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eBook

CSRD 101
A Practical Guide for First-Year Compliance

empower better tomorrows

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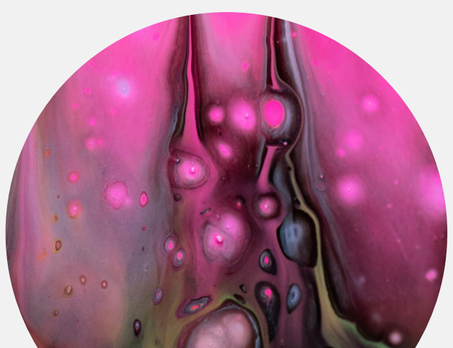
Introduction

As companies work toward compliance with the Corporate Sustainability Reporting Directive (CSRD), the focus may shift to meeting regulatory requirements and collecting necessary data. However, this narrow approach can obscure the greater opportunity to integrate sustainability into core operations. It is crucial to recognize that sustainability reporting can drive meaningful change beyond merely ticking boxes.

Many organizations prioritize compliance metrics without fully understanding their impact on society and the environment. This limited perspective may lead to missed opportunities for innovation and stakeholder engagement. Adopting a holistic view of the CSRD allows companies to enhance transparency and foster a culture of accountability.

This guide will explore this newly introduced EU Directive, covering its key components with a look at double materiality, stakeholder engagement, and accuracy in data collection. We will also discuss how technology can streamline the reporting process, enabling organizations to focus on meaningful actions rather than just compliance.

Throughout this guide we will address the significance of this directive, conducting a gap analysis, best practices for data management, and how ESG software can simplify compliance efforts. Ultimately, this guide aims to empower organizations to embrace sustainability as a fundamental aspect of their operations.



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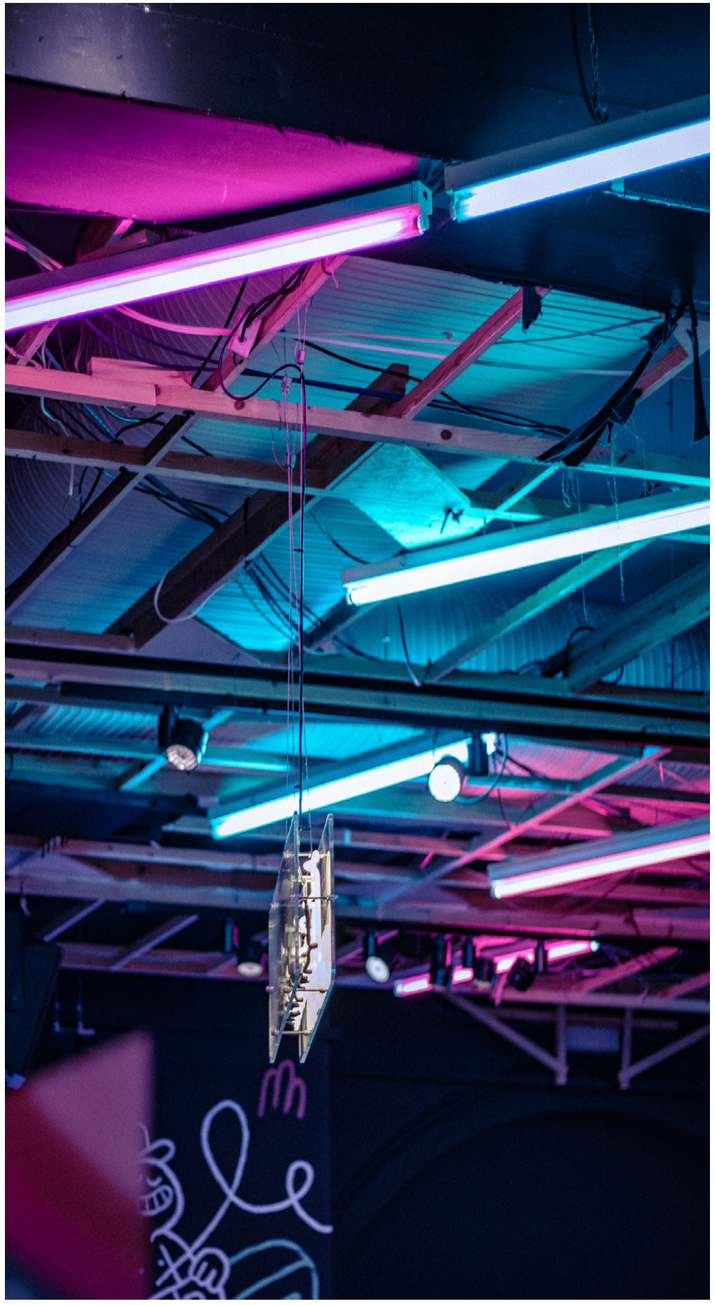
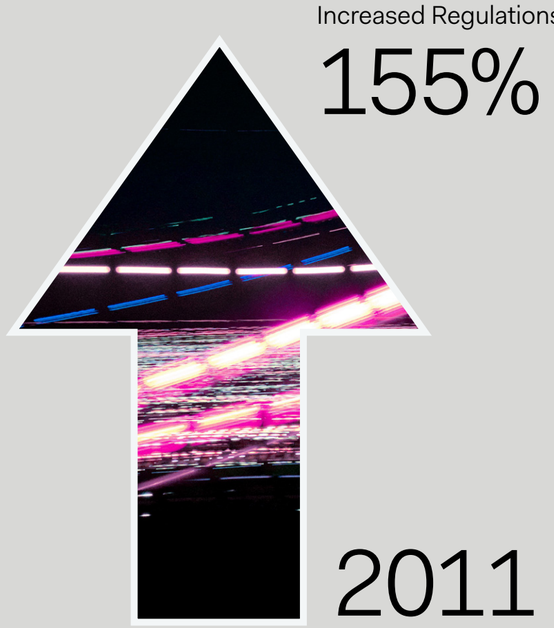
Chapter 1

