Use of Double Materiality under ESRS standards

Double materiality is a corporate reporting concept stating that a company must disclose both how sustainability and ESG issues affect its financial performance (outside-in) and how the company's own operations impact the environment and society (inside-out). The two core dimensions are Financial Materiality (Outside-In) and Impact Materiality (Inside-Out)

The use of European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive formalises the double materiality principle. A recently published study provides early empirical indicative evidence on the application of double materiality in disclosure following the initial ESRS reporting. It examines how leading European water-sector companies and environmental service providers with urban water activities integrated this approach into their 2024 sustainability disclosures. The findings indicate a strong convergence on the key environmental issues reported, notably climate change, water management, and circular economy-disclosed practices, including companies not yet fully subject to ESRS requirements. In contrast, social and governance disclosures suggest greater heterogeneity. Overall, the results suggest that broader material coverage does not necessarily imply higher information quality, as this reflects the breadth of disclosure rather than its quality, reinforcing double materiality as a sector-driven prioritisation mechanism.

Name and authors of the study are: **Double Materiality in European Water-Sector Companies: Evidence from the First Application of the European Sustainability Reporting Standards**

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