Guide to the Corporate Sustainability Reporting Directive (CSRD)

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Global Risk Management

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Introduction

New supply chain related legislation is coming into force around the world to improve standards and reporting transparency in important areas including human rights, biodiversity and greenhouse gas emissions.

Businesses across the world are finding themselves facing a new era of regulatory reporting as well as stakeholder expectation that is now requiring them to go deeper into the impact their commercial activities may be having on people and the planet and report on them - to enable investors, consumers and other stakeholders evaluate a company's sustainability performance.

This new type of regulation goes beyond direct actions to also include the indirect impact a company is having throughout their upstream and downstream value chains. You can read more about some of the terminology used in recent legislation in our jargon buster blog: 6 value chain jargon terms every procurement and sustainability professional needs to know.

In many ways, the European Union has been leading the way with a series of Directives that aim to support social justice and reduce environment impact. The Corporate Reporting Sustainability Directive is one such initiative – making ethical business not only a means of competitive differentiation, but also a regulatory requirement with significant commercial implications when done wrong.

In this latest Achilles Ultimate Guide we take a detailed look at the Corporate Sustainability Reporting Directive (CSRD), who it applies to, what it means to those organisations that need to comply and provide advice on how to get started based on our own experience of supporting organisations in reporting on their sustainability performance, specifically in relation to risks and opportunities associated with value chain and carbon.

What is the Corporate Sustainability Reporting Directive?

The Corporate Sustainability Reporting Directive (CSRD) is an EU legislative framework adopted in April 2021 as part of the Sustainable Finance Package. It was approved by the European Council in November 2022 and came into force in January 2023.

Since then, the CSRD has gained increased attention following its inclusion in the EU's proposed Omnibus Package—an effort to streamline key sustainability laws, ease compliance, and reduce administrative burden.

The directive expands the scope of sustainability reporting with the aim of standardising the disclosure of non-financial data. Following the introduction of the Omnibus Package, it is anticipated that the directive will impact approximately 7,000 companies when fully implemented. The directive aims to solve the issue of quality reporting by establishing a common reporting framework that can be used to better compare or assess sustainability information.

Under the Corporate Sustainability Reporting Directive, companies are required to report against a series of environmental, social and governance standards covering topics including climate change, workers in the value chain and business conduct. Companies disclosing under the regulations will be required to report on the material risks and opportunities associated with their business. The disclosure includes both mandatory and non-mandatory reporting elements where companies may have to describe their approach, or provide specific data.

The Directive requires all large EU based companies – meaning companies with more than than 1,000 employees and more than € 25 million total on balance sheet or € 50 million turnover. When the final text of the revised legislation has been agreed and fully enacted, it is expected that almost 7,000 companies will be required to disclose their sustainability performance.

The Directive also applies to non-EU companies where there is at least one EU entity within the organisation that is in scope. That means companies with:

- Securities listed on an EU-regulated market
- Has generated at least € 450 million net turnover in the EU and having a large subsidiary or branch generating € 50 million turnover.

Most recently the Securities and Exchange Board of India (SEBI) produced similar reporting legislation in the form of the Business Reporting and Sustainability Report (BRSR) Core which requires India's largest publicly listed businesses to report on nine sustainability related principles. Read more about SEBI's BRSR Core legislation and requirements.

Why is the Corporate Sustainability Reporting Directive important?

The Corporate Sustainability Reporting Directive is important for two primary reasons:

- ***Consistency in Reporting:*** The Directive is designed to improve the way companies disclose environmental, social and governance (ESG) information. By standardising the mandatory and non-mandatory reporting elements investors and consumers will have access to data that is comparable across companies to enable better decision making.
- ***Transparency:*** By developing a specific standard for companies to disclose against, including mandatory reporting areas for businesses, the new Directive enables consumers and investors to trust the data that has been presented. Often investors found that ESG reports omitted useful information or used different reporting metrics.