Understanding CSRD



The CSRD represents a significant advancement in EU regulations on Environmental, Social, and Governance (ESG) and non-financial reporting. Entered into force in January 2024, the CSRD supersedes the Non-Financial Reporting Directive (NFRD), expanding its scope to cover more companies.

This broader reach includes both the EU and international companies with operations in the region, marking a major shift towards more comprehensive, global sustainability reporting. The CSRD aims to address gaps in previous reporting standards by enforcing greater transparency and standardization by including financial reporting, thus supporting broader sustainability goals, including the European Green Deal.



"ESG regulations have increased by 155% in the past decade, with 1,255 ESG regulations introduced worldwide since 2011." [1]

Eco-Business

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Scope and Timeline

The CSRD adopts a phased implementation approach, with initial disclosure deadlines staggered from 2025 and 2029 based on company size. The table provides a timeline for when to begin compliance preparations, anticipated disclosure dates, and potential audit periods.

Reporting Requirements

Under this regulation, companies must report on double materiality, which includes all the information necessary to understand how sustainability issues will affect:

- business model and financial viability (financial risks or opportunities),
- how the activity of the company will impact the people and the planet.

The CSRD will also introduce the EU Sustainability Reporting Standards (ESRS), which outline the mandatory concepts and principles companies must comply with to report under the CSRD and align their sustainability statements.

Table 1:

Business size	2025	2026	2027
Largest › **500+ employees** All EU companies under the NFRD and non-EU companies listed on EU-regulated markets	Disclosure required – Beginning with FY2024		
Large › **250+ employees** €5OM net turnover and/or €25M balance sheet total	Calculate & Report	Disclosure required - Beginning with FY2025	Limited auditing
Listed SMEs › **10+ employees** €0,9M+ in turnover and/or €0,45M+ in assets (Can opt-out until 2028 with similar financial thresholds)	Calculate & Report	Disclosure required - Beginning with FY2025	Limited auditing

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Mandatory reported information includes:

- How sustainability is considered at a company strategy level, business model, and governance (SBM & GOV)
- Double materiality assessment (methodology and results) including impact, risk and opportunities (IRO)
- Qualitative and quantitative information on material ESRS (Metrics)

Under the CSRD and ESRS, organizations must disclose forward-looking and retrospective information, qualitative data on strategies and policies, and value chain impacts, including upstream and downstream effects, such as supply chain management and product lifecycle analysis.

