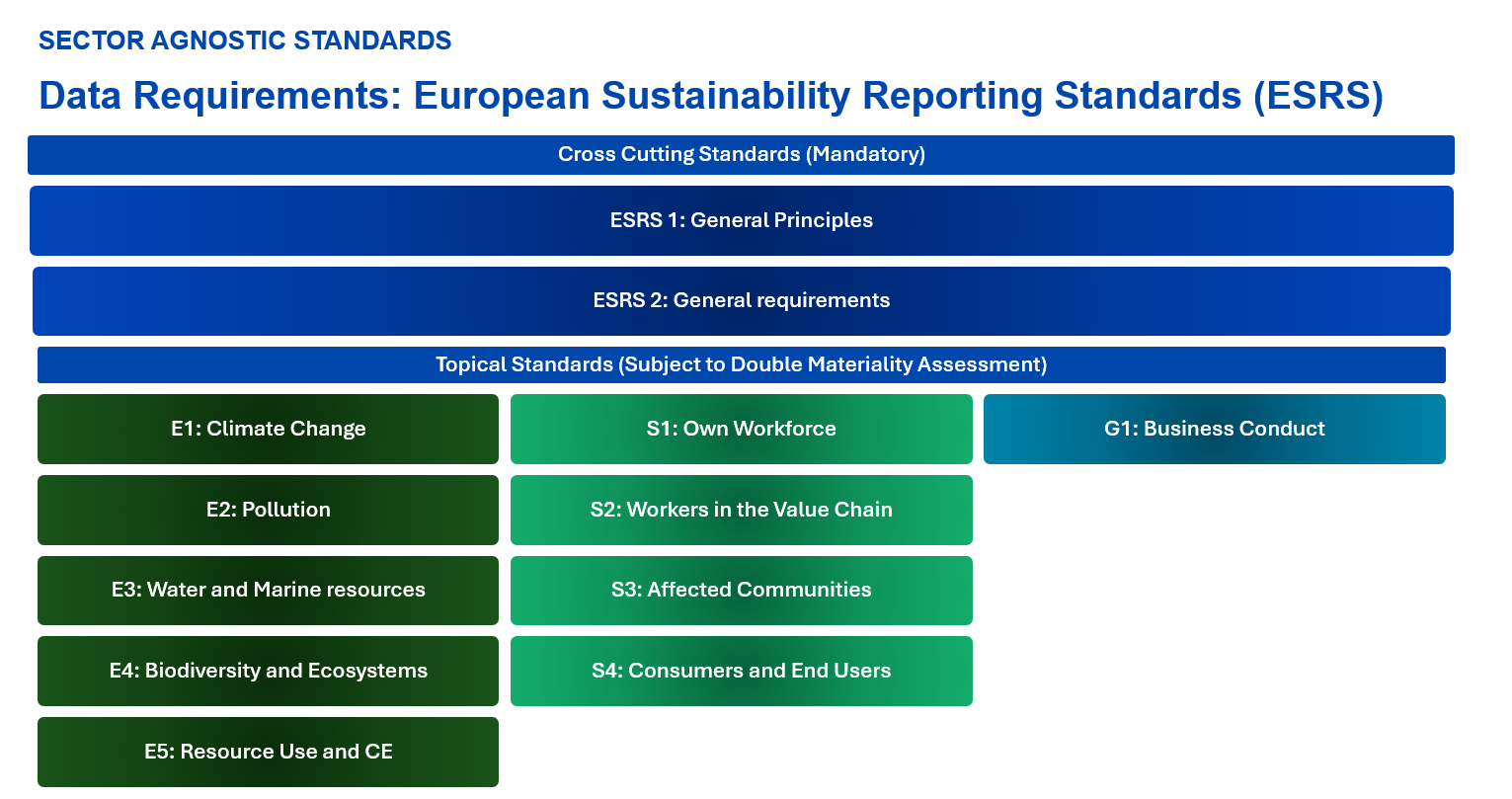
The directive was adopted on 14.12.2022 and entered into force on 05.1.2023. Member States must bring into force the provisions and administrative provisions necessary to comply with the Directive by 06.7.2024. The Directive will apply to financial years starting on or after 01.1.2024. The legislation imposes new demands for European companies in sustainability data collection and transparency. The directive will come into full force in stages, first covering the companies which were previously under the Non-Financial Reporting Directive (NFRD) in 2025 based on 2024 data. From there the scope of the directive will cover other big enterprises in 2026 based on 2025 data and small and medium enterprises (SME) by 2027 based on 2026 data.

Even though the SME- specific disclosure requirements will step into force later on, the regulation can impose disclosure requirements to the SMEs already on the first stage through value chain information if they are part of a value chain of a large undertaking that formerly fell under the NFRD. Depending on their sustainability maturity level, the SMEs should also start preparing for the upcoming data demands as early as possible to allow for better resource planning and ease of conducting the process. The need to create an ESG Tool that would help the companies stems from this idea. The nature of this tool is to guide companies to map their sustainability journey and offer recommendations on how to move forward.

## 1.2. The European Sustainability Reporting Standards

The work to create the ESRS was allocated to The European Financial Reporting Advisory Group (EFRAG). The current ESRS standards that form the basis for this methodology are sector-agnostic standards. The sector-specific standards will be published later on and thus cannot be integrated into this tool due to the planned schedule of the project. The sector-agnostic standards (also now simply referred to as ESRS) consist of two cross cutting standards ESRS 1 and 2, which include mandatory disclosure requirements for large undertakings. Additionally, the sector agnostic standards cover 10 topical standards that fall under double materiality assessment. The disclosure requirements within these 10 topical standards are mandatory for the company to disclose if they are deemed ‘material’. The topical standards have been further divided to cover all aspects of ‘ESG’: Environment, Social, and Governance.

Picture 1: Sector agnostic standards



EFRAG is currently developing the ESRS standards for listed SMEs (ESRS LSME) and a voluntary standard for non-listed SMEs (ESRS VSME). As much as possible these upcoming standards will be integrated into the tool’s architecture and recommendations, but as the planned publications schedule for these standards exceeds the duration of the project the ESG Tool will be methodologically built on the current sector agnostic ESRS.

The basis of the tool are sustainability matters defined in ESRS 1 application requirement (AR) 16. The table can be found in Stage 3 description.

For the comprehensive description of the content of the Delegated Act, (including AR 16) that includes the description of the ESRS supporting the Directive please refer here[[3]](#footnote-3).

### 1.2.1. Data points under the ESRS Disclosure Requirements

The sector agnostic ESRS- standards have been further divided into sub- sections and sub-sub- sections of disclosure requirements. The total number of required data points under these disclosure requirements (DR) exceeds 1100. These data points will be integrated into different stages of the tool as indicated later in this document. The comprehensive list of data points provided by EFRAG can be found here[[4]](#footnote-4).

## 1.3. The Structure of the ESG Tool

To enhance the sustainability aspects within a company it must go through a predesigned process as indicated in the directive and its delegated act. ESG Tool’s structure corresponds with this structure. In this process the company assesses its impacts, risks and opportunities in ESG- areas and finally transparently communicates the outputs to its target groups either in a sustainability report included the management report of an annual report or by other ways of communicating. The requirements for this under the CSRD and ESRS depend on the company size and its connection to the timeline of the directive. For non-listed SMEs the communication and especially reporting of its sustainability aspects will be voluntary but it may still be enforced to provide value chain data to a larger undertaking. As the larger corporations have already begun to restructure their value chains based on sustainability aspects, the tool aims to encourage SMEs to integrate sustainability into their business model and communication.

The ESG Tool will have a modular structure that has been divided into 5 stages. The tool is aimed to help the user companies in their journey to integrate ESG aspects into their business. After the registration page, the tool is structured around 5 stages:

**Stage 1:** Stakeholder mapping: will help the company to understand how and whom its operations effect and impact.

**Stage 2**: Sustainability Matter Shortlisting: will shortlist potential material sustainability topics for the company.