Overall, the Corporate Sustainability Reporting Directive is important because it aims to establish a clear and consistent reporting framework for sustainability related data. Enabling investors, clients and consumers to make informed decisions on a company's sustainability performance.

Which organisations need to comply with the Corporate Sustainability Reporting Directive?

The new legislation will be phased based on company size or if the business has had to previously report under the Non-Financial Reporting Directive (NFRD):

- ***Starting in financial year 2024 and reporting in 2025:*** 'wave one' companies (i.e., large EU public interest companies with more than 500 employees and large-non EU companies with securities admitted to trading on an EU regulated market).
- ***('Stop the Clock Directive') Starting in financial year 2027 and reporting in 2028:*** In-scope large EU companies and in-scope large non-EU companies with securities admitted to trading on the EU regulated market.
- ***Starting in financial year 2026 and reporting from 2028:*** 'wave three' companies reporting under the Listed SME Standard (LSME) with an option to opt-out until FY 2028.
- ***Starting in financial year 2028 and reporting in 2029:*** Non-EU headquartered companies where the group has generated over € 450 million in turnover within the EU, has a large EU subsidiary; or EU branch with a €50 million turnover.

What reporting elements are covered by the Directive?

In total there are 12 standards covering environment, social, governance and general information.

- ***Cross Cutting Standards:***
  - ESRS 1:
    General requirements
  - ESRS 2:
    General disclosure

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

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

- ***Governance:***
  - ESRS G1:
    Business conduct

Each individual topic area includes both mandatory and non-mandatory data points which an organisation is expected to report against. These might include areas where a company provides a description of how they deal with a matter outlined within a topic area, or specific data where appropriate e.g. greenhouse gas emissions data. As part of the recent Omnibus Package, the ESRS framework and datapoints are being reviewed to identify any reporting elements that could be simplified to reduce reporting burden.

These reporting standards are the same as the European Sustainability Reporting Standards (ESRS) developed by The European Financial Reporting Advisory Group (EFRAG).

What are the Corporate Sustainability Reporting Directive reporting requirements?

Known as a double materiality assessment, companies required to report under the Corporate Sustainability Reporting Directive are required to disclose how their operations impact people and the planet as well as how sustainability issues may affect their own organisation. Consideration will also need to be made for both upstream and downstream activities when reporting.

Businesses will be expected to submit both qualitative and quantitative information that is forward looking, considering short, medium and long-term timeframes as well as retrospective. Reports will be submitted within a dedicated section of a company's management report on an annual basis. Companies will be expected to digitally tag sustainability information within the report in accordance with an agreed digital taxonomy to aid those accessing information. In the first instance, tagging will be voluntary until the final taxonomy has been approved.

Businesses reporting under the Corporate Sustainability Reporting Directive will also be required to obtain limited assurance of their compliance with the reporting standards, specific data within the report and their assessment of material impacts. Limited assurance may be issued by a statutory or financial auditor, however, individual Member States may allow other service providers who can demonstrate appropriate levels of competence in sustainability related assurance or assessment.

On an annual basis, businesses that are required to comply with the Corporate Sustainability Reporting Directive will be required to prepare their report in XHTML format.

What happens if a company fails to comply with the Act?

Individual Member States are responsible for the provision and enforcement of penalties. Depending on the Member State, companies will be subject to administrative or criminal penalties. Penalties for similar Member State legislation such as the NFRD have included fines of up to €10 Million in Germany and six months' imprisonment for company directors in Ireland.

Beyond the legislative penalties that may be brought against the entity, there are also other significant implications when failing to comply including damage to brand reputation and the financial impact of a loss of consumer or shareholder confidence.
It can take a very long time to build up positive brand recognition, however, it does not take long to seriously damage it.

What are the benefits of compliance?

Overall, complying with the Corporate Sustainability Reporting Directive can bring significant benefits to organisations, including improved reputation, reduced risk, increased efficiency, competitive advantage, and long-term sustainability.

