

The background of the slide is a photograph of a green, rolling hill with several wind turbines. The image is overlaid with a semi-transparent blue filter. In the upper right corner, there are several stylized, multi-colored stars (pink, orange, and yellow) of varying sizes. A thin yellow horizontal line with a small yellow circle at its right end is positioned below the main title.

Understanding the **Corporate Sustainability Reporting Directive (CSRD)**

A Detailed Guide for Businesses

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The Importance of CSRD

In today's interconnected world, the impact of businesses on environmental, social, and governance (ESG) factors has never been more significant. Companies are not just economic entities but also social and environmental actors whose activities have far-reaching consequences.

Recognizing this, the European Union (EU) has developed the Corporate Sustainability Reporting Directive (CSRD) as a more evolved and encompassing regulation, replacing the older Non-Financial Reporting Directive (NFRD). Unlike its predecessor, the CSRD extends to companies outside the EU who have operations within its boundaries. With global climate crises, social inequalities, and governance challenges escalating, the CSRD aims to create a unified framework to make businesses more accountable and transparent.

This isn't merely about compliance. Embracing CSRD is an opportunity to refine and showcase your corporate social responsibility initiatives. With climate change threatening global ecosystems and social disparities affecting millions, adhering to CSRD is a concrete step towards better corporate citizenship. Moreover, consumers are increasingly choosing brands that show a commitment to social responsibility. Therefore, understanding and implementing CSRD is not just a regulatory need but a potential differentiator in a crowded marketplace.



What's New With CSDR?

The CSRD now represents a significant step forward in corporate sustainability reporting, aimed at making companies more transparent, accountable, and ultimately, more sustainable.

EXPANDED SCOPE

Previous directives primarily targeted large, publicly listed companies. CSRD, on the other hand, widens this to incorporate a broader range of businesses, including Small and Medium-sized Enterprises (SMEs) and large private companies.

COMPREHENSIVE ESG COVERAGE

CSRD goes beyond financial metrics to include an array of Environmental, Social, and Governance (ESG) factors. From climate change and biodiversity to social responsibility and workforce ethics, companies are now mandated to report on various ESG aspects.

MANDATORY CLIMATE REPORTING

Climate change has been isolated as a compulsory reporting requirement under CSRD, underscoring its urgency and importance. All companies, regardless of their size or the nature of their business, must now provide data related to their climate impact.

DETAILED STANDARDS VIA ESRS

To bring uniformity and comparability to the reports, the CSRD is complemented by the European Sustainability Reporting Standards (ESRS). These detailed guidelines help companies understand exactly what needs to be reported and how, streamlining the reporting process and making the data more reliable.

INCLUSION OF VALUE CHAINS

Unlike previous regulations that largely focused on a company's own operations, CSRD mandates businesses to report on their entire value chain. This requires a more holistic understanding of a company's impact on sustainability issues.

AUDITING REQUIREMENTS

The CSRD mandates external audits for sustainability reports, bringing them to a similar level of scrutiny as financial reports. This adds an extra layer of accountability and credibility to the reporting process.

TIMELINES AND PHASING

The CSRD sets specific deadlines for compliance, giving companies a clear timeline to prepare. The phasing of these deadlines also allows companies to gradually build up their reporting capabilities.

