



## HOW TO TURN THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD) INTO AN OPPORTUNITY: UNDERSTANDING CHALLENGES, AVOIDING PITFALLS, AND PREPARING FOR THE FUTURE

**December 2024** – In this report, we share best practices regarding the preparation for CSRD reporting, both in the context of an approaching milestone for first publication or of the project start. These practices are the result of dozens of discussions with executives from companies of various sizes, as well as exchange with leading faculties on that matter

### CSRD: ENHANCED ESG REPORTING TO DRIVE TRANSPARENCY AND TRANSFORMATION

The CSRD (Corporate Sustainability Reporting Directive) is causing concerns among many companies, given the workload it generates and the approaching deadlines. "Data collection is a significant challenge, partly because the data is currently dispersed"<sup>1</sup> says the CFO of a major French group. The objective is both ambitious and relevant: the European Commission aims at **improving the transparency and comparability of sustainability information**, in order to facilitate decision-making by investors, while guiding companies towards sustainable transformation.

**Following the NFRD<sup>2</sup>, this evolution is structural in several aspects:**

- + more companies concerned (50,000 vs. 11,000)
- + more data to collect, broader spectrum
- + demanding (double materiality, auditability)
- + evolving (sector-specific ESRS to come)<sup>3</sup>
- + connected to financial results

Organized around 12 themes according to the 3 pillars of ESG (Environmental, Social, Governance),

the CSRD lists about sixty detailed categories (see Figure 1) that concern not only the company's operations, but also its value chain and ecosystem. For all these categories, **nearly 1,200 qualitative and quantitative indicators** are defined, not counting the custom indicators that each company can add.

It is important to understand that the CSRD does not require companies to publish on all these indicators. **A double materiality exercise<sup>4</sup> should identify what is relevant:** assessing both the impact of ESG risks and opportunities on the company's financial performance (financial materiality) and the impact of the company's activities on society and the environment (impact materiality). **The materiality threshold remains at the discretion of each company, provided it can be justified.** For example, a company can decide to report only on categories exceeding a level of 3 for the first year and expand to all exceeding a level of 2 in the following year.

<sup>1</sup> Daft mag: "CSRD: how CFOs are rising to the challenge of sustainability reporting". <sup>3</sup> EFRAG Sector- specific ESRS (European Sustainability Reporting Standards)  
<sup>2</sup> NFRD: Non-Financial Reporting Directive <sup>4</sup> Source: EFRAG Double Materiality Guidelines

GENERAL REQUIREMENTS		ENVIRONMENT					SOCIAL				GOVERNANCE & ETHICS	
ESRS 1:	ESRS 2:	ESRS E1:	ESRS E2:	ESRS E3:	ESRS E4:	ESRS E5:	ESRS S1:	ESRS S2:	ESRS S3:	ESRS S4:	ESRS G1:	
GENERAL REQUIREMENTS	GENERAL DISCLOSURES	CLIMATE CHANGE	POLLUTION	WATER & MARINE RESOURCES	BIODIVERSITY & ECOSYSTEMS	CIRCULAR ECONOMY	OWN WORKFORCE	WORKERS IN THE VALUE CHAIN	AFFECTED COMMUNITIES	CONSUMERS AND END-USERS	GOVERNANCE, RISK MANAGEMENT	BUSINESS CONDUCT
Double materiality	Governance of ESG	GHG emissions from activities	Pollution of air	Water withdrawals and usage	Impacts of activities on ecosystems – biodiversity, land	Resources and material sourcing & use	Working conditions (health, safety, wellbeing)	Human rights and working conditions in value chain	Supply chain transparency	Information transparency for consumers and end-users	Corporate culture, Board structure and diversity	Monitoring of business conduct compliance
Completeness, reliability, accuracy, and auditability of ESG information	Products & services contribution to overall ESG targets	Carbon footprint of products	Pollution of water	Water discharge	Protection & restoration of ecosystem	Circular economy practices (recycling, reuse...)	Equal treatment, diversity and inclusion	Equal treatment, diversity and inclusion in the ecosystem	Social impact of activities on communities	Products safety, quality, and inclusion	Risk management systems	Business cybersecurity
Temporal comparability and consistency of ESG information	Integration of ESG in strategy and Business model	Dependency on fossil fuels and energy	Pollution of soil	Extraction and use of marine resources	Impacts of biodiversity loss on activities	Waste minimisation	Employee training and development	Compliant & fair labour standards in supply chain	Initiatives of engagement and support to communities	Users' data privacy and security	Control of compliance, and protection of whistle-blowers	Transparency on tax practices
	Identification of ESG impacts, risks & opportunities	Vulnerability to climate change / extreme events	Pollution of living organisms and food resources		Activities' dependencies on ecosystem services		Other work-related rights	Fair wages and benefits in the value chain	Rights of indigenous people and resettlement programmes	Protection of consumer rights	Animal welfare	Political engagement and lobbying activities
	Measurement of ESG performance and progress against targets	Adaptation to climate change	Waste management					Other work-related rights			Alignment of Executive income with sustainability objectives	Management of relationships with suppliers (incl. payment practices)
		Financing of mitigation of climate change	Hazardous waste management									Business ethics, corruption & bribery
		Transition to low-carbon economy										