- ***Improved Reputation:*** Complying with the law can help improve an organisation's reputation as a responsible and ethical business. By taking steps to consider how their business activities impact society and the environment, organisations can enhance their brand image and increase customer loyalty.

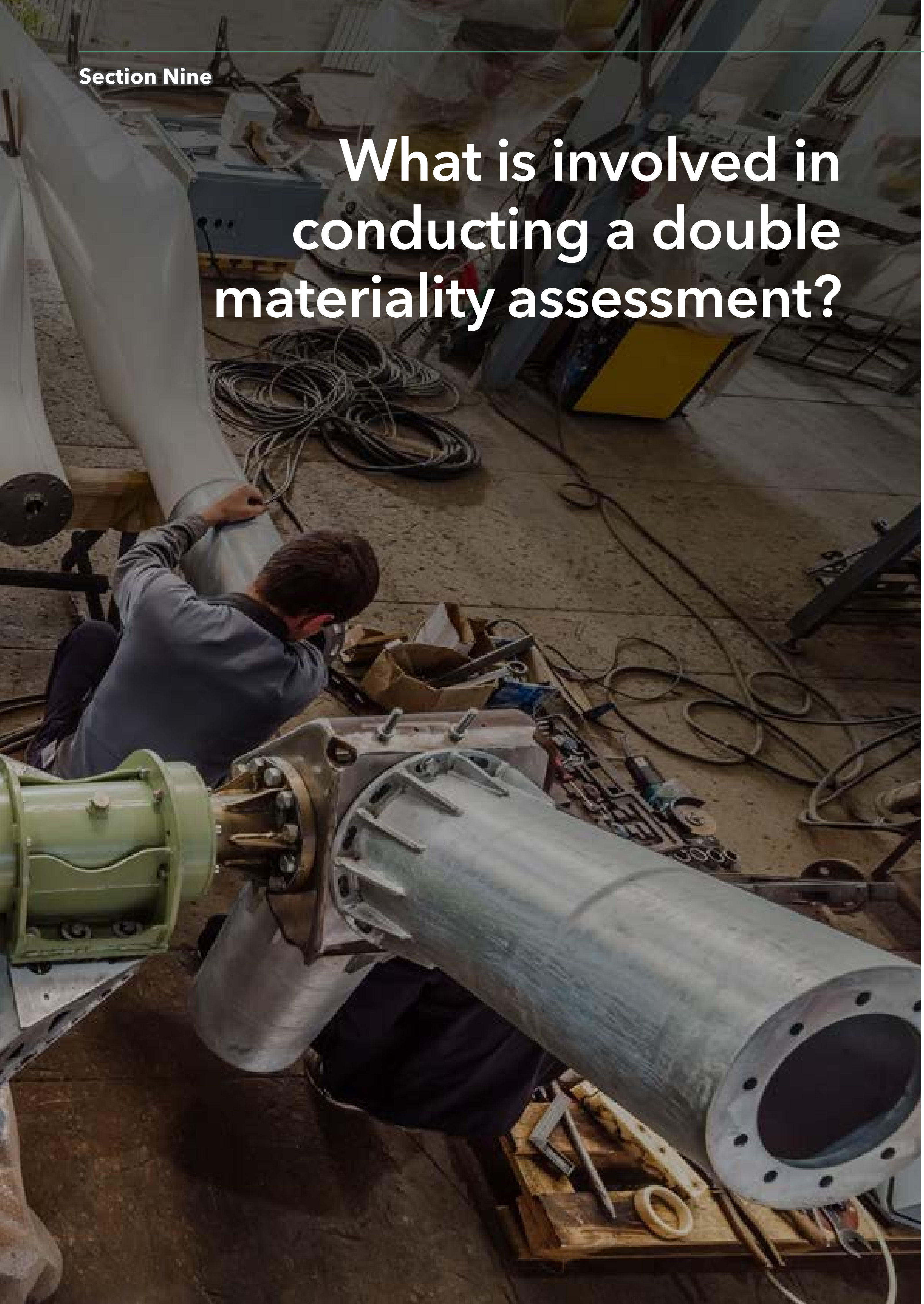
- ***Reduced Risk:*** Compliance with the law can help reduce the risk of legal action, fines, and reputational damage. By identifying and addressing potential risks in their governance processes and value chains, organisations can minimise the potential for negative impacts being associated with their organisation.