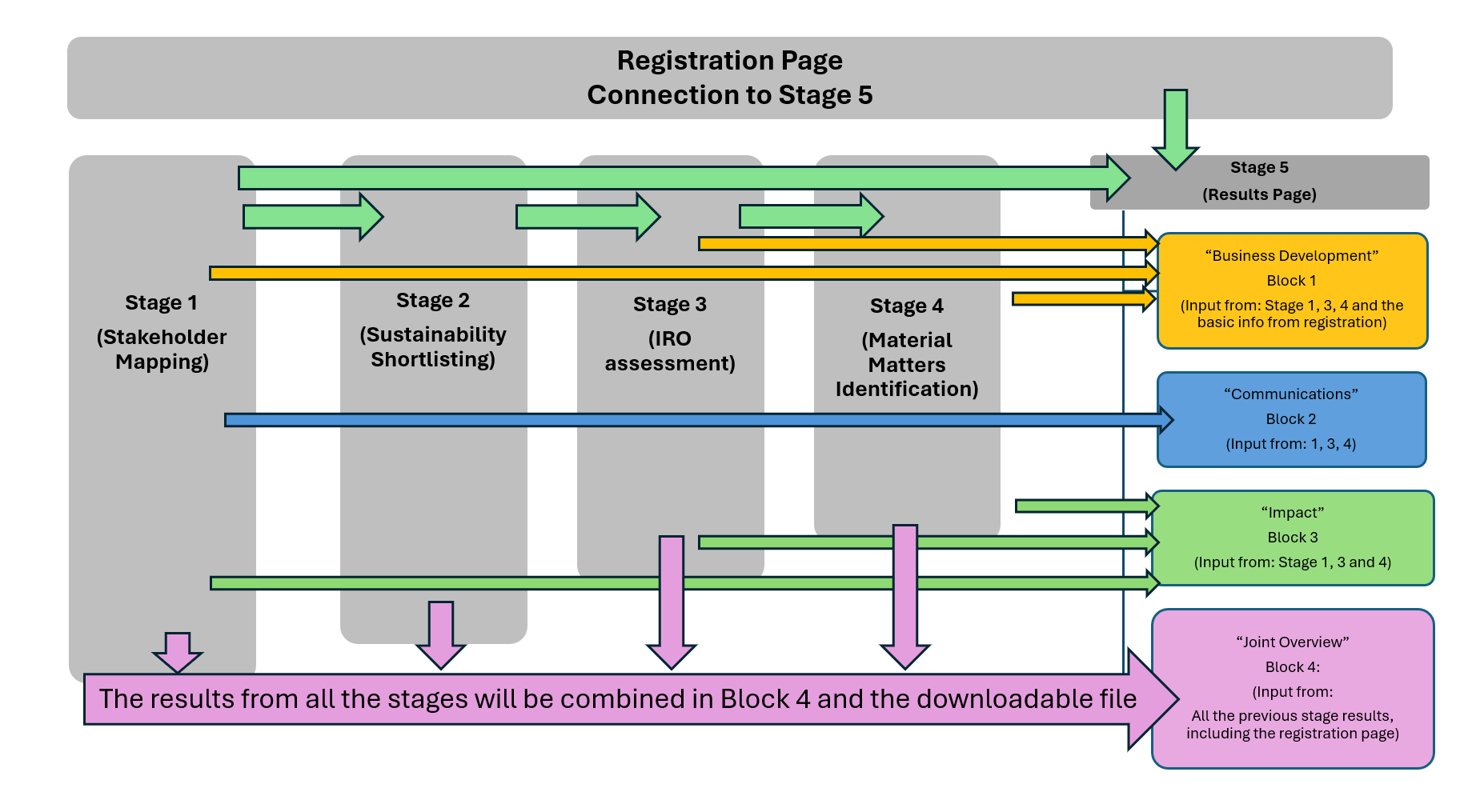
**Stage 3**: Impact-, Risk-, and Opportunity (IRO) assessment dive deeper into the shortlisted topics and assess the impacts, risks, and opportunities related to them.

**Stage 4**: Material matters identification aims to visualise assessed sustainability matters on a topical level and apply threshold to determine the material topics to be reported in the sustainability statement.

**Stage 5:** Results page/ Joint Overview: Finally ties all the previous stages together, combines the results, and includes guidance, recommendations, and help on how to integrate sustainability matters into the company and how to be transparent about the sustainability matters including impacts, risks, and opportunities.

The objective of the stages is to familiarise companies with the framework of the ESRS standards and facilitate the implementation of sustainability reporting according to the ESRS, either on a voluntary or mandatory basis. The tool provides a structured approach to materiality assessment and should indicate to the company the core of the concept and the direction to move. The stages of the tool are interlinked as shown below. The arrows from each stage indicate the connection and linkage to other stages. These are described in more detail later in this document.

Picture 2: The structure of the ESG Tool 5 Stage process and linkage between the stages



# 2. Stage 1 - Identifying the relevant stakeholders across the value chain

## 2.1 Value chain explanation

To start the assessment process, the identification of relevant stakeholders across the value chain is crucial. This can include suppliers, customers, employees, local communities, and other entities that may be affected by or have an impact on the organization's operations.

Once stakeholders are identified, the next steps typically involve engaging with them to understand their expectations, concerns, and priorities related to sustainability issues. This can be done through surveys, interviews, focus groups, or other methods of stakeholder engagement.

Following this, the organization would typically analyse and prioritise the sustainability topics and issues identified by stakeholders, considering their potential impact on the organization and its stakeholders, as well as the broader societal and environmental context. This analysis helps to determine the material aspects that should be addressed in the organization's sustainability strategy and reporting.

Throughout the assessment process, the organization needs to ensure that its approach aligns with best practices and requirements in the ESRS context.

Additionally, ongoing monitoring and stakeholder engagement are important elements of the double materiality assessment process to ensure that the organization remains responsive to evolving sustainability challenges and stakeholder expectations.

Understanding different tiers of the supply chain is important for companies to assess and manage the risks and impacts associated with their suppliers, including issues related to sustainability, social responsibility, and environmental practices. Many companies now seek transparency and accountability throughout their entire supply chain, including Tier 1, Tier 2, and even Tier 3 stakeholders, to ensure that their products are sourced and produced ethically and sustainably.

Explanation of what stakeholders mean along the whole value chain of your company. Stakeholder tiers explained – with a primary focus on Tier 1 (In the context of a company's stakeholders, "Tier 1," "Tier 2," and "Tier 3" typically refer to different levels within the value chain.

**Tier 1** refers to the primary stakeholders or direct contractual partners of the company. These are for example the suppliers or clients with whom the company directly does business, often supplying the company with raw materials, components, or products that are used in the company's own operations or in the products it manufactures or to whom it sells its products or services.

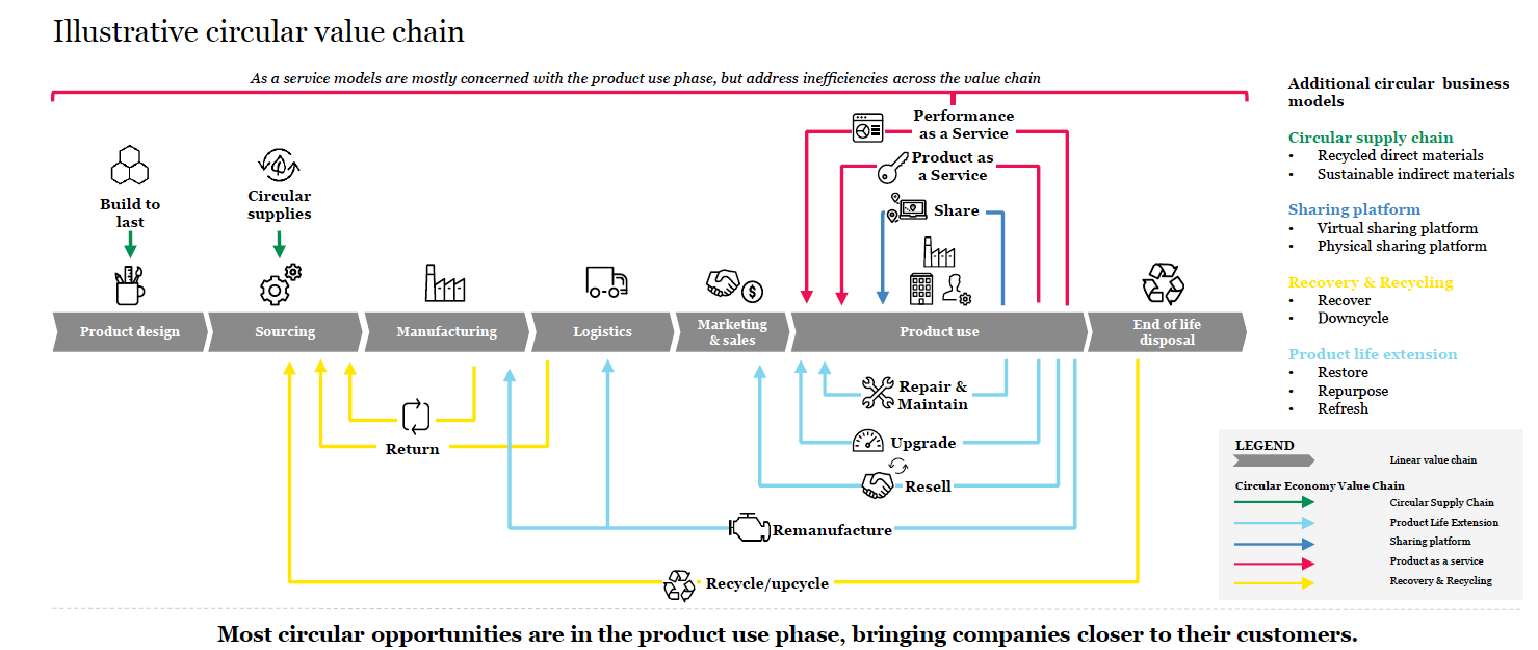
**Tier 2** at this level are the secondary stakeholders who for example provide goods or services to the Tier 1 or to whom Tier 1 sells its products or services. While the company may not have direct contracts with Tier 2, they are still an integral part of the product or service life cycle.