Key Timelines to Keep in Mind

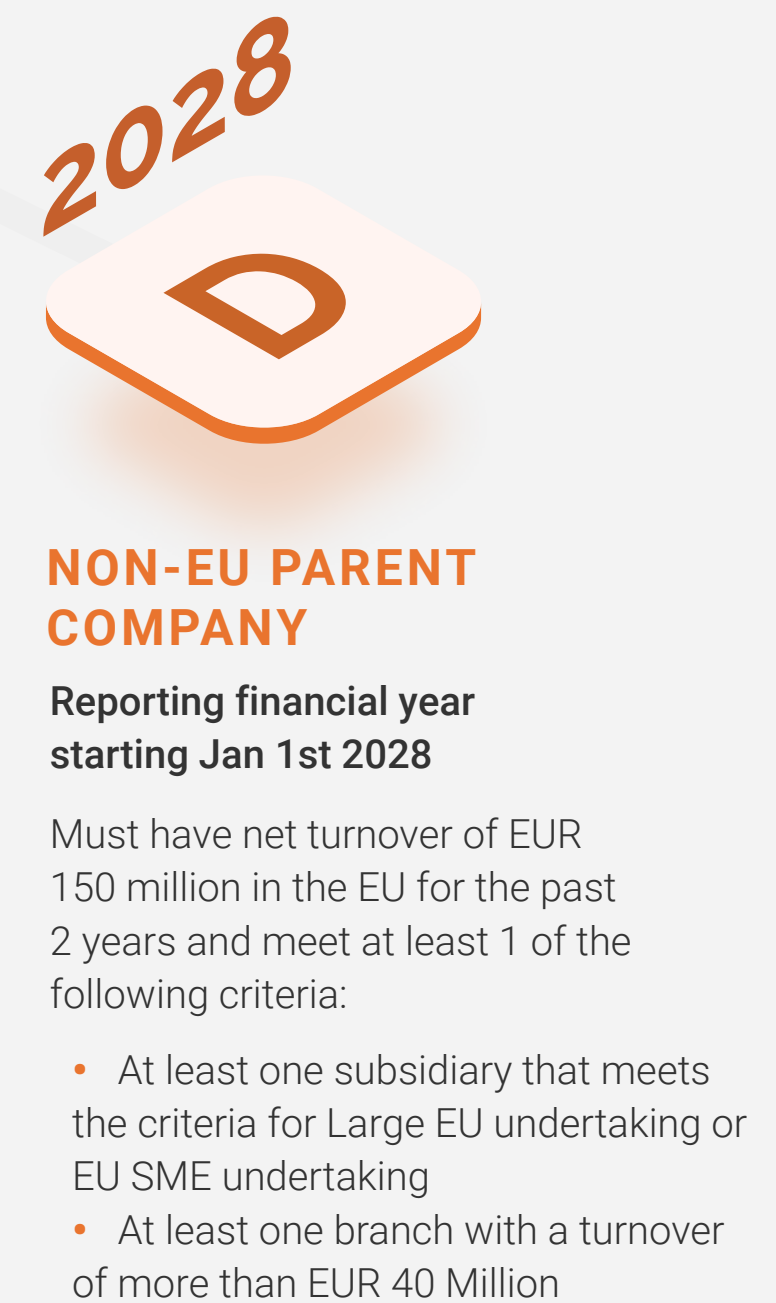
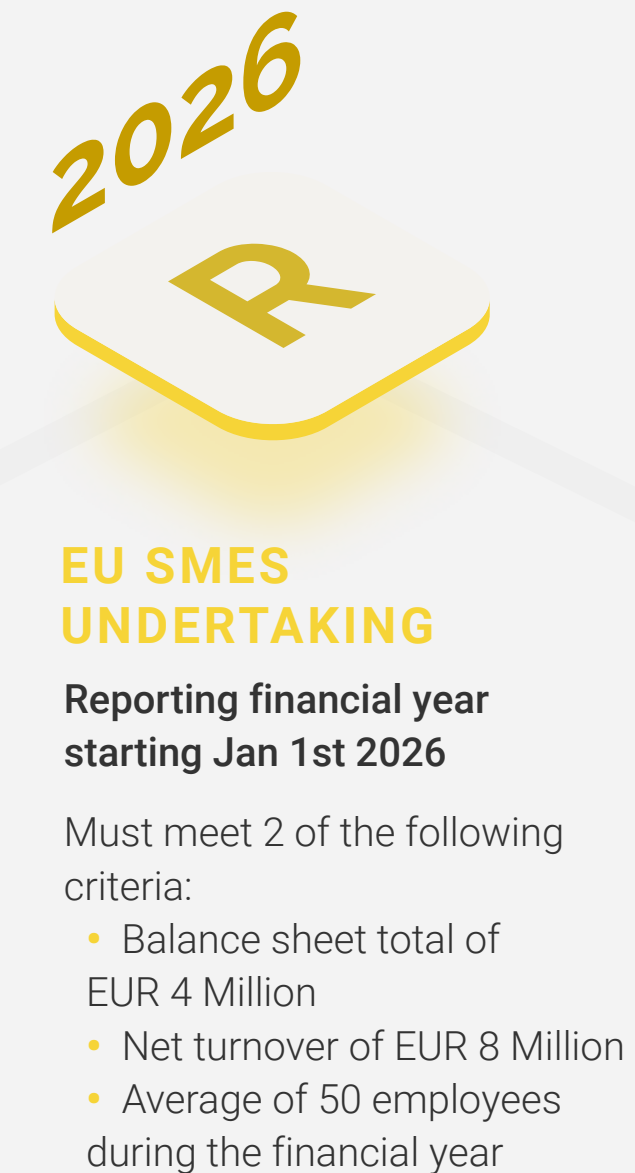
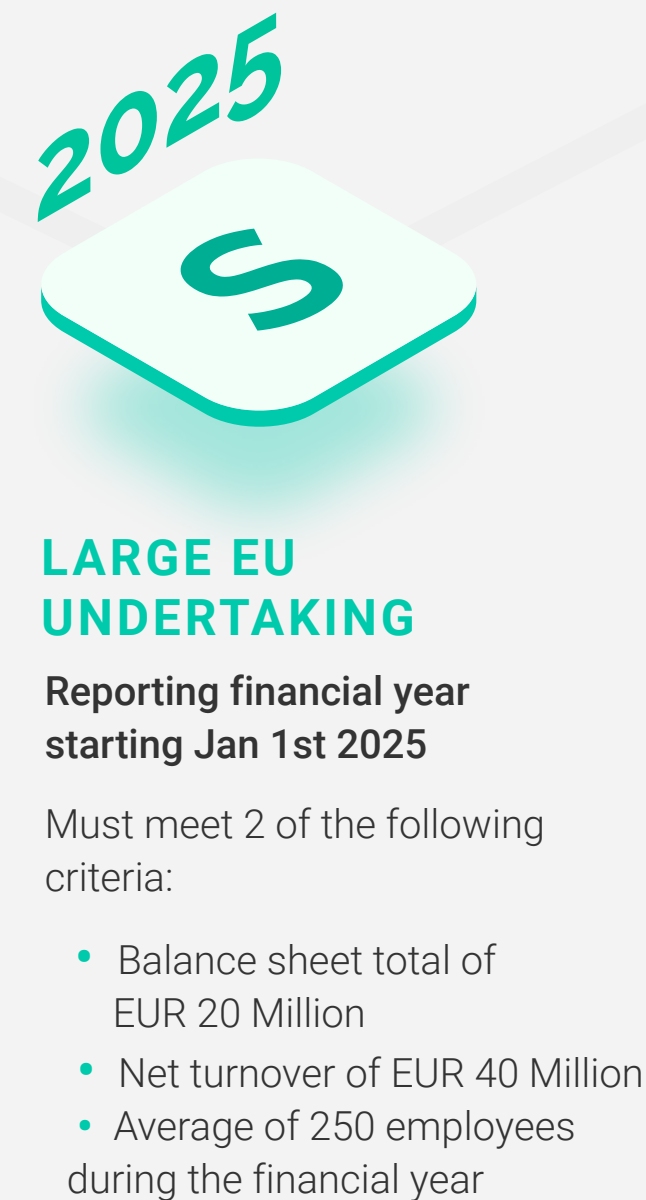
Regulations often come with timelines, and CSRD is no different. Understanding these deadlines is crucial for adequate planning and compliance.

For EU-Based Companies

The initial reports based on CSRD guidelines are due in 2025 and will take into account the data from the financial year 2024. This timeline offers a window for companies to prepare, align their data collection mechanisms, and build a coherent reporting strategy.

For Non-EU Companies

If you're a non-EU based company with significant operations within the EU, take note. Initial reporting at the group level becomes mandatory starting in 2029. While this may seem far off, remember that the preparatory work needed could be substantial.



Who Needs to Comply?

The CSRD will include more comprehensive sustainability reporting requirements and significantly expand the number of EU and non-EU companies subject to the EU sustainability reporting framework. Enterprises will provide detailed environmental and climate change information, but will now also be held accountable for reporting on a wider range of topics such as environmental rights, social rights, human rights, and governance factors.

The CSRD is mandatory for companies that meet in-scope criteria, which include:

€150M+

Non-EU companies with at least one subsidiary in the EU and a net turnover of more than EUR 150 million

250+

EU companies with over 250 employees and a net turnover of EUR 40 million

Public

Publicly listed companies

CSRD and the ESRS

The Relationship in a Nutshell

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) are closely linked, with the ESRS serving as the detailed reporting standards within the broader CSRD framework. Essentially, while the CSRD outlines the overarching requirements for sustainability reporting, the ESRS provides the technical details on what exactly companies should report.



CSRD

This is the high-level directive that sets the legal foundation for corporate sustainability reporting within the European Union. It specifies which companies are subject to the reporting requirements, what general topics must be covered (e.g., environmental, social, governance), and the deadlines for compliance. CSRD also includes the obligation for companies to ensure their information is audited and assured, enhancing the reliability of the reports.



ESRS

These are the specific, detailed reporting standards that companies will use to meet the requirements set forth in the CSRD. The ESRS covers metrics, definitions, and additional guidelines on how to report on various aspects of sustainability. Companies refer to these standards to understand precisely what data to collect and how to present it.

Global Standard Setting

Given the EU's influence, the CSRD, backed by the ESRS, could set a de facto global standard, influencing reporting practices worldwide.

Harmonization

The ESRS allows for a uniform reporting style, which makes it easier for stakeholders and regulators to compare reports across companies and sectors.

Clarity and Guidance

Companies looking to comply with the CSRD will turn to the ESRS for detailed instructions on what exactly needs to be reported, down to specific metrics and KPIs.

Why are Both Important?

Each ESRS technical standard focuses on a particular subject within the broader framework of the CSRD.



Components of CSRD Reporting

Navigating the various elements of CSRD reporting can be complex. Here's a simplified breakdown.

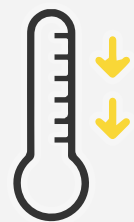
Each section has its specific metrics, which requires a holistic ESG platform and additional services for accurate reporting.



Robust requirements for transition plans

One of the most compelling aspects of the CSRD is its robust requirements for transition plans. These plans are designed to align companies' operations and strategies with sustainability goals, particularly those related to climate change. The transition plans under the CSRD are meant to be comprehensive, actionable roadmaps that detail how a company will move towards more sustainable practices over time. The aim is to align with international accords, such as the Paris Agreement, which seeks to limit global warming to 1.5°C above pre-industrial levels.

Key Elements of a Transition Plan Under the CSRD



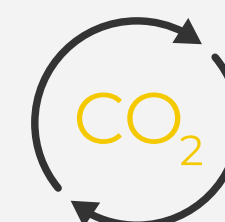
SCIENCE-BASED TARGETS

Companies are encouraged to set reduction targets for greenhouse gas emissions that are in line with scientific consensus on what's needed to combat climate change effectively.



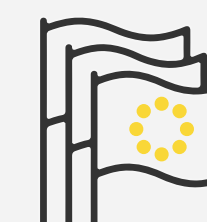
FINANCIAL COMMITMENT

Companies are expected to disclose the financial resources they are allocating for the transition. This could include investments in green technologies, upskilling labor, and research & development.



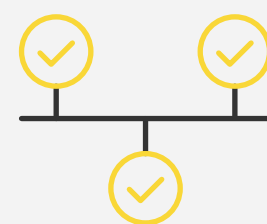
DECARBONIZATION STRATEGIES

The transition plan should outline specific initiatives, strategies, and actions that the company will undertake to lower its carbon footprint.



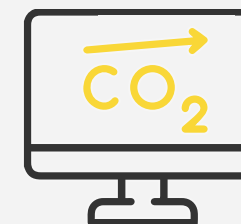
TAXONOMY ALIGNMENT

If applicable, companies should show how their activities align with the EU Taxonomy Regulation, which categorizes economic activities based on their environmental impact.



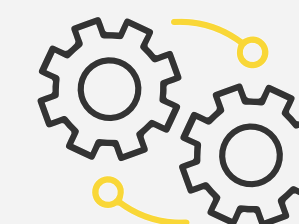
TIMELINE AND MILESTONES

Companies are required to provide a clear timeline along with measurable milestones that will help stakeholders track progress over time.



IMPACT ASSESSMENT

Businesses should disclose any locked-in greenhouse gas emissions from existing assets and how these would affect their ability to meet their reduction targets.



OVERALL STRATEGIC INTEGRATION

The transition plan should not be an isolated document but should be integrated into the company's broader business strategy.

Why Are These Criteria Ambitious?

Companies subject to CSRD have their work cut out for them, given these ambitious criteria. However, those who take this as an opportunity to realign their strategies will likely find themselves better positioned in a world that is increasingly focused on sustainable development.

Holistic View

The CSRD's criteria require companies to adopt a 360-degree view of sustainability, covering everything from governance to tangible operational changes.



CO₂

Accountability

The detailed requirements make it easier for stakeholders to hold companies accountable for their actions or lack thereof.

Transparency

By requiring detailed disclosure, companies will need to be transparent not only about their targets but also about the resources they are committing to achieve those goals.

Alignment with Global Goals

The focus on science-based targets and the Paris Agreement adds an additional layer of ambition, urging companies to align themselves with global sustainability objectives.

Financial Disclosure

Revealing the financial aspects of the transition could be a game-changer, as it allows stakeholders to understand the actual commitment of the company towards sustainability.



Preparing Your Business for CSRD Compliance

The Consequences of Non-Compliance

Compliance isn't optional, and there are penalties for companies that don't meet the standards. While these penalties can vary from one EU member state to another, they are invariably severe and can include hefty fines. Beyond the immediate financial impact, failing to comply can seriously tarnish a company's reputation and can even affect its ability to do business in the EU.

Step 1

Understand Your Scope

Before diving into data collection, understand which parts of your business fall under the CSRD's purview. This will vary depending on your size, industry, and operational geography.

Step 3

Reporting

After gathering data, the next step is compiling it into a report. This isn't just about listing numbers; it's about providing context, demonstrating compliance, and showcasing efforts to improve.

Step 2

Data Collection

Once you know what needs to be covered, the next step is gathering the relevant data. This is often easier said than done, especially for metrics that you haven't previously tracked. Data collection systems may need to be updated or replaced.

Step 4

Third-Party Audits

To give your report an added layer of credibility and to ensure you haven't missed any key compliance aspects, consider undergoing a third-party audit.



Frequently Asked Questions

Q: What is CSRD?

A: CSRD stands for Corporate Sustainability Reporting Directive, a European Union regulation that requires companies to disclose specific information related to environmental, social, and governance factors.

Q: Who needs to comply?

A: Large listed firms, public interest entities, and banks/insurance firms within the EU, as well as specific non-EU companies with considerable operations within the EU.

Q: When is the deadline for compliance?

A: For EU-based companies, the first significant deadline is 2025, based on FY2024 data. For non-EU companies with significant EU operations, the deadline is 2029.

Additional Resources

[European Commission's CSRD Official Page](#)

About carbmee

Carbmee revolutionises carbon management for companies with complex supply chains through its unique platform called Environmental Intelligence System EIS™. By leveraging advanced technologies, carbmee's EIS™ accurately calculates carbon footprints at the company, product, and supplier levels, matching internal data with external databases to provide comprehensive insights. Unlike traditional approaches that rely solely on spend and can be influenced by external factors, carbmee's granular data-driven approach ensures fast carbon transparency and unlocking hidden reduction potential, enabling companies to make informed decisions and drive supplier collaboration. With robust reporting capabilities aligned with international standards, carbmee empowers businesses to showcase sustainability transformation, track reduction progress, and adhere to compliance. Carbmee's EIS™ platform enables companies with complex value chain unlock up to 90% carbon reduction potential across the value chain in as less as 21 days.



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