- ***Increased Efficiency:*** Considering business activities and the implications that ESG issues may have on performance over the short, medium and long term can help to improve business strategy and increase operational efficiency particularly where sustainability-related risks and opportunities have been identified.

- ***Competitive Advantage:*** Compliance with the law can provide a competitive advantage by demonstrating a commitment to responsible business practices. This can help organisations attract and retain customers, investors, and employees who prioritise ethical business practices.

- ***Long-Term Sustainability:*** Compliance with the law can contribute to the long-term sustainability of an organisation's operations. By conducting an assessment of the material sustainability-related risks and opportunities to a business, society and the planet, organisations can promote well-being of employees, sound environmental practices within the communities they operate in and those of their value chains.

What is involved in conducting a double materiality assessment?



A double materiality assessment is the foundational step towards compliance with the Corporate Sustainability Reporting Directive. It is needed so that businesses required to report under the directive can focus their time and effort on the material sustainability matters associated with themselves and their stakeholders.

Companies should work closely with internal key stakeholders across their organisation who can help to define and assess sustainability-related risks and opportunities. Key stakeholders may include those in sustainability, finance, legal, procurement and human resources.

It is important that the ESRS criteria is appropriately assessed, and that relevant guidance is communicated to internal stakeholders to ensure that the assessment is consistent across the organisation. The material topics that should be reviewed internally to ensure that all relevant areas have been considered.

When considering whether a topic is material, stakeholders should evaluate whether it covers one, or both of the following:

- ***Impact Materiality:*** the company's operations including upstream and downstream value chain, and the effect on society or the environment.
- ***Financial Materiality:*** sustainability-related topics that affect the company's financial stability or performance.

Those responsible for conducting the assessment should ensure that close attention is placed at a macro level to identify all disclosure requirements and the corresponding data points to be reported against. Once complete, the double materiality assessment should be communicated across the business and embedded into the company's corporate strategy for sound decision making.