**Illustration**

■ CSRD categories **material** for the company  
■ CSRD categories **not material** for the company  
■ CSRD general requirements

Figure 1 CSRD themes and categories, selected after the double materiality exercise

Whether you are preparing for the first publication (year 1) or already on your way to the second (year 2), and depending on your level of Corporate Social Responsibility ambition, it is essential to answer these two key questions: **How can you avoid getting overwhelmed in CSRD preparations? How can you turn the CSRD into an opportunity for your company?**

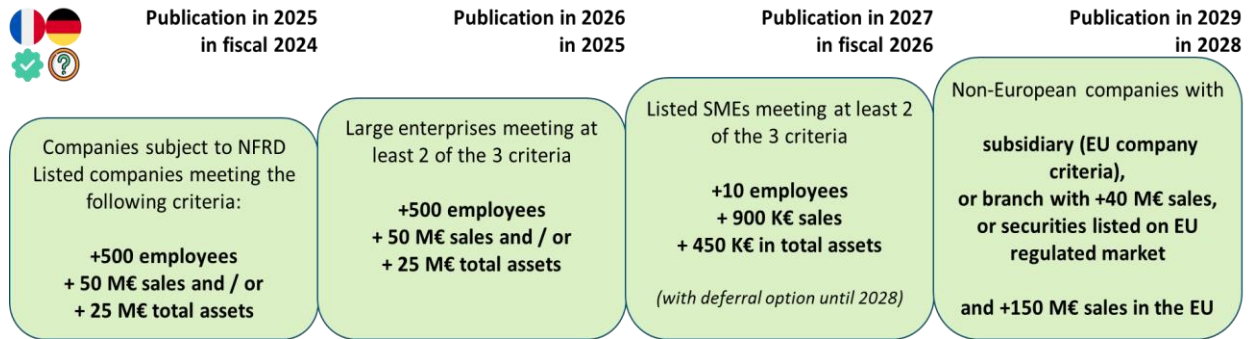


Figure 2 CSRD application schedule – applicable in countries with national CSRD legislation<sup>2</sup>

## HOW TO AVOID GETTING OVERWHELMED IN CSRD PREPARATIONS?

Preparing for year 1 of the **CSRD is indeed a full-fledged project**, whether for large groups or for SMEs<sup>1</sup>. Large groups have the advantage of being familiar with non-financial reporting according to the NFRD, but the complexity lies in the volume of data they must collect in a **more auditable way**. Companies reporting from 2026 onwards will be

able to take advantage of the example set by the first reports published in 2025. However, as they do not have to comply with the NFRD, they will have to structure their non-financial data, often for the first time. In all cases, **4 points are essential to be effective: prioritize, empower, automate, and seek support.**

- PRIORITIZE ESG INDICATORS IN ALIGNMENT WITH STAKEHOLDERS**

Companies are free to define the materiality threshold at which a risk becomes a priority. They can **plan to publish indicators in stages, with a roadmap covering several years**. Large groups will thus start by measuring between 500 and 800 indicators, while a mid-sized company will typically publish between 150 and 300 indicators in year 1. This prioritization work must be carried out with an impact analysis of the business model, while also

taking into account the expectations of stakeholders. **This is an opportunity to refine the CSR strategy in alignment with customers, partners and investors.** For the most material topics, the editorial work will be significant: in addition to quantitative indicators (e.g. Greenhouse Gas reduction target), it will involve providing explanations through qualitative indicators (e.g. list of key decarbonization actions planned).