**Tier 3** level refers to Tier 2 stakeholders. They are further up or downstream in the value chain and must be considered as well.

Disclosure of individual stakeholders in different Tiers is not necessary (trade secrets issue, NDA).

Example of a value chain visualised in picture 3.

Picture 3: Illustrative circular value chain (source: Accenture, Sitra)



## 2.2. Mapping and evaluation of the stakeholders

### 2.2.1 Mapping the Stakeholders

The ESG Tool allows the company to map their Tier 1 stakeholder groups. While providing tooltips supporting the grouping of suppliers and tooltips on certification guidance.

##### Stakeholder groups

Stakeholder mapping is done According to the following main 3 groups and 26 sub-groups:

Table 1: Stakeholder groups

|  |  |  |
| --- | --- | --- |
| **Upstream** | **Midstream** | **Downstream** |
| Policymakers upstream | Own operations | Business clients |
| Affected communities upstream | Subsidiaries | Resellers and distributors |
| Suppliers | Affiliated operations | Private clients and End users |
| Employees in value chain | Supporting services and infrastructure | Private clients and End users  belonging to vulnerable groups |
| Waste management | Policy makers | Policy makers downstream |
| NGOs | Affected communities | Affected communities downstream |
|  | Nature as a silent stakeholder upstream | Employees in the value chain |
|  | NGOs in the area | End of life services |
|  | Employees of affiliated operations |  |
|  | Own employees |  |
|  | Waste Management |  |
|  | Banks, financiers, investors |  |
|  | Media |  |

Each of the sub-groups allows the company to personalise their evaluation by naming the particular group (through a free text field in the tool).

Tier 2, 3, and further on the stakeholders are mapped to the best knowledge and effort of a user. If the user doesn’t know the stakeholders, there is a possibility to map the missing data (free text field). Tooltip explaining the free text field. Media, own employees and banks, and financiers are evaluated once and only for their own operations.

Tooltip explaining why mapping every supplier might be difficult.

### 2.2.2. Stakeholders’ evaluation

Evaluation for each stakeholder subtype's importance is done based on a Likert scale of 1-5 (where 1 - Strongly disagree and 5 - Strongly agree). The user evaluates stakeholders in its upstream, downstream, and own operations. Users can add as many groups of business clients, resellers, and distributors as needed.

Evaluation structure for all stakeholder groups

Table 2: Evaluation structure for all stakeholder groups

|  |  |  |  |
| --- | --- | --- | --- |
| Stakeholder subtype (See - Table  stakeholder groups) | Free text field for users to indicate particular stakeholder group | Stakeholder location:  National/EU/  International | Stakeholder evaluation:  1-5, where  1 - Strongly disagree  2 - Disagree  3 - Neither agree nor disagree  4 - Agree  5 - Strongly agree |

Stakeholders are affected by the user’s operations and activities and/or depend on stakeholders’ approval and cooperation with the user.

The full evaluation structure is available in Annex F- Stage 1.

## 2.3. Results

All stakeholders evaluated 3 and higher (depending on the subtype - See table result display) are considered important, and are displayed in the Stage 1 results, as well as included in the Stage 5 results. Results are displayed in 2 options:

* Visualization of the results (Value chain, see example - Picture 3)
* Table of Important stakeholder groups and recommendations.

Results are available as separate downloadable files as well as included in the joint company report.

The visualization and results table includes Stakeholder subtypes, which are evaluated as important:

Tabel 3: Stage 1 results

|  |  |  |  |
| --- | --- | --- | --- |
| **Stakeholder group types** | **Evaluation result** | **Visualization** | **Result table** |
| Affected communities | 1,2,3 | No actions required. | Exclude from results |
| 4, 5 | Include as Upstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Suppliers | 1,2 | No actions required. | Exclude from results |
| 3, 4,5 | Include as Upstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Policymakers upstream | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Upstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Employees in value chain | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Upstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Waste management | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Upstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| NGOs | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Upstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Own operations | 5 | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Subsidiaries | 5 | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Affiliated operations | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Supporting services and infrastructure | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Policy makers | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Affected communities | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Nature as a silent stakeholder upstream | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| NGOs in the area | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Employees of affiliated operations | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Own employees | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Waste Management | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Banks, financiers, investors | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Media | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Midstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Business clients | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Resellers and distributors | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Private clients and End users | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Private clients and End users  belonging to vulnerable groups | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Policy makers downstream | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Affected communities downstream | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| Employees in the value chain | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |
| End of life services | 1,2,3 | No actions required. | Exclude from results |
| 4, 5, | Include as Downstream stakeholder in visualization | Provide recommendations see Annex F Stage 1, sheet result page |

Tabel with recommendations for communication for all displayed stakeholders. Annex F-Stage 1, sheet Results provides a full list of recommendations to relevant stakeholders. Recommendations include:

* Usual topics covered in communication with the type of stakeholders.
* Recommended frequency of communication for displayed stakeholders.

|  |
| --- |
| **Linkage to the next stage:**  **Stage 5:**  Stakeholders map visualization and the full list of recommendations for stakeholders evaluated as important. |

# 3. Stage 2. Shortlisting sustainability matters.

The objective of Stage 2 is to introduce the user to the possible topics of concern given ESRS topical standards, as well as to assist the users in determining relevant topics that should be recognized in the user’s company context. Table AR16 (refer to Table 1 in the Stage 3 description) in the ESRS 1 standard outlines sustainability topics, sub-topics, and sub-sub-topics, which are to be assessed for material impact as the minimum requirement. Stage 2 assists the user in creating a shortlist of matters that are most relevant and likely to be material to the user. The input from the Stage 2 questionnaire serves as a filtering mechanism, excluding topics/sub-topics/sub-sub-topics that are not material to the company and including those that are deemed material for further assessment in Stages 3 and 4.

Moreover, Stage 2 provides various examples, tooltips, and explanations when answering the questions to educate the user and facilitate a deeper understanding of the topics. This guidance ensures that users can effectively engage with the assessment process, leading to more informed decisions regarding sustainability matters within their company's context.

## 3.1. Introduction

The stage begins with a concise explanation of how to identify and distinguish sustainability matters within the user’s company, as well as those relevant to external stakeholders, referencing value chain circles or Tiers. The explanation also emphasises that the focus is on detecting possible issues and mapping priorities rather than immediately gathering information.

Following this, an interactive visual menu is presented, offering an overview of all sustainability topics (E, S, G), as presented in the ESRS topical standards. Users have the flexibility to commence from the most familiar or convenient topic, such as S1 (own workforce), and subsequently explore all three subject areas encompassing 10 topics in total. Each of the 10 ESRS sustainability topics is accompanied by a visual illustration to enhance understanding. Additionally, users are provided with a visualised story or video showcasing an exemplar of good sustainability practice.

## 3.2 Assessment tool

Based on ESG 10 topics a questionnaire with up to 75 questions on 110 sub- & sub-sub-topics have been developed to evaluate company material aspects.

Table 4: Assessment tool

|  |  |
| --- | --- |
| **Topics** | **Number of questions\*** |
| Environmental |  |
| Climate change | 8 |
| Pollution | 5 |
| Water and Marine Resources | 8 |
| Biodiversity and Ecosystems | 6 |
| Resource use and Circular economy | 7 |
| Social |  |
| Own Workforce | 3 |
| Workers in the value chain | 5 |
| Affected communities | 4 |
| Consumers and end-users | 2 |
| Governmental |  |
| Business conduct | 11 |
| Total | 75 |

*\*The number of questions might change during the development stage*

The assessment takes the form of a questionnaire comprising up to 75 questions covering 110 sub- & sub-sub-topics, distributed across 10 main topics. Most questions are also accompanied by a short explanation of terms, examples, or tooltips designed to provide clarity and aid the users in comprehending the question and its context more thoroughly.