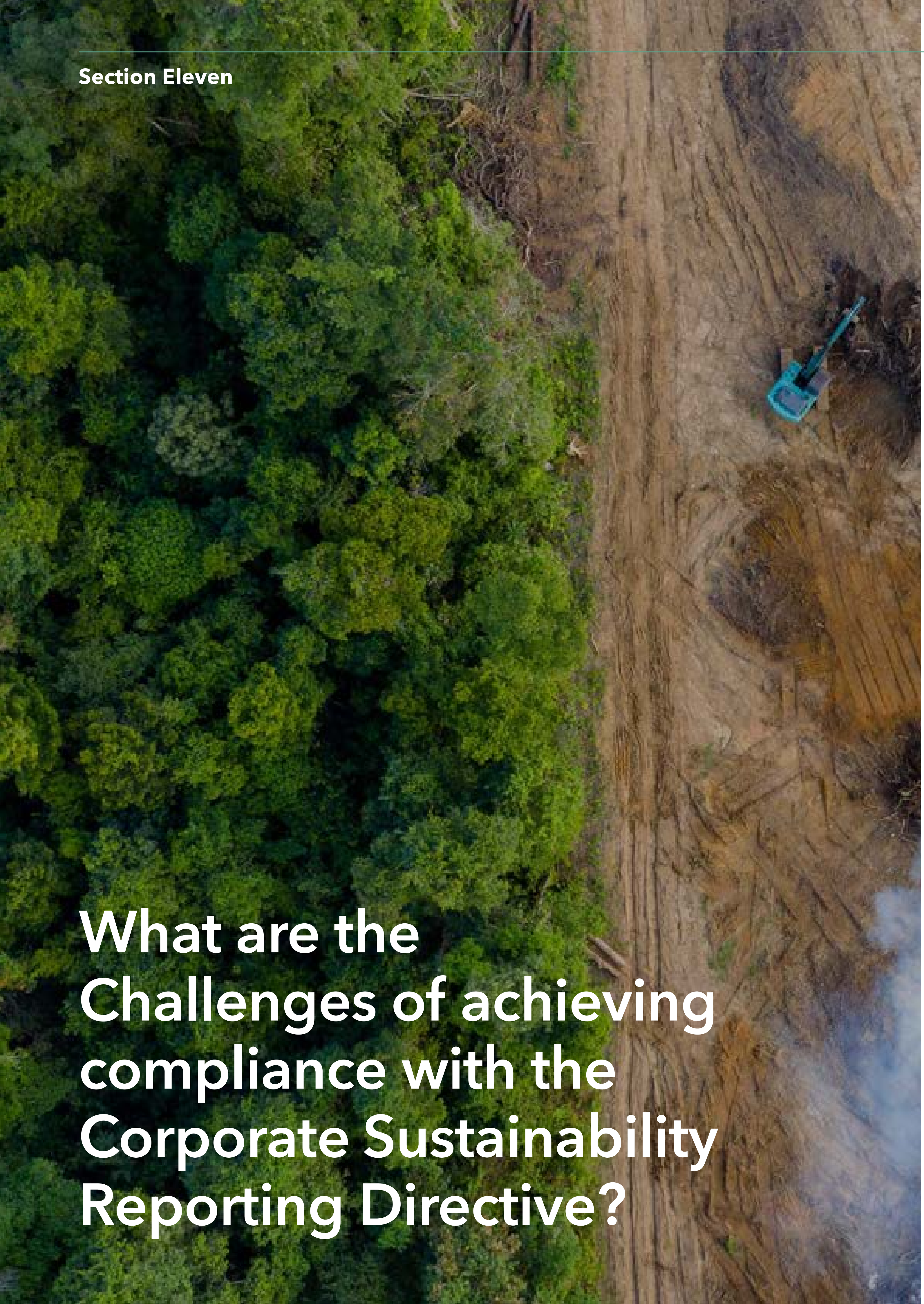
Overall, conducting a double materiality assessment enables companies to identify and address potential sustainability-related risks and opportunities across their organisation and within their value chain. This approach aligns with the requirements of the Corporate Sustainability Reporting Directive as well as helping companies to minimise the impact they have on people and the planet. Embedding the findings of the assessment into corporate strategy also enables companies to ensure that they are operating sustainably.

How to get started on the path to compliance with the Corporate Sustainability Reporting Directive

Getting started with the Corporate Sustainability Reporting Directive can be a complex process, but there are several steps that companies can take to begin their compliance journey:

- ***Consider your CSRD Scope:*** Companies should consider the full scope of the application of the Corporate Sustainability Reporting Directive. Considering various factors including structure, subsidiaries and the value chain. It is important that the scope of reporting accurately reflects your organisation and its material impacts, risks and opportunities.
- ***Consider the Level of Disaggregation of Information:*** Prior to conducting a double materiality assessment companies should disaggregate data to ensure there is a proper understanding of the impacts, risks and opportunities associated with the organisation.
- ***Conduct a Double Materiality Assessment:*** Companies should conduct a thoughtful, double materiality assessment which identifies and evaluates material impacts, risks and opportunities. The assessment should consider impact on people and the planet both internally and externally.
- ***Engage with Internal & External Stakeholders:*** Companies should collaborate with both internal and external stakeholders to ensure that full reporting considerations have been made in alignment with the ESRS Standards. Effective collaboration will ease the process of carrying out foundational elements such as the double materiality assessment as well as gathering information associated with the value chain.
- ***Analyse Existing Data:*** Companies should analyse existing data and its quality against the disclosure requirements outlined within the ESRS Standards. Initial analysis will help to identify where there is inadequate or inaccurate data. Conducting gap analysis early will provide companies with additional time to engage with internal and external stakeholders to ensure compliance with the mandatory data reporting requirements.
- ***Streamline Data Collection:*** Companies should find efficient ways to capture all of the data that is to be reported on as defined by the Directive. Utilising in-house and external software systems enables companies to capture data more efficiently and verify its accuracy. Holding data in a centralised library or system will also ease the gathering and reporting exercise.
- ***Seek Assurance:*** Companies should engage with sustainability experts throughout the reporting journey. Initially the Directive requires companies to seek limited assurance on their Corporate Sustainability Reporting Directive, moving to reasonable assurance at a later stage. Engaging with an assurance provider will help companies understand the assurance process and the assurance expectations.

In summary, getting started with the Corporate Sustainability Reporting Directive requires a broad approach to be truly effective. An approach that should include conducting a double materiality assessment, collecting sustainability data, engaging with the value chain, monitoring and evaluating performance, publishing annual reports, developing due diligence processes, assessing the supply chain, implementing due diligence measures, monitoring and evaluating performance, publishing annual reports, engaging with stakeholders, and seeking external assurance support where necessary.



What are the Challenges of achieving compliance with the Corporate Sustainability Reporting Directive?

Organisations working towards and achieving compliance with the Corporate Sustainability Reporting Directive face several challenges. These include:

- ***Data Collection:*** Data required to comply goes beyond regular operational boundaries. Data sources with questionable provenance, accuracy and interpretation often become primary sources of information which undermine the basis for the reporting. Data may also be in multiple data formats and there is often an absence of systems to record data in a methodical way that can be used to demonstrate a comprehensive approach has been taken.

- ***Veracity of Data:*** Web-scraped or AI generated data from sources of unknown provenance lacks the scrutiny necessary to fully understand the risks. Organisations rarely have the resources to undertake credible data checking or independent verification required to report on the value chain with confidence.

- ***Limited Capacity:*** Many companies may lack the resources to undertake such intensive and sustained data collection and evaluation from numerous disparate internal and external sources or sufficiently credible levels of data checking particularly within the value chain.

- ***Cost of Compliance:*** Complying with the law can be expensive, especially for small and medium-sized companies. The cost of conducting appropriate levels of internal and external evaluation, implementing data collection measures, seeking external assurance can be significant.

- ***Knowing what is enough:*** Understanding what is required to satisfy the regulators and ensure compliance.

- ***Legal Liability:*** Non-compliance with the law can result in legal liability, including fines and legal action. This can create additional risk for companies, particularly if they are unable to identify and address potential risks in their supply chains.

- ***Coordination with External Stakeholders:*** Collaboration with companies within the value chain is essential to ensure accurate data is collected when reporting on carbon footprint and workers in the value chain. However, engaging with companies can be challenging, especially if they are in different countries with different cultural and legal frameworks.

- ***Time Constraints:*** Companies may struggle to implement effective processes within the required timeframe. The law requires companies to implement submit their report within specific timeframes, and non-compliance can result in legal liability.

Conclusion

Section Twelve

The Corporate Sustainability Reporting Directive is a significant development in non-financial reporting. This Directive requires companies to report on specific sustainability-related data points and topics including those associated with their upstream and downstream value chain. It will eventually apply to both companies within the European Union and some entities located outside of the European Union, and can result in fines for non-compliance.

The introduction of this Directive an important step towards a more transparent global economy. As other countries consider similar legislation, it is likely that access to accurate and transparent sustainability-related data will become increasingly important in the global marketplace. Embarking on a journey of improved sustainability-related data collection, assessment and reporting now will likely reduce future disruption when other nations or industries adopt increased levels of sustainability performance disclosure.

The Corporate Sustainability Reporting Directive is a positive development that has the potential to create a more sustainable and transparent ways of operating. By prioritising the well-being of workers, communities, and the environment, companies can build a stronger and more resilient global economy for the future.

Supporting CSRD Compliance with Confidence

Achilles helps organisations navigate the demands of the Corporate Sustainability Reporting Directive (CSRD) by providing the data, tools, and assurance needed for accurate, consistent, and audit-ready reporting. As regulatory expectations grow and supply chain transparency becomes essential, Achilles bridges the gap between complex reporting frameworks and practical implementation.

With validated supplier data, ESG expertise, and a scalable suite of sustainability solutions, Achilles enables organisations to meet CSRD requirements, without overwhelming internal teams or supply chain partners.

Solutions Aligned with CSRD Reporting Needs:

Supply Chain Risk Management

Collect, assess, and analyse supplier sustainability data to meet due diligence and double materiality requirements.

ESG Audits

On-the-ground audits provide verifiable insights into supplier practices supporting risk identification, corrective action, and more robust disclosures.

Achilles Carbon Accounting

Track Scope 1, 2, and 3 emissions across operations and supply chains using globally recognised standards, supporting CSRD's climate-related metrics.

Toitū Carbon Data Verification

Third-party assurance of emissions data, helping organisations meet CSRD's assurance requirements with confidence.

Achilles Comply360

Streamline data collection, stakeholder engagement, and report preparation in one platform, tailored for CSRD-aligned disclosures.

Global Reach, Local Expertise

With operations in over 140 countries, Achilles supports multinational supply chains with regionally informed insights and localised supplier engagement.

Resources and Next Steps

Useful Links

- IFRS Sustainability Standards
- EFRAG
- ESRS

Take Action

- ✓ Contact Achilles for a demo of Comply360
- ✓ Explore supplier ESG readiness through a pilot program
- ✓ Download our Non-Financial Reporting Readiness Checklist

About Achilles

Since our story began more than 30 years ago, Achilles' goal has been to build a more sustainable, cleaner, safer and fairer world.

Using our global technology platform and protocols based on our unrivalled ESG knowledge and experience, our highly qualified validators and auditors perform due diligence and provide deep insights that ensure the organisations can confidentially manage supply chain risk and fully meet ESG, sustainability, human rights and health and safety obligations.

Comprehensive Supply Chain Risk Management

Achilles provides a complete supply chain risk solution. We are world-leading experts in procurement and supply chain regulation, health and safety, financial and cyber risk and sustainability and carbon management.

Unrivalled Supply Chain Transparency

Achilles rigorous validation of supplier information draws from multiple sources to create a complete picture that uniquely also includes in-person audits and worker interviews to provide unrivalled ESG and supply chain transparency.

Effective Carbon Reduction

Achilles provides the only accredited Carbon Reduction programme in Europe to independently measure and reduce carbon emissions and meet all stakeholder reporting requirements. In 2022, Achilles saved organisations 97,000 tonnes of CO_2 – equivalent to the planting of 4.8 million trees.

The Achilles Difference

Achilles is the only ESG specialist to offer truly in-depth assessments, including on-site audits, to provide the level of supply chain transparency and confidence truly required by today's most environmentally conscious and ethical organisations.

500+

People

Expert global team including validators and auditors provide end-to-end supply chain management and client support in more than 20 languages.

22

Office Locations

Global reach and local presence ensures understanding of local regulations, language and culture to enable superior supply chain risk management.

6700+

Audits

Achilles unique desk and on-site audit and worker interview capability supports rigorous supply chain due diligence requirements and goals.

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Global Platform

The MyAchilles platform is designed to collect, validate and manage complex supply chain data and simplify supply chain management and reporting.

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Learn More

To learn more about Achilles and how you can harness our capabilities within your own organisation, contact us here.

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