<sup>1</sup> Small Medium Sized Enterprises

<sup>2</sup> France and 14 other states have transposed CSRD into national law, whereas Germany and 14 others have not finished transposition process

- **SET UP A DEDICATED ESG TEAM AND EMPOWER TEAMS**

CSRD is a significant project, **demanding both material and human resources**. Companies typically appoint an **internal CSR manager** and support them with a core operational team, dedicating around 80% of their time to this role. This team often includes representatives from Finance, Legal, and HR functions. **Integrating an IT manager** is also crucial, as data

collection is fundamental for CSRD.

Additionally, key contributors act as liaisons with other teams within the company, such as Communications and Operations. To ensure success, a **steering committee must be established**, and the executive committee needs to be actively involved in aligning overall strategy and reporting.

- **DEFINE DATA / IT STRATEGY FOR COLLECTION AND REPORTING**

**Data collection is the cornerstone of the CSRD report.** It is essential to define the Data / IT strategy as early as possible, in particular to specify the data collection method by business domain (forms, files, interfaces). Without automation, data collection becomes cumbersome and time-consuming. For example, without precise tracking of distances and modes of transport, measuring the impact of employee travel is complex. However, an automated process, via expense reports for example, greatly facilitates KPI calculation. The Data / IT strategy must also define

the data consolidation method (e.g. with a new business domain in an existing data platform) and the level of integration with existing reporting tools. **Overall, Excel is not sufficient to prepare for CSRD.** With numerous tools available on the market (see Figure 3), each company can find the software that best suits its needs. However, these tools are relatively new and constantly evolving, so it is crucial to take the time to choose and define the desired level of sophistication between simple reporting or more advanced tools, with or without integrated carbon footprint calculation.

TYPE	EXAMPLES OF SOFTWARE EDITORS
Generalist ERP (Enterprise Resource Planning) tools	SAP Sustainability Control Tower, Oracle ESG Platform, IBM Sustainability Accelerator, Salesforce Net zero cloud
Financial EPM (Enterprise Performance Management) tools	anaplan, OneStream, Tagetik, workiva
Energy / EHS (Environmental, Health and Safety) tools	enablon, Schneider Electric, sphera
ESG tools from niche players	SWEEP, Watershed, TRACE, Solutions, Greenscope
ESG data platforms	Microsoft Cloud for Sustainability, Google Cloud Ready - Sustainability program

Figure 3 Examples of available CSR reporting tools

- **FIND A BALANCE BETWEEN INTERNAL MANAGEMENT AND EXTERNAL SUPPORT**

A company cannot afford to delegate all aspects of managing its CSRD report. It must **have an in-house manager capable of overseeing the process** or, at minimum, acting as a competent referent. This manager will ensure access to information and guarantee team engagement. However, it is often advisable to seek support from an external service provider who is an expert in the field.

The choice is then between a provider who simply applies standardized methods focused on CSRD, or personalized support that includes an understanding of the company's overall strategy and knowledge of the stakeholders' expectations in the industry. The latter, more strategic choice enhances the quality of the CSRD report and, above all, enriches the ESG strategy.

- **ANALYZE COMPETITORS AND OTHER INDUSTRY PLAYERS – AND DIFFERENTIATE**

The CSRD creates increased transparency, allowing access to detailed information on the ESG practices of competitors and other market players (e.g. potential partners, customers, suppliers). This visibility offers a unique opportunity to analyze sector strategies and compare them with one's own practices. **Benchmarking can be a strategic**

**tool to refine one's own sustainability approach, boost competitiveness, and better meet stakeholder expectations.** As Géraldine Le Maire, General Secretary of Naval Group, points out in the CSR 2023 report: "CSRD will offer greater synergies and comparability with companies in our sector."