Each question offers 2 to 5 multiple choice answer options, such as 'yes', 'no', or 'don’t know'. A few questions also have the option of further subdivision for 'yes' responses into specific subtopics (e.g. yes, air; yes, water; yes, soil). In these kinds of questions, the user can choose multiple answers. Additionally, certain answers may include explanations, elucidating what 'yes' or 'no' signifies within the specific context of the assessment. This comprehensive approach ensures that users have the necessary support to engage effectively with the questionnaire. The full list of questions and answer options can be found in [Annex G](https://docs.google.com/spreadsheets/d/1MaRldAHwOgaf7GY07-VJCZ0mDThcjoz7GVM57cSu7uM/edit?usp=sharing) .

Each question determines if the linked Sustainability matter is likely to be material for the user/company. Example of linkage between the questions:

*Table 5: Assessment tool[[5]](#footnote-5)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Question** | **Possible answer options** | **Corresponding sub-topic** | **Answer options to determine materiality (qualification for a matter to be included in Stage 3)** | **Corresponding explanations** |
| ***Example*** | | | | | |
| *2.4.* | *Are microplastics generated or used in your own operations or in your value chain?* | *Yes;*  *No;*  *Don’t know* | *Microplastics* | *yes*  *don't know* | *Microplastics: Small pieces of plastics, usually smaller than 5mm, are increasingly found in the environment, including oceans, food, and drinking water. Once in the environment, microplastics do not naturally break down and tend to accumulate. That raises concerns about their impact on the environment and possibly human health.*  *Tooltip:*  *The International Union for Conservation of Nature (IUCN) highlights seven primary sources of microplastics in the marine environment:*  *- synthetic textiles*  *- vehicle tires*  *- road markings*  *- personal care products and cosmetics*  *- plastic pellets*  *- marine coatings*  *- city dust.[[6]](#footnote-6)* |

If at least one of the corresponding questions indicates the corresponding sub-topic as likely material, then this sub-topic is included in the Stage 3 Impacts, risks, and opportunities (IRO) assessment. All corresponding sub-topics (maximums - 110 topics/subtopic) indicated as likely material are shortlisted and are a subject of evaluation in Stage 3.

## 3.3. Result: Certain answers lead a shortlisted selection of matters to Stage 3

The results page provides a comprehensive summary of the likely material topics identified based on the user's responses to the questionnaire. Each likely material topic is determined by the answers provided by the users and assesses their significance within the context of the user's company. For instance, if ESRS E3 (Water and Marine Resources) is deemed material, the results will display this as a material topic. Furthermore, under each likely material topic, a breakdown of material sub-topics and sub-sub-topics is provided to offer a more detailed understanding. For example, if the sub-topic water consumption emerges as a likely material topic based on the user's responses, it will be listed under the topic ESRS E3 (Water and Marine Resources). Conversely, if the extraction and use of marine resources are deemed non-material, they will not be included under the material topics section. The topics, sub-topics, and sub-sub-topics which are deemed material, will proceed to further evaluation in Stages 3 & 4.

|  |
| --- |
| **Linkage to the next stage:**  **Stage 3:**  Stage 2 serves as a direct conduit to Stage 3, delineating which topics, sub-topics, and sub-sub-topics undergo materiality assessment in the latter stage based on questionnaire responses. Within the [Stage 2 Excel file](https://docs.google.com/spreadsheets/d/1MaRldAHwOgaf7GY07-VJCZ0mDThcjoz7GVM57cSu7uM/edit?usp=sharing), pertinent responses leading to the identification of material topics are catalogued under the heading "The answer options that lead the corresponding sub-topic / sub-sub-topic to Stage 3."  Furthermore, the Excel file contains the sub- and sub-sub-topics related to each question under the heading "Corresponding sub-topics covered by the question." For instance, in the context of ESRS E3 (Water and Marine Resources), question 3.4 (Does your company use water in regions facing water scarcity/water stress?) offers answer options of Yes or No. If the user selects Yes, it is noted under "The answer options that lead the corresponding sub-topic / sub-sub-topic to Stage 3" that this affirmative response designates the sub-/sub-sub-topics "Water consumption" and "Water withdrawals" as material, prompting further assessment in Stages 3 and 4.  When the user moves forward to Stage 3 the list of Material topics and sub-subtopics is ready for in-depth evaluation based on the Stage 2 answer created shortlist. |

# 4. Stages 3 - Impacts, risks, and opportunities (IRO) assessment

The objective of the IRO assessment is to define impacts, risks, and opportunities and assess impact and financial materiality according to the rules set out in the ESRS 1. The outcome of this stage is a list of assessed impacts, risks, and opportunities along with respective impact and financial materiality scores. The assessed IROs become an input for the next stage (Stage 4) where guidance on how to apply a threshold to determine the material topics is given.

The user receives predefined sustainability matters (relevant topics) from Stage 2 (a fraction of topics listed in Table 6) and evaluates each of them within Stage 3. The evaluation for each of the sustainable matters is done on two aspects:

* Impact materiality
* Financial materially

The IRO assessment model example is an indicative framework to be validated and developed further by an external consultant (sub-procurement in progress).

***Sustainability matters covered in topical ESRS on topical, sub-topical or sub-sub-topical level (ESRS 1 AR 16).***

Table 6: Sustainability matters covered in topical ESRS

|  |  |  |  |
| --- | --- | --- | --- |
| **Topical ESRS** | **Sustainability matters covered in topical ESRS** | | |
|  | **Topic** | **Sub-topic** | **Sub-sub-topic** |
| **ESRS E1** | Climate change | Climate change adaptation | - |
| Climate change mitigation |
| Energy |
| **ESRS E2** | Pollution | Pollution of air | - |
| Pollution of water |
| Pollution of soil |
| Pollution of living organisms and food resources |
| Substances of concern |
| Substances of very high concern |
| Microplastics |
| **ESRS E3** | Water and marine resources | Water  Marine resources | Water consumption |
| Water withdrawals |
| Water discharges |
| Water discharges in the oceans |
| Extraction and use of marine resources |
| **ESRS E4** | Biodiversity and ecosystems | Direct impact drivers of biodiversity loss | Climate Change |
| Land-use change, fresh water-use change and sea-use change |
| Direct exploitation |
| Invasive alien species |
| Pollution |
| Others |
| Impacts on the state of species | Examples:  Species population size  Species global extinction risk |
| Impacts on the extent and condition of ecosystems | Examples:  Land degradation.  Desertification  Soil sealing |
| Impacts and dependencies on ecosystem services |  |
| **ESRS E5** | Circular economy | Resources inflows, including resource use |  |
| Resource outflows related to products and services |
| Waste |
| **ESRS S1** | Own workforce | Working conditions | Secure employment |
| Working time |
| Adequate wages |
| Social dialogue |
| Freedom of association, the existence of works councils and the information, consultation and participation rights of workers |
| Collective bargaining, including rate of workers covered by collective agreements |
| Work-life balance |
| Health and safety |
| Equal treatment and opportunities for all | Gender equality and equal pay for work of equal value |
| Training and skills development |
| Employment and inclusion of persons with disabilities |
| Measures against violence and harassment in the workplace |
| Diversity |
| Other work-related rights | Child labour |
| Forced labour |
| Adequate housing |
| Privacy |
| **ESRS S2** | Workers in the value chain | Working conditions | Secure employment |
| Working time |
| Adequate wages |
| Social dialogue |
| Freedom of association, including the existence of work councils |
| Collective bargaining |
| Work-life balance |
| Health and safety |
| Equal treatment and opportunities for all | Gender equality and equal pay for work of equal value |
| Training and skills development |
| The employment and inclusion of persons with disabilities |
| Measures against violence and harassment in the workplace |
| Diversity |
| Other work-related rights | Child labour |
| Forced labour |
| Adequate housing |
| Water and sanitation |
| Privacy |
| **ESRS S3** | Affected communities | Communities’ economic, social and cultural rights | Adequate housing |
| Adequate food |
| Water and sanitation |
| Land-related impacts |
| Security-related impacts |
| Communities’ civil and political rights | Freedom of expression |
| Freedom of assembly |
| Impacts on human rights defenders |
| Rights of indigenous peoples | Free, prior and informed consent |
| Self-determination |
| Cultural rights |
| **ESRS S4** | Consumers and end-users | Information-related impacts for consumers  and/or end-users | Privacy |
| Freedom of expression |
| Access to (quality) information |
| Personal safety of consumers and/or end-users | Health and safety |
| Security of a person |
| Protection of children |
| Social inclusion of consumers and/or end-users | Non-discrimination |
| Access to products and services |
| Responsible marketing practices |
| **ESRS G1** | Business conduct | Corporate culture |  |
| Protection of whistleblowers |
| Animal welfare |
| Political engagement |
| Management of relationships with suppliers including payment practices |
| Corruption and bribery | Prevention and detection including training |
| Incidents |

## 4.1. Impact materiality

Firstly, the company assesses impacts that result from sustainability matters. Since not all sustainability matters are depicted by the ESRS, the company should be able to add any other sustainability matters that are material for affected stakeholders and users of sustainability statements. It should be possible to add these additional entity-specific sustainability matters in the impact materiality assessment.