Mandatory External Assurance

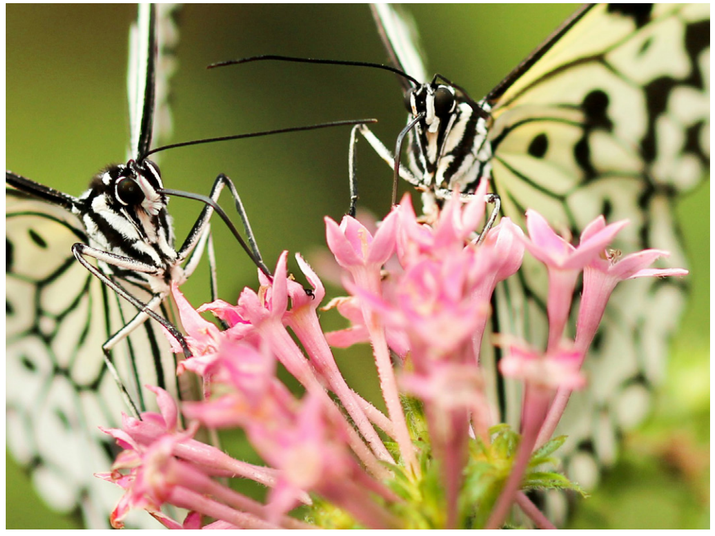
A key feature of the EU Directive is the requirement for external assurance of sustainability reports. Initially, this will involve "limited assurance," focusing on the accuracy and reliability of critical data. Over time, the assurance process is expected to become more comprehensive, reviewing broader aspects of sustainability performance and internal controls ("reasonable assurance").

Benefits and Challenges

The directive empowers companies to effectively identify both the positive and negative impacts of their activities on sustainability issues. It also enhances their ability to understand and control the financial risks and opportunities that these issues represent, both now and in the future.

This identification and understanding are facilitated through double materiality analysis, which involves engaging with all the company's stakeholders.

The new reporting regulation also establishes standard methodology for sustainability assessments and communications across companies at the EU level. This harmonization enables comparisons of real non-financial performance, while helping to prevent greenwashing and attracting investors to the



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Benefits of the CSRD

- **Increased transparency on sustainability performance:** Internally within the company and globally
- **Improved access to durable capital:** Standardized ESG data can attract investors and lower capital costs.
- **Enhanced risk management:** Better ESG reporting facilitates the identification and mitigation of risks.
- **Stronger brand trust:** Transparent sustainability reporting enhances reputation, aids talent recruitment, and builds stakeholder trust.

Challenges of the CSRD

- **Complexity and lack of expertise:** The reporting process can be time-consuming, resource-intensive, and complex.
- **Data quality and availability:** The ESRS requires up to 1200 disclosure requirements to be assessed, many of which will be new to the business. Ensuring accurate and consistent ESG data across various regions can be challenging.
- **Comparability:** Aligning reports with ESRS to ensure comparability requires careful interpretation
- **Report creation:** The CSRD requires submission using an XBRL-tagged format. Without specific guidance and a tool, navigating this can be time-consuming and challenging.

"Deloitte's 2023 CxO Sustainability report finds that 75% of the survey's 2,016 C-level respondents say their organizations have increased their sustainability investments over the past year—nearly 20% increasing investments significantly."[2]