## HOW TO TURN CSRD INTO A BUSINESS OPPORTUNITY NOW?

- **OPPORTUNITY TO ATTRACT FINANCING PARTNERS AND CUSTOMERS, AND GAIN TRUST**

Firstly, the primary recipients of CSRD reports are investors and financing partners, such as banks. These entities already use ESG scores to evaluate companies' sustainability reporting. Early adoption of CSRD standards and proactive communication with partners lead to more consistent report assessments, fostering **trust and predictability**. Secondly, the ESG score derived from CSRD

reporting indirectly impacts the company's clients. When a client adheres to CSRD standards and selects suppliers, having a strong ESG score and outperforming competitors can provide a **significant competitive advantage**. Last but not least, CSRD is an invitation to better analyze **new business opportunities**, for example related to circular economy.

- **NEW WAYS TO TAKE DECISIONS WITH ESG DATA**

Given the large number of KPIs to be reported, it is essential for companies to invest both time and financial resources in automating the collection of underlying data. Once in place, automation **frees up time for analysis**. Year 2 of the CSRD can be an opportunity to review the updated plan for existing applications (ERP, HR) that will provide this raw data and certain KPIs, or even to **integrate ESG requirements into digitization programs already launched**. Tools can also be upgraded with AI (data check), and **decision support** (simulations, scenarios). This means taking a major steps towards **integrated performance management**, with both Finance and ESG objectives.

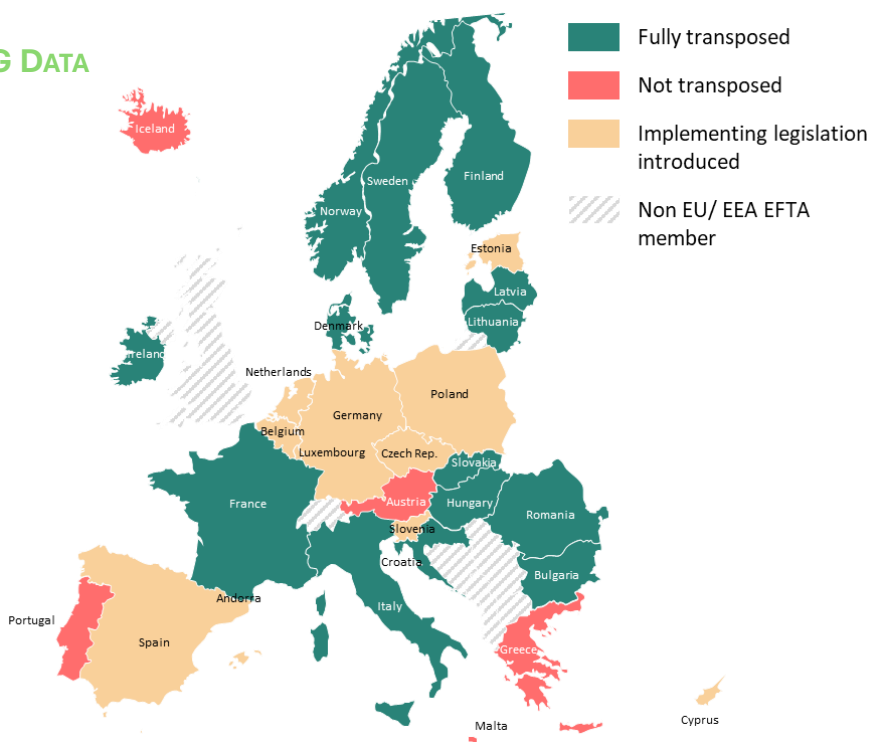


Figure 4 Overview of transposition progress in each state

- **OPPORTUNITY TO INCREASE MATURITY IN CSR COMMUNICATION**

**CSRD indicators offer companies a strategic communication opportunity, both internally and externally.** Investors, customers and partners will scrutinize this new information. Hence the necessity for a solid communications plan, in which companies demonstrate how their concrete

actions address ESG issues. **The right balance needs to be struck to avoid both greenwashing and green hushing**, and to integrate CSR within the overall vision. This communication must also highlight annual developments, deployed initiatives and the tangible results achieved.

