CSRD

What is it about?

On April 21, 2021, the EU Commission presented a proposal for the Corporate Sustainability Reporting Directive (CSRD), the successor to the Non-Financial Reporting Directive (CSR-RUG). The CSRD is part of the sustainable finance package and is intended to encourage private investment for the transition to a climate-neutral economy.

When do the new regulations apply?

Following the adoption of the CSRD at the end of 2022, large companies are to start collecting data according to the new standards from January 2024 and report on it at the beginning of 2024. In the case of SMEs, reporting is to begin in fiscal 2026, with data collection starting in January 2026 and reports submitted at the beginning of fiscal 2027. A separate, easier-to-use standard is being developed for SMEs.

January 2024

large companies

January 2026

SME

What is in store for your company?

With the CSRD, the EU is for the first time developing legally binding, concrete standards according to which sustainability reporting must be carried out. While the CSRD borrows from widely used voluntary frameworks, such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosure (TCFD), it will also differ from them.

This change will require companies to adapt to new criteria and issues in accordance with the reporting standards. The standards also require that the information collected be included in the company's management report, as opposed to stand-alone sustainability reporting.

In line with the concept of „double materiality," companies are expected to report not only on the impact of their actions on society and the environment, but also on the risks and opportunities arising from social and environmental developments for the company.

Is your company affected?

1. The CSRD applies to all listed companies, with the exception of listed micro-enterprises. Listed small and medium-sized enterprises (SMEs) have until January 1, 2026 to comply with the reporting requirements, and there is also an opt-out clause until 2028.

2. It also applies to „large companies" that are either an EU company or an EU subsidiary of a non-EU company. „Large companies" are companies that exceed at least two of the following criteria:

   - A net turnover of 40 million euros
   - A balance sheet total of 20 million euros
   - 250 employees on average during the fiscal year

3. The third category to which the CSRD applies includes insurance companies and credit institutions, regardless of their legal form.

What are the specific challenges?

Expanding the scope

As more companies fall under the new compliance requirements, companies with little or no experience will also have to comply with sustainability reporting obligations. Companies that previously had no reporting capacity are also affected.

New standards

Even for companies that already report on their sustainability, the new standards pose a challenge. They are more comprehensive, complex and require more detailed information than ever before.

Supply Chain data

The new standards require the collection and reporting of sustainability data from the entire supply chain, not just internal data.

How is the quality of the reports ensured?

For the time being, sustainability reporting is to be audited in the form of „limited assurance," which requires the submission of evidence. This is intended to allow conclusions to be drawn about the credibility and plausibility of the facts reported. However, the clear goal is to expand this to „reasonable assurance" once auditing standards for sustainability information are also available.

How can we help you?

Together with experts from large, medium-sized and small companies with experience in sustainability reporting, we have developed a software solution that makes it easier for you to implement the new directive.

- We simplify the collection of relevant data internally and along the supply chain, increasing efficiency and reducing effort.
- We enable you to meet your customers' requests for information while protecting business-critical information about your supply chain from access by data recipients.
- We explain the new standards in an understandable way and help with the calculations. In this way, we relieve you of tedious work steps and simplify data entry.
- We facilitate data exchange with suppliers and ensure that necessary information from the supply chain arrives correctly and without additional effort.
- We can help you create your report in the correct format after the data has been entered.