Deloitte

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Chapter 2

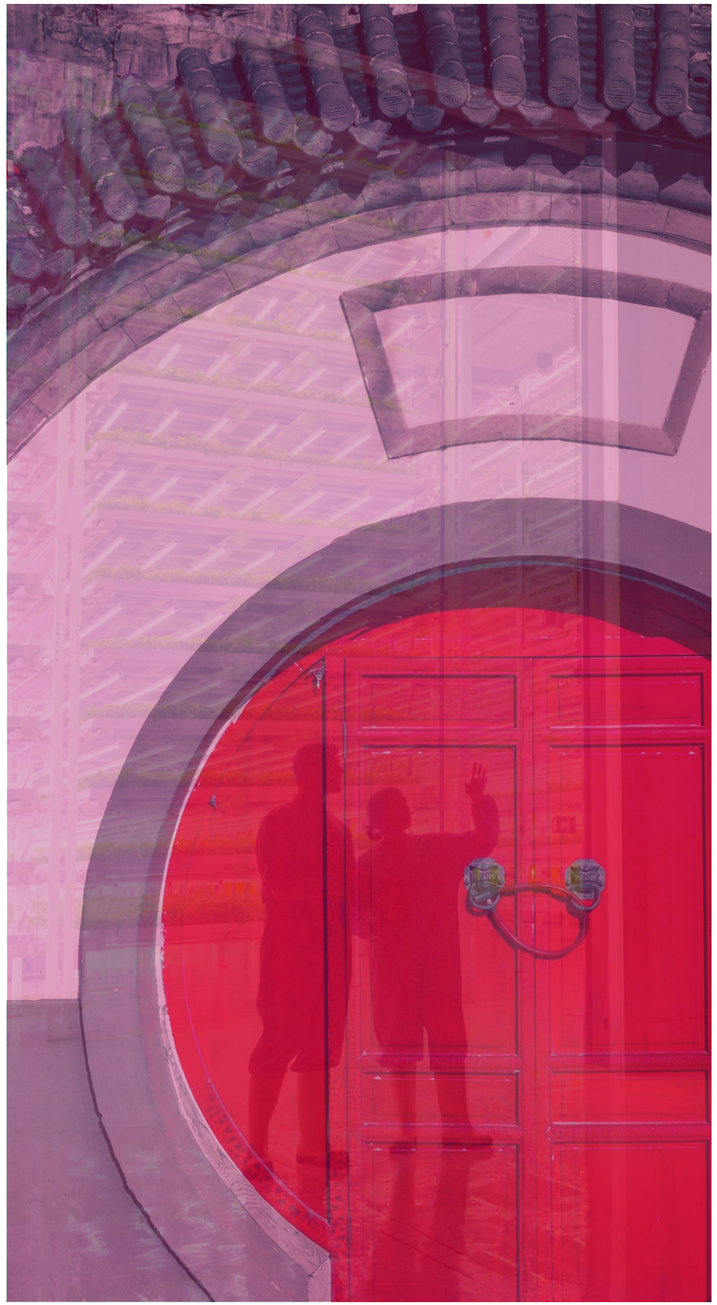
First Steps Towards Implementation Gap Analysis: Understanding the Path to Compliance

One of the first steps toward CSRD implementation is that companies must perform a gap analysis.

A gap analysis helps organizations identify discrepancies between their current processes, and the regulatory requirements they must meet under the Directive. It also identifies discrepancies in performance, highlighting areas of non-financial risk and opportunity.

Conducting a gap analysis is essential for organizations, as it provides increased visibility and clarity on problem areas that extend beyond simply regulatory compliance.

> "According to a PwC survey, two-thirds of companies feel confident in being ready to report under the CSRD – but more than half (59%) cite data quality and availability as a key challenge and obstacle."[3]
>
> PwC



Customer Story

Established Retail Company Strengthens CSRD Reporting through Gap Analysis

Cority worked with a well-established enterprise retail company that is subject to the EU mandate. The company needed to update its reporting framework based on the findings of its double materiality analysis. Cority assisted them by conducting a gap analysis that compared the requirements of the CSRD's reporting standards (ESRS) with their existing reporting frameworks and processes.

As a result, the retailer implemented a new and more robust reporting framework aligned with future auditing requirements. Action plans were also formalized through workshops with contributors on each sustainability topic, addressing the identified areas for improvement.