- **OPPORTUNITY TO PREPARE FOR CSDDD, THE NEW DUE DILIGENCE OBLIGATIONS**

One of AXA's managers effectively summarizes the situation by saying: "*CSRD is a major challenge for the entire Group, but we're all going to benefit from this exercise in transparency*". The CSDDD (Corporate Sustainability Due Diligence Directive) will require companies to go beyond the simple reporting imposed by the CSRD. They will have to actively identify, prevent, and mitigate risks related to human rights and environment, by taking concrete measures throughout their value chain.

**While the CSRD requires transparency, the CSDDD will impose action.** Its implementation, scheduled for 2027, will concern large companies with more than 1,000 employees and sales of over €450 million, representing approximately 6,000 companies. But the impact will be wider than this, given the repercussions for suppliers across the entire value chain. **The evolution of CSRD reporting in year 2 should therefore be considered with the CSDDD in mind.**

# WHAT IS THE GERMAN PERSPECTIVE ON CSRD?

- **UNCERTAINTY OF IMPLEMENTATION DUE TO DELAY IN TRANSPOSITION IN NATIONAL LAW**

Germany missed the deadline of July 5th 2024 to implement the European CSRD into national law. Therefore, the EU started an infringement procedure (besides Germany against 16 other states). Currently a draft law is debated in German parliament, however without any timeline for adoption by the legislator with the original schedule (Figure 2) not being followed.

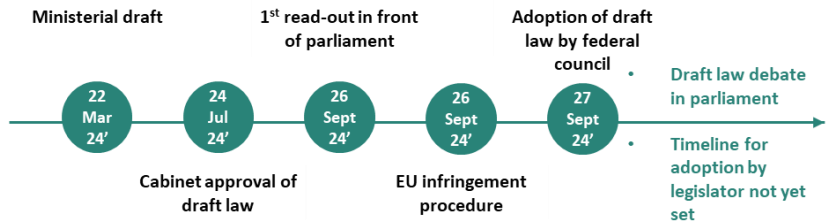


Figure 5 Events in transposition process into German national law

This leads to uncertainty for companies that would be required to publish sustainability reporting according to CSRD standards regarding rules and timeline for their year 1.

However, German companies get the opportunity to study the sustainability reports of companies in the 15 European states that have transposed the CSRD (see Figure 4) and learn from the competition.

- **NEED FOR UPDATING AND ENHANCING EXISTING SUSTAINABILITY REPORTING**

To date, listed companies in Germany are already publishing sustainability reports. Even if those contain components of CSRD requirements, companies are explicitly mentioning that there is a **need for updating and enhancing procedures** for full accordance with requirements.

For instance, Volkswagen Group, Allianz, and

Rheinmetall do mention in their annual reports 2023 that they have set up dedicated task forces and are on to **update their materiality analysis** that is already in place.

Those companies will be required to quickly catch up with their European competition to remain competitive.

- **EXPLICIT, CLEAR COMMUNICATION IS KEY TO CREATE MEANING**

In Germany, only one regional bank has issued a CSRD-compliant sustainability report for the financial year 2023. This comprehensive report spans 166 pages, covering all ten ESRS topics identified as significant in the materiality analysis. Notably, it is more than twice the length of the bank's annual report and considerably longer than those of other early adopters outside Germany. The report places a strong emphasis on transparently explaining the Impact, Risks, and Opportunities

(IROs) related to sustainability, which deserves close attention. Interestingly, while the CSRD mandates digital tagging of reports, it does not regulate their structure. This oversight is significant, as most readers will access these reports in PDF or printed formats. A more reader-friendly approach would be to organize ESG topics by subject rather than following the order of CSRD paragraphs.

## CONCLUSION

As Marie-Claire Daveu, Chief Sustainability Officer at Kering, stated at the Giverny 2024 forum, "CSR is no longer an option, it's a necessity, even a duty". CSRD fully aligns with this obligation and represents a crucial opportunity for companies. It is essential not to underestimate the effort it requires, but also the added value it offers, provided the company is committed and takes a strategic thinking approach. A CSR policy integrated into the heart of the business model can become a major asset in attracting and retaining stakeholders. Even without formal transposition, German companies – compared to their European competition – need to catch up.



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