Impact materiality pertains to the company’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term.

Short-, medium- and long-term time horizons are defined by default as follows:

* short-term: the period adopted by the undertaking as the reporting period in its financial statements;
* medium-term: from the end of the short-term reporting period defined in (a) up to 5 years; and
* long-term: more than 5 years.

For positive impacts, materiality is based on:

* the scale and scope of the actual impacts; and
* the scale, scope and likelihood of the potential impacts.

For negative impacts, materiality is based on

* the severity (scale, scope, irremediable character) of the actual impact,
* the severity (scale, scope, irremediable character) and likelihood of the potential impact.

Severity is based on the following factors:

* scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment;
* scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and
* irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.

Any of the three components (scale, scope, and irremediable character) can make a negative impact severe. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

The scoring of actual and potential impacts is illustrated in Table 7 and Table 8, respectively. Measurement scales for impact severity components (scale, scope, and irremediability) are presented in Table 9. The measurement scale for the likelihood of occurrence is given in Table 10. For impact materiality dimension the measurement scale is shown in Table 11.

Tables 7-11 are not definite components of impact materiality assessment but an indicative framework to be validated and developed further by an external consultant (sub-procurement in progress).

Table 7: Scoring of actual impacts[[7]](#footnote-7)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | **Severity** | | |
| **Type (+/-)** | **Sustainability matter** | **Impact** | **Scale** | **Scope** | **Irremediability** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

Table 8: Scoring of potential impacts[[8]](#footnote-8)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | **Severity** | | | **Likelihood of occurrence** |
| **Type (+/-)** | **Sustainability matter** | **Impact** | **Scale** | **Scope** | **Irremediability** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

Table 9: Measurement scales for impact severity components (scale, scope, and irremediability).

|  |  |  |
| --- | --- | --- |
| **Severity** | | |
| **Scale** | **Scope** | **Irremediable character of the impact** |
| 5 - absolute | 5 - global/total | 5 - non-remediable/irreversible |
| 4 - high | 4 - widespread | 4 - very difficult to remedy or long-term |
| 3 - medium | 3 - medium | 3 - difficult to remedy or mid-term |
| 2 - low | 2 - concentrated | 2 - remediable with effort (time & cost) |
| 1 - minimal | 1 - limited | 1 - relatively easy to remedy or short-term |
| 0 - none | 0 - none | 0 - very easy to remedy |

Table 10: Measurement scale for likelihood of occurrence[[9]](#footnote-9)

|  |
| --- |
| **Likelihood of occurrence** |
| 5 - almost certain |
| 4 - likely |
| 3 - possible |
| 2 - unlikely |
| 1 - rare |

Table 11: Measurement scale for impact materiality dimension.[[10]](#footnote-10)

|  |
| --- |
| **Impact materiality** |
| ≥ 12 critical |
| [10,12) significant |
| [8,10) important |
| [5,8) informative |
| < 5 minimal |

Table 12: Sustainability matters

|  |  |  |
| --- | --- | --- |
| **Sustainability matter**  **(Source: Stage 2 predefined material aspect)**  **Maximum of 110 materiality topics, evaluation for each topic has to be done separately.** | | |
| **Impact materiality** | **Evaluation** | **Comment** |
| Impact | Positive/Negative | Pre-defined values |
| Impact type | TBC\* | Will be provided in June 2024 |
| Impact subtype | TBC\* | Will be provided in June 2024 |
| Impact event | TBC\* | Will be provided in June 2024 |
| Impact event company specifically identified | *Free text for companies comments.* |  |
| Impact evaluation | Actual/ Potential | Actual - real, tangible effects or consequences that have occurred as a result of a particular action or event. Potential - anticipated or possible effect or consequence that could occur under certain conditions or scenarios. |
| Impact time term | Short term, mid-term, long term | Pre-defined values |
| Scale | 0-5 | 5 absolute; 4 high; 3 medium; 2 low; 1 minimal; 0 none TBC\* |
| Company comments | *Free text for companies comments.* |  |
| Scope | 0-5 | 5 global; 4 widespread; 3 medium; 2 concentrated; 1 limited; 0 none TBC\* |
| Company comments | *Free text for companies comments* |  |
| Irremediable character of the impact | 0-5 | (5 non-remediable/irreversible; 4 very difficult to remedy or long-term; 3 difficult to remedy or mid-term; 2 remediable with effort (time & cost); 1 relatively easy to remedy short-term; 0 very easy to remedy) TBC\* |
| Company comments | *Free text for companies’ comments* |  |
| Likelyhood | 0-5 | (5 - almost certain, 4-likely, 3-possible 2-unlikely,1-rare, NA actual impact). A number also needs to have also % for formula to calculate, NA =1, so option is that for actual impact, the likelihood is not displayed as its value is always 1 and can be used in the formula. TBC\* |
| Result | *[numeric value]* | TBC\* |

*\*A Full list of impact/risk types as well as events, scales validation and the formula for result calculation is a subject of a separate procurement and will be provided during the development.*

## 4.2. Financial materiality

Following impact materiality, the company assesses risks and opportunities that can derive either from impacts, dependencies or other risk factors across sustainability matters. This assessment relates to the information needs of the primary users of general-purpose financial reports in making decisions relating to providing resources to the company. If a sustainability matter triggers or could reasonably be expected to trigger material financial effects on the company, then it is considered to generate risks or opportunities that have a material influence or could reasonably be expected to have a material influence, on the company’s development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. Similarly to impact materiality, entity-specific sustainability matters are needed to be considered.

Financial materiality assessment pertains to risks and opportunities that may derive from past or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships beyond the scope of consolidation used in the preparation of financial statements.

The materiality of risks and opportunities is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects. The scoring of actual and potential risks is illustrated in Table 13 and the scoring of opportunities in Table 14. The measurement scale for potential magnitude is shown in Table 15. For the financial materiality dimension, the measurement scale is given in Table 16. Tables 13-16 are not definite components of impact materiality assessment but an indicative framework to be validated and developed further by an external consultant (sub-procurement in progress).

Table 13: Scoring of actual and potential risks.[[11]](#footnote-11)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type (+/-)** | **Sustainability matter** | **Risk/opportunity** | **Likelihood of occurrence** | **Potential magnitude** |
|  |  |  |  |  |
|  |  |  |  |  |

Table 14: Scoring of opportunities.[[12]](#footnote-12)

|  |  |  |  |
| --- | --- | --- | --- |
| **Type (+/-)** | **Sustainability matter** | **Risk/opportunity** | **Likelihood of occurrence** |
|  |  |  |  |
|  |  |  |  |

Table 15: Measurement scale for potential magnitude.[[13]](#footnote-13)

|  |
| --- |
| **Potential magnitude** |
| 5 - severe |
| 4 - major |
| 3 - moderate |
| 2 - minor |
| 1 - insignificant |

Table 16: Measurement scale for financial materiality dimension.[[14]](#footnote-14)

|  |
| --- |
| **Financial materiality** |
| > 4 critical |
| (3,4] significant |
| (2,3] important |
| (1,2] informative |
| ≤ 1 minimal |

Table 17

|  |  |  |
| --- | --- | --- |
| **Financial Materiality** | **Evaluation** | **Comment** |
| Event type | Risk/Opportunity | Pre-defined values |
| Risk/Opportunity type | Dependency related  Impact related  Other factor related | Pre-defined values, TBC\* |
| Risk sub-type  Opportunity sub-type | Can vary depending on the matter (ESG). Environmental matters>Other factor related>  Physical risk  Transitional risk  Systemic risk  Other factor related>  Transitional opportunities  Other opportunities | Pre-defined values, TBC\* |
| Risk sub-subtype  Opportunity sub-subtype (if any) | For environmental matter>Physical risk:  Chronic risk  Acute risk | Pre-defined values TBC\* |
| Risk/Opportunity events | TBC\* | Will be provided in June 2024 |
| Risk/Opportunity event | *Free text for companies comments* |  |
| Risk/Opportunity evaluation | Actual/ Potential | Actual - risks/opportunities that have already materialised and are currently affecting or impacting a system, project or organisation Potential - risks/opportunities that have been identified as potential threats or hazards/opportunities but have not yet materialised into actual events or situations |
| Risk time term | Short term,  mid-term,  long term | Pre-defined values |
| Potential magnitude | 1-5 | (5 sever; 4 major; 3 moderate; 2 minor; 1 insignificant) TBC\* |
| Potential magnitude | *Free text for companies comments* |  |
| Likelihood | *0-5* | (5 - almost certain, 4-likely, 3-possible 2-unlikely,1-rare, NA actual impact). A number also needs to have % for the formula to calculate, NA =1, so the option is that for actual risks/opportunity, the likelihood is not displayed as its value is always 1 and can be used in the formula. TBC\* |
| Likelihood | *Free text for companies comments* |  |
| Result | *[numeric value]* | TBC\* |

*\*Full list of impact/risk types as well as events, scales validation and the formula for result calculation is a subject of a separate procurement and will be provided during the stage of the development.*

**The full evaluation form with instructions can be found in** [**Annex H - Stages 3,4.**](https://docs.google.com/spreadsheets/d/12OkXvceRxYTu74tMlVUxTTkgkKkvuEs4/edit#gid=1269787347) **(Will be updated till June 2024)**

A similar evaluation process must be conducted for each predefined matter (up to 110 matters). The company’s progress is automatically saved after each entry. At any point in the process, the user can return to the saved evaluation to continue and make modifications.

The classification system is an indicative framework to be validated and developed further by an external consultant (sub-procurement in progress). The process might be changed during the system development.

**Result.** The complete list of assessed IRO events by classification types (impact, risk, opportunity type or subtypes).

The impact and financial materiality scores are to be visualised.

|  |
| --- |
| **Linkage to the next stage:**  **Stage 4**  The calculations of each material aspect provide numerical values. Based on the values - material aspects will be positioned on a visual chart displayed in Stage 4.  The numeric values for both Impact and Financial material assessment for each sustainability matter provide a [x;y] value of positioning in the chart. Visual examples can be found in Stage 4.  Besides the visualisation a table with numeric values is available (See example Annex H - Stage 3,4 - Sheet Stage 4 and Sheet Visual)  **Stage 5**  The visual chart and the table with numeric values are included in the Stage 5 joint report.  *Material assessment linkage with data points.*  Each of the sustainability matters, that has been acknowledged as a material has a set of data points provided, which are displayed in the Stage 5 results. ( See chapter “ESG Tool results page/ Joint Overview” -Content sources and functionality on the results page). |

# 5. Stage 4 - Material matters identification

The material matters identification stage (i.e. Stage 4 of DMA Tool) guides the user on how to apply a threshold to determine the material topic (from all assessed and scored topics) to be reported in the sustainability statement and visualisation of assessed sustainability matters on a topical level. The assessed impacts, risks, and opportunities within the same sustainability topic have been combined by an appropriate technique in Stage 3. In Stage 4 we divided the sustainability topics as material and non-material. It is a semi-automated process, the tool suggests the division but allows the user to make changes for the sustainability topics that fall in the middle of the scoring scale.

The visualisation of assessed matters might encompass impact materiality on the x-axis and financial materiality on the y-axis or any other appropriate approach for the presentation of material sustainability matters either on a single or multiple graphs.

Examples of visualisation options are in table 18.

Table 18: Stage 4

|  |  |
| --- | --- |
| Nokia, Source (report)[[15]](#footnote-15) | Kesko’s materiality assessment, Source (web)[[16]](#footnote-16) |
|  |  |

In this stage instructions are given on how to decide on the appropriate thresholds and provide supportive materials that help to choose thresholds for both impact materiality and financial materiality separately if desired (short text explanations, examples from best practices). Based on Stage 3 results on Stage 4 to the user are shown:

* Impact materiality larger than 8 (based on stage 3 calculation) and related data points.
* Financial materiality Larger than 3 (based on stage 3 calculation) and related data points.

Data points from EFRAG (Last updated 12/22/2023)[[17]](#footnote-17) – base for the labelling.

Table 19

|  |  |  |
| --- | --- | --- |
| **Sustainable matter** | **Label** | **Data point INCLUDED IN THE REPORT** |
| *Example: Water* | [label name] - has to include  ESRS standard, disclosure requirement number, paragraph number and other relevant data if needed.  Example: E3-4\_28a | [Data point from EFRAG TABLE] include in results table  Total water consumption  *Example: Total water consumption volume* |

Specific labelling will be developed during development stage. Example available in Annex J

**Result.** Visualization of material sustainability matters in Stage 4 of DMA requires a visual illustration (graph or graphs). Highlighting on the graph Impact materiality larger than 8 and Financial materiality Larger than 3 (See Annex J). Exact formulas of impact and financial materiality are to be validated and developed by an external consultant (sub-procurement in progress).

|  |
| --- |
| **Linkage to the next stage:**  **Stage 5**  Table with numeric values (Impact materiality larger than 8 and Financial materiality Larger than 3) is base for the data points that are shown on Stage 5.  A list of data points related to the results are showcased in Stage 5 results. |

# 6. Stage 5. ESG Tool results page/ Joint Overview

## 6.1 General description and aim

The ESG Tool results page (stage 5) reflects the results of previous stages (1-4 and the information from the registration page) and gathers them all together. The results page is divided into four blocks to help the companies better understand their results and integrate them into their business model, communications, and potentially annual reports. The second reason for this modular structure of the results page is that this structure gives companies the option to review the results in their desired specificity and use the results in a desired way. The sustainability maturity among SMEs varies a lot and this structure will give the user an option to use the tool’s results in a way that is most suited to their needs. In a way, the structure should be seen as ‘levels’ to use the tool results. The first level gives the company an option to review their results, the second level encourages them to integrate ESG- areas into their business model and strategy, the third level guides them on sustainability communication and transparency and finally, the fourth level gathers everything together and additionally offers them a proposed structure/ or recipe for their sustainability report based on the double materiality assessment.

## 6.2 How does the results page tie to the previous modules of the tool

The content of each module/block on the results page is heavily based on stage 3: IRO- assessment and reflects the sustainability topics the company has deemed material through this stage. These blocks also reflect the results of stage 1: stakeholder mapping and engagement. Some content within the blocks is auto generated based on the user’s previous answers within the tool, whereas some content (basic descriptions of each block) should be automatically integrated into the blocks not depending on the user’s answers in the previous stages of the tool. These are more specifically described in Annex I – Stage 5 desctription.

## 6.3 **Content sources and functionality on the results page**

The results page automatically saves the obtained results from previous stages in the user's profile. The user can return to their profile at any time and review the acquired results. If the user goes to any of the previous stages and makes changes, the results page automatically updates with the newly obtained data.

On the results page, there should be the possibility to add text (txt.), images (jpeg., png., gif.), and video (mp4., mov.) files. To ensure the possibility to use pre-defined text fields, as well as customised text fields depending on user results.

Users can open external links (external web page) and navigate to sub-pages on the public page (opens in a new tab) or return to previous stages (1-4).

The results page is divided into 4 blocks (Block 1, Block 2, Block 3, Block 4) (See Picture 6).Each block should provide the option to add up to 6 sub-sections. The full description and required data fields for each of the blocks are described in the Annex I - *Stage 5 data fields.*

By clicking on the block, a list of sub-sections appears below it (Illustration 2).

The user can freely navigate between blocks, with the option to open all blocks with sub-sections at the same time or open just one, two, or three sub-sections.

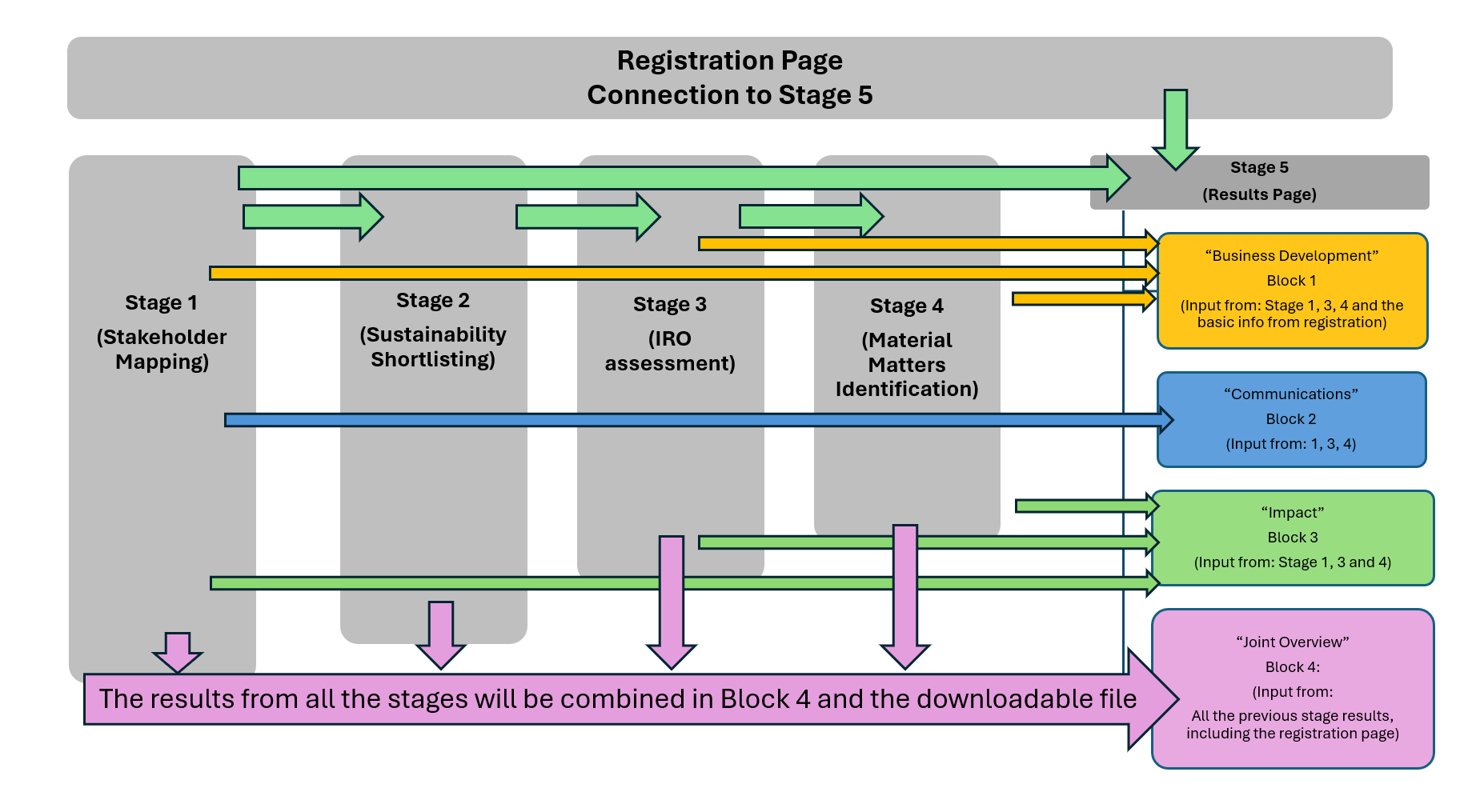
Option to download the results page in pdf. format. Also, the possibility to download some of the sub-sections separately in pdf. and/or xlsx. format. In the case of downloads, the option to open external links (external web page) and on sub-pages of the public page (opens in a new tab) should be saved. It is possible to save user results and send them to the user's email. The download structure and view will be clarified together with the developers.

For the block 1 sub-section "List of GOV, SBM, MDR-P, MDR-A, and MT- datapoints based on stages 3-4" and for the block 4 sub-section "Datapoints", a data table is available (please note that this is the latest version, and it can change)[[18]](#footnote-18). For reflecting results in those sub-sections, a linkage between the results of stage 3 and the information from sheets of this data table will be necessary. Specific linkages and labelling will be provided during development.

We recommend using this stage 5 schema (Picture 8 and Picture 9), but it can be changed by agreement on the solution. Annex I “Stage 5 data fields”, sheets *“Result page block 1”, “Result page block 2”, “Result page block 3”, “Result page block 4”* describe each of the blocks with values ​​of sub-section fields. It should be anticipated that the content and the number of sub-sections may change during development (but no more than 6 sub-sections under one block).

### 6.3.1. Linkages to previous stages:

Picture 6: ESG Tool structure and linkage between the stages



#### Stage 1

The stage 1 results will be displayed within Block 1, 2, 3 and 4 and in the downloadable file. The downloadable file should take priority but for user experience, it might be necessary to also display them within the block. The description of the results follows what has been stated previously in stage 1.

**Visual/ functional results:**

* Visualization of the value chain
* List of important stakeholders (evaluated above the threshold)
* Table with recommendations for communication for all displayed stakeholders. (Source: Annex F - Sheet: result\_page). Recommendation include:
  + Usual topics covered in communication with the type of stakeholders.
  + Recommended frequency of communication for displayed stakeholders.

#### Stage 2

The stage 2 results are not directly displayed in stage 5 as this is a stage of shortlisting matters for the next stages for further analysis.

#### Stage 3 and 4

Stage 3 and 4 of the tool are strongly interlinked and their results will overlap to an extent especially from the user’s point of view when they review their company’s IROs and impact through double materiality.

#### Stage 3

Stage 3 results are tied to stage 5 and should be integrated into all blocks and the final downloadable file. As described the stage 3 results are:

* The complete list of assessed IRO events by categories (impact, risk, opportunity types, and subtypes) and prioritized sustainability topics.
* The list of assessed IRO events should be displayed in all the blocks in accordance with linkage to each specific block description, as assessed IROs affect:
  + ‘Business Development’: How the user should minimise impacts, risks and foresee opportunities from their business model point of view
  + ‘Communication’: How the user should be transparent in regards to their assessed IROs in communication
  + ‘Impact’: To help the user to better understand their IROs in accordance with the double materiality assessment results.
* Joint overview: Stage 3 results and the description on how the IRO assessment was carried out in the tool from the companies point of view should be displayed within block 4 and the downloadable file as this is required by the ESRS.

Stage 4

Stage 4 results are perhaps the most important linkage to stage 5 as these results define the “recipe” for integrating ESG into the company’s core operations, strategy, communications, vision and eventually will help the company to draft their sustainability report if they wish to do so. The double materiality assessment results should be tied to EFRAG’s list of data points[[19]](#footnote-19) during/ at the end of stage 3 and 4 so they can be clearly displayed in stage 5 at least the downloadable file that is aimed to present the company with a guideline/recipe on how to construct their sustainability report. Stage 4 needs to have a clear description of the double materiality assessment process and stakeholder engagement (stage 1) process as this is required by CSRD and ESRSs. These descriptions can be automatically added to stage 5, block 4 and the downloadable file as they describe the user’s journey within the tool and the general description of the tool’s processes/ stages.

Picture 7: DMA results view 1.

Pilt, millel on kujutatud tekst, kuvatõmmis, Font, Ristkülik

Kirjeldus on genereeritud automaatselt

Pilt, millel on kujutatud tekst, kuvatõmmis, Font, järjekord

Kirjeldus on genereeritud automaatselt

Picture 8: DMA results view 2.

Pilt, millel on kujutatud tekst, kuvatõmmis, Font, järjekord

Kirjeldus on genereeritud automaatselt

### 6.3.2. General description of each block

The order of these blocks on the results page might need to be changed for a better user experience. The below description should be read together with the Annex I *“Stage 5 data fields”*. It is possible to combine these blocks if it seems better from a user point of view or otherwise presents the tool results more clearly.

#### 6.3.2.1. Block 1:

The “working name” for this block has been ‘Business Development’ or ‘Integrate ESG’, this is just an initial suggestion to describe this module of the results page.

Block one is divided into 6 sub-sections that guide the user on how to integrate the material ESG aspects better into their business model, strategy, and internal policies, and how to create a valid and measurable sustainability vision for the company. This section aligns with the results of stages 3-4 but showcases the business development-specific data points from the ESG areas that the company has deemed material to them through stages 3-4. This block should also provide an overview of the stage 1 results.

Table 20: Block 1

|  |  |
| --- | --- |
| General description of sub-sections | Comments |
| Description of this section: How to integrate ESG into your business strategy, vision, etc. | Aim: Offer the user generic guidance on how to integrate ESG into their business model, strategy, vision, internal policies, etc. This part is the same for all the users and it’s not dependent on their answers in the previous stages of the tool. |
| Description of the organization's profile based on the registration page (Auto-generated company profile based on the registration info) | Aim: Offer the user an overview of their organization, the sector they operate, company size, etc. |
| Description of the stakeholders (option to download only this sub-section) | Derived from stage 1 results. Should include visuals of the company’s stakeholders, or a general stakeholder and value chain visualization depending on the stage 1 results. |
| Guidelines how to integrate ESG into company's strategy | Strategy-specific guidelines on how to integrate material ESG aspects into the company’s strategy, recommendations, whom to engage, how to implement the new strategy etc. |
| List of GOV, SBM, MDR-P, MDR-A, and MT- datapoints based on stages 3-4 (option to download only this sub-section in xlsx. format) | List of business development/ operations specific data points on the material ESG- topics based on stage 3-4. Each ESRS- standard is divided into differently labelled data points and this section should automatically derive the specific material data points as a list that should be downloadable. |
| Alignment and guidance from ESRS 1 and 2 | The cross-cutting standards have guidance on how to integrate “business development” specific guidelines into a company's strategy, vision, policies, etc. This guidance should be included and clarified. |

Example of specific data point path from stage 3-4 results to this block:

*If the company has deemed that  S1 ‘own workforce’ is material for them in stages 3-4, then for the ‘business development section’ of the results page would automatically list the following data points from the excel into the block (this list is not exhaustive):*

*‘Based on your previous answers, we encourage you to be transparent on what kind of internal policies you have in force in relation to your own workforce.*

Table 21: Stage 1 Example:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S1 | S1-1 | 19 | Policies to manage material impacts, risks and opportunities related to its own workforce [see ESRS 2 MDR-P] | MDR-P |  |
| S1 | S1-1 | 22 | Policies explicitly address trafficking in human beings, forced labour or compulsory labour and child labour | semi-narrative | SFDR |
| S1 | S1-1 | 23 | Workplace accident prevention policy or management system is in place | semi-narrative | SFDR |
| S1 | S1-1 | 24a | Specific policies aimed at elimination of discrimination are in place | semi-narrative |  |
| S1 | S1-1 | 24c | Disclosure of specific policy commitments related to inclusion and (or) positive action for people from groups at particular risk of vulnerability in own workforce | narrative |  |

Example for strategy:

*Based on your previous answers, we recommend that you are transparent about the following’:*

*(Note: as this data point falls under ESRS 2 it is not dependent on the DMA results but an example of strategy specific data point)*

Table 22

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ESRS 2 | SBM-1 | 40 | Disclosure of information about key elements of general strategy that relate to or affect sustainability matters | narrative |

List of all the data points can be found here as previously stated [[20]](#footnote-20)

#### 6.3.2.2. Block 2:

The “working name” for this block has been ‘Communication’ and it aims to help the user on how to create a sustainability communications plan, why communication and transparency is important in corporate sustainability. How to avoid greenwashing etc.

This sub-section should include video, and visuals and lay down the basics of how to communicate about corporate sustainability.

Table 23: Block 2

|  |
| --- |
| General description of sub-sections |
| General description of why communication and transparency in ESG is important;  Info regarding the format of ESG reports within the management report as described in the ESRS and CSRD |
| How to avoid greenwashing |
| Downloadable basic ESG communications plan (option to download only this sub-section) |
| Good examples of how to integrate ESG into your communication |
| Recommendations to communication with stakeholders (based on Stage 1 result) |

#### 6.3.2.3. Block 3:

The “working name” of this block has been ‘Impact’ and it aims to show the user the ESG areas that impact the business or that the business impacts the most based on their answers in stage 3-4 in the double materiality assessment. The aim of this block is to provide the user with a quick overview of their material ESG topics, risks, and opportunities. This could be combined with the overall ‘Double materiality assessment results’- page. The aim is to give the user a simplified overview of their material topics through the materiality matrix.

Tabel 24: Block 3

|  |
| --- |
| General description of sub-sections |
| Results of the questionnaire (option to download only this sub-section in xlsx. format:  a) empty questionnaire;  b) questionnaire filled with user answers) |
| Materiality assessment process description (not user specific), matrix (if Stage 3 is finished then user specific, if not then blank matrix) |
| General IROs description, not user specific. |

#### 6.3.2.4. Block 4:

The “working name” for this block has been ‘ESG Report’ or ‘Joint Overview’ and the aim is to give the user and integrated overview of all the results of the tool. This block would combine all of the previous blocks and additionally provide guidance on how to compile an ESG report according to the CSRD and ESRS, how to integrate it into the company’s management report, what format it needs to be published in, where does it need assurance, etc. These are all recommendations for the company based on their results throughout the tool.

Tabel 25: Block 4

|  |  |
| --- | --- |
| General description of sub-sections | Comments |
| List of material datapoints (option to download only this sub-section in xlsx. format) | This would be just a list of material datapoints based on the stage 3 and 4 made available to download in a xlsx. format so that if the company start to collect data to compile their report they would have a list of required data points to work with. |
| Recommendations | General recommendations on how to compile a sustainability report according to CSRD, ESRS to whom it’s mandatory and why it’s recommended. |
| Disclaimer | The tool only offers guidance and recommendations. |

Additionally, the block 4 would include a downloadable pdf. and/or excel format file that compiles the results together and would work as a “recipe for a sustainability report’ for the company. The generic model for this downloadable file should be based on ESRS 1 and ESRS 2 guidelines. The further specifications of this will be created later with the developer. The downloadable file should provide recommendations and guidance on how the company should continue working with the DMA results, list of material data points. How to describe the DMA process, stakeholder engagement etc. This document should also provide guidance on data collection and links to the supportive materials.

# ANNEXES

[Annex F - Stage 1 description Excel](https://docs.google.com/spreadsheets/d/1ri1tV0Dk7QY-7WB6xb2otuvd0cLXeaIh/edit?usp=drive_link&ouid=110296194259494352528&rtpof=true&sd=true)

[Annex G - Stage 2 Description Excel](https://docs.google.com/spreadsheets/d/1MaRldAHwOgaf7GY07-VJCZ0mDThcjoz7GVM57cSu7uM/edit#gid=1895601155)

[Annex H - Stage 3,4, Description Excel](https://docs.google.com/spreadsheets/d/12OkXvceRxYTu74tMlVUxTTkgkKkvuEs4/edit#gid=1269787347)

[Annex I - Stage 5 Description Excel](https://docs.google.com/spreadsheets/d/1Vmkjkvh_IEfuYLicpQyu-iSHWls-sOglTaHxLg1ZlpQ/edit#gid=1378473505)

Annex J: Picture 5 Example of Specific labelling will be developed during development stage.

A screenshot of a computer

Description automatically generated

1. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464> [↑](#footnote-ref-1)
2. <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32023R2772> [↑](#footnote-ref-2)
3. <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32023R2772> [↑](#footnote-ref-3)
4. <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25203%2520DPs%2520explanatory%2520note%2520231222.pdf> [↑](#footnote-ref-4)
5. <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F12%2520Draft%2520ESRS%2520E5%2520Resource%2520use%2520and%2520circular%2520economy.pdf>, (page: 4 – 6) [↑](#footnote-ref-5)
6. <https://www.firstsentier-mufg-sustainability.com/insight/sources-of-microplastics-and-their-distribution-in-the-environment.html> [↑](#footnote-ref-6)
7. <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2302241032237237%2F03-02%20Materiality%20Assessment%20Implementation%20guidance%20clean%20SRB%20231025.pdf> (page 19) [↑](#footnote-ref-7)
8. Ibid. [↑](#footnote-ref-8)
9. <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Appendix%202.6%20-%20WP%20on%20draft%20ESRG%201.pdf>, (page 14). [↑](#footnote-ref-9)
10. <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Appendix%202.6%20-%20WP%20on%20draft%20ESRG%201.pdf> (page 15). [↑](#footnote-ref-10)
11. <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Appendix%202.6%20-%20WP%20on%20draft%20ESRG%201.pdf> (page 14) [↑](#footnote-ref-11)
12. Ibid. [↑](#footnote-ref-12)
13. Ibid [↑](#footnote-ref-13)
14. Ibid, (page 15) [↑](#footnote-ref-14)
15. <https://www.nokia.com/sites/default/files/2023-03/nokia-people-and-planet-2022-sustainability-report.pdf> [↑](#footnote-ref-15)
16. <https://www.kesko.fi/en/sustainability/sustainable-kesko/materiality-assessment/> [↑](#footnote-ref-16)
17. <https://efrag.sharefile.com/share/view/s1a12c193b86d406e90b1bcd7b6bb8f6f/fo37c90b-9d9b-4432-a76b-27760cfcc01b> [↑](#footnote-ref-17)
18. <https://efrag.sharefile.com/share/view/s1a12c193b86d406e90b1bcd7b6bb8f6f/fo37c90b-9d9b-4432-a76b-27760cfcc01b>; <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25203%2520DPs%2520explanatory%2520note%2520231222.pdf> [↑](#footnote-ref-18)
19. <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25203%2520DPs%2520explanatory%2520note%2520231222.pdf> [↑](#footnote-ref-19)
20. <https://efrag.sharefile.com/share/view/s1a12c193b86d406e90b1bcd7b6bb8f6f/fo37c90b-9d9b-4432-a76b-27760cfcc01b> [↑](#footnote-ref-20)