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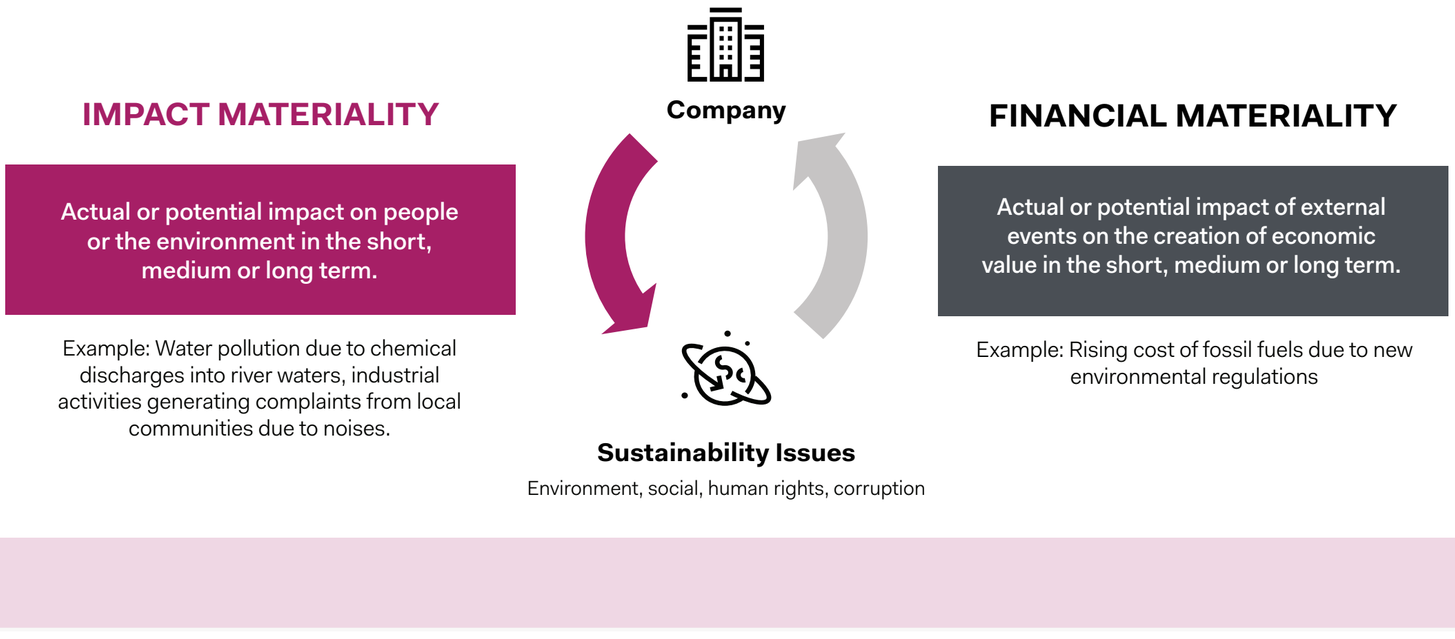
Double Materiality: A Twofold Approach

The CSRD emphasizes double materiality in sustainability reporting. This concept requires companies to assess sustainability from two perspectives: financial materiality (how sustainability issues impact the company's bottom line) and impact materiality (how the company's actions affect society and the environment).

Double materiality reflects stakeholders' evolving expectations and is pivotal in aligning company strategies with broader societal needs. Engaging internal and external stakeholders ensures that material concerns from all angles are captured and addressed. These stakeholders could include employees, customers, investors, suppliers, NGOs, and regulatory bodies offering unique insights.



Customer Story

Global Investment Firm Enhances CSRD Reporting with Double Materiality

Cority collaborated with a large, stock market listed group that manages long-term investments for companies globally. As this organization prepares for compliance in 2025, it recognized the need to update its ESG reporting approach. This update was informed by a double materiality analysis that considered the activities of other entities and stakeholders with whom they engage.

Cority supported this customer by providing a robust tool to evaluate their methodology and conducting a gap analysis to compare the requirements of the ESRS with their existing reporting framework and processes.

