

A guide to the CSRD

A BRIEF LOOK AT THE FUNDAMENTALS AND OUR SUPPORT SERVICES



WHAT

The EU's Corporate Sustainability Reporting Directive (CSRD) modernizes and strengthens the rules concerning the environmental, social and governance (ESG) information that companies must report.

WHY

The CSRD will help investors, consumers and other stakeholders to evaluate a company's sustainability performance, as part of the European Green Deal.

WHO

A broader set of large companies and listed SMEs – approximately 50,000 organizations – will be required to report on their sustainability.

HOW

The directive requires organizations within its scope to report according to the European Sustainability Reporting Standards (ESRS).

WHEN

The CSRD entered into force on January 5, 2023.

WHAT MUST COMPANIES REPORT?

Disclosure

- Impacts on sustainability matters
- How these affect the organization's development, performance and position

Process

- Double materiality
- Stakeholder engagement
- Due diligence

Statement

- Statement structure requirements
- Qualitative characteristics – relevance, faithful representation, comparability, verifiability and understandability

HOW DOES THE ESRS RELATE TO CSRD DISCLOSURES?

All in-scope companies must structure their reports around the 12 ESRS standards.

- ESRS 1: Requirements – general requirements (how to disclose)
- ESRS 2: Disclosures – general disclosures (the only universally mandated element for all reporting companies)

Environmental

- E1: Climate change
- E2: Pollution
- E3: Water and marine resources
- E4: Biodiversity and ecosystems
- E5: Resource use and circular economy

Social

- S1: Own workforce
- S2: Workers in the value chain
- S3: Affected communities
- S4: Consumers and end users

Governance

- Business conduct

WHAT STRUCTURE DOES THE ESRS ADOPT?

Governance

The governance processes, controls and procedures to monitor and manage impacts, risks and opportunities.

Strategy

How the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses these factors.

Impact/risk/opportunity management

The process(es) by which the undertaking:

- Identifies impacts, risks and opportunities, and assesses their materiality
- Manages material sustainability matters through policies and actions

Metrics and targets

How the undertaking measures its performance, including its set targets and progress toward meeting them.

WHICH COMPANIES DOES THE CSRD AFFECT?

Large EU undertakings listed or not listed, including subsidiaries of non-EU parents, defined in the EU Accounting Directive as those that exceed at least two of these:

- > EUR 20 million balance sheet total
- > EUR 40 million net turnover
- > 250 employees

Large credit institutions and insurance undertakings, regardless of their legal form, including those outside the EU Accounting Directive scope, such as cooperatives and mutual undertakings.

Small and medium-sized undertakings (except micro-undertakings) listed on a regulated market in the EU.

Non-EU undertakings (called third-country undertakings in the CSRD) listed on a regulated market in the EU.

Non-EU undertakings not listed on a regulated market in the EU, which generate > EUR 150 million net turnover in the EU (for each of the last two financial years) and that have at least one EU subsidiary (large or listed on an EU-regulated market), or EU branch (with > EUR 40 million net turnover in the preceding financial year).

Due to the complexity, non-EU undertakings may wish to seek legal advice concerning the law in this area.

WHAT SHOULD COMPANIES DO TO MOVE TOWARD COMPLIANCE?

Early preparation is critical to smooth implementation of the CSRD requirements

Identify required internal resources and/or external support, including additional training / advisory and assurance services

Develop and implement new processes needed – e.g. double materiality assessment and stakeholder engagement

Conduct a gap analysis of existing processes and disclosures against the CSRD and ESRS requirements

Perform an assurance readiness assessment. Review data processes, systems and controls for all mandatory disclosure metrics and targets

Conduct assurance of the ESRS disclosure requirements, in accordance with the CSRD

WHAT IS THE CSRD TIMELINE?

2024

Reporting: Large and listed companies in the NFRD scope (>= 500 employees)
Assurance in 2025

2025

Reporting: Large and listed companies NOT under the NFRD (meet at least two of three criteria)
Assurance in 2026

2026

Reporting: Listed SMEs (with two-year transition period)
Assurance in 2027

2028

Reporting: Non-EU companies with EU branches/subsidiaries (parent company net turnover > EUR 150 million and branches/subsidiaries' net turnover > EUR 40 million)
Assurance in 2029

Up to a two-year delay announced by the EU Work Programme

HOW CAN WE HELP?

As a sustainability leader for over 30 years, we can support you wherever you are on your CSRD journey.

- [Introduction to CSRD Fundamentals](#) – an on-demand webinar
- [CSRD Advisory](#) – expert advice and support at every step of the CSRD journey
- [CSRD Training](#) – understand and enhance your CSRD journey with expert-led training and resources
- [CSRD Double Materiality](#) – understand and successfully navigate double materiality
- [CSRD Gap Analysis](#) – identify your CSRD-related strengths and weaknesses
- [CSRD Assurance](#) – demonstrate your CSRD compliance and reporting accurately and consistently

FURTHER INFORMATION

For more information, visit [SGS.com/CSRD](https://www.sgs.com/CSRD) now.