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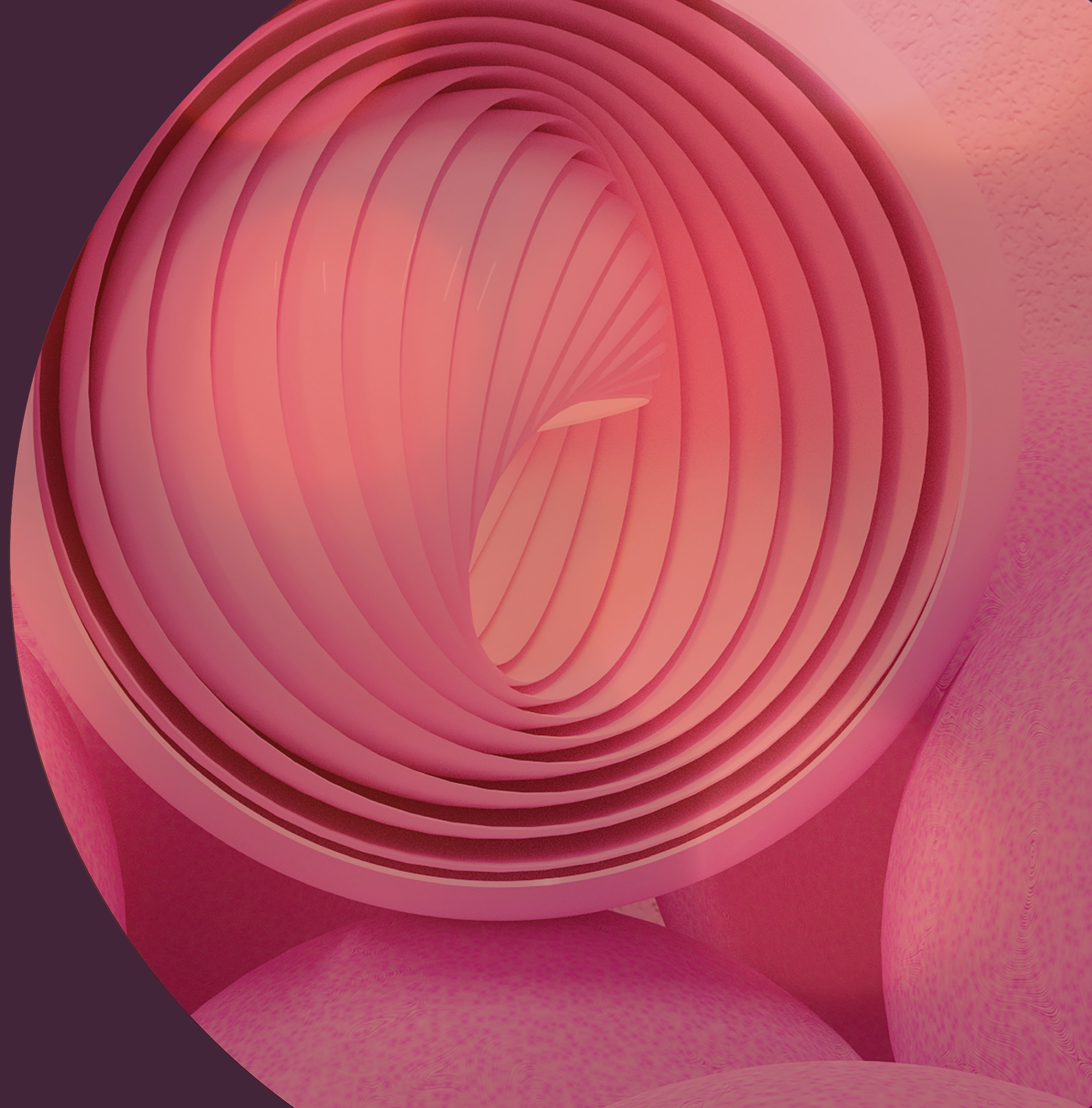
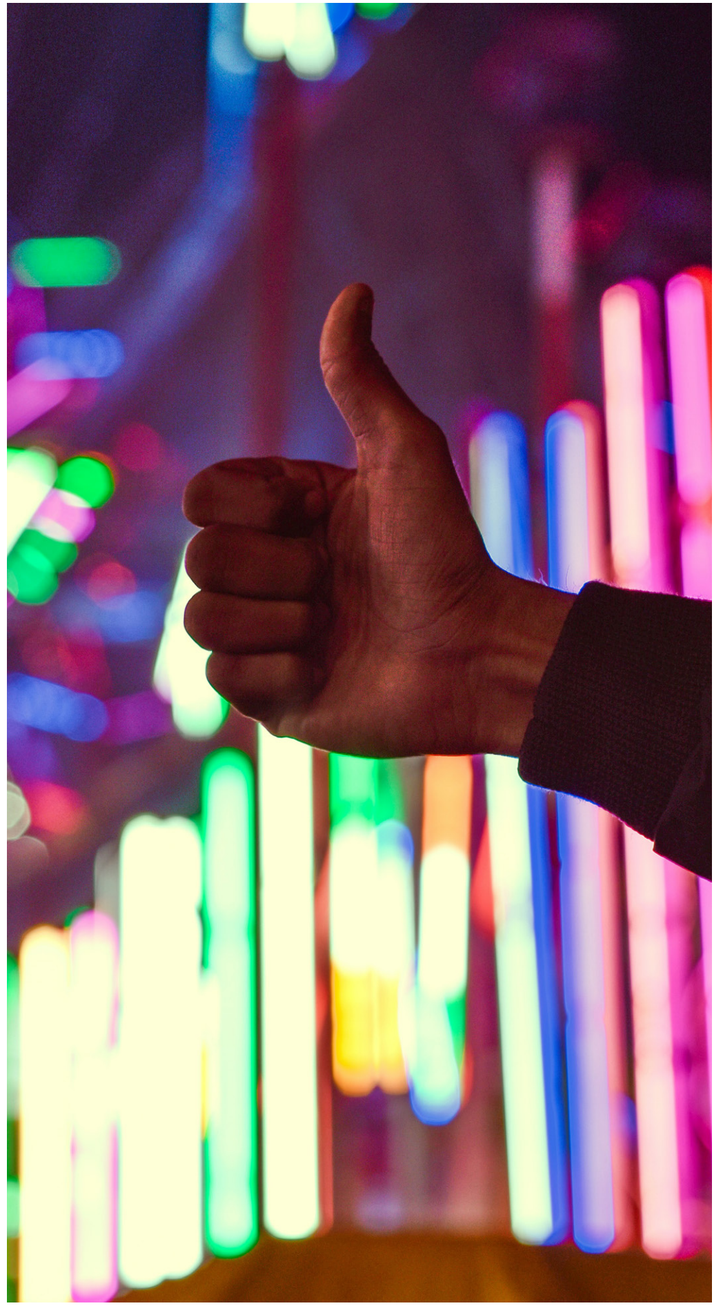
Chapter 3

From Data to Reports: Getting Ready for CSRD





Best Practices for Data Collection

Once organizations have set the foundation for their sustainability reporting, they must collect, manage, and report on vast amounts of data across their value chain following the ESRS.

Effective data collection is critical for compliance, but it presents challenges. Organizations must collect and manage financial-grade sustainability data from multiple sources, departments, and systems.

To ensure accuracy and compliance, data collection should follow these best practices:

- **Centralize data:** Use a single data management system to consolidate sustainability data across the organization. This ensures complete, secure, and consistent information, reducing the risk of version control issues.
- **Implement quality controls:** Automated checks and validations at the point of data entry can catch errors early, improving the reliability of your data for reporting and an audit trail.
- **Leverage reporting frameworks:** Align data collection with the ESRS and other relevant frameworks like Global Reporting Initiative (GRI) or The Task Force on Climate-related Financial Disclosures (TCFD) to ensure comprehensive reporting. Additionally, linking your sustainability data to the International Financial Reporting Standards (IFRS) and the International Sustainability Standards Board (ISSB) enhances the credibility of your reports.
- **Data consolidation and disclosure:** Collect data at a deconsolidated level while ensuring that disclosures are consolidated before submission. This approach allows for a comprehensive overview of sustainability performance across the organization, facilitating clearer insights for reporting.

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Collecting ESG Data Across the Supply Chain

The CSRD emphasizes that a supply chain collection and management strategy is critical for ensuring compliance and precise, accurate, and holistic reporting data. A key part of the disclosure process is conducting specific reporting on supply chain activities, both upstream and downstream, and their associated impacts.

> "A 2022 EY report explains that a focus on supply chains is vital, as more than 90% of an organization's emissions and 50-70% of its operating costs are contributed by its supply chains." [4]
>
> EY

Data Aggregation & Data Validation

Data aggregation involves collecting and organizing data from various sources to provide a comprehensive view of an organization's environmental and social impact. By effectively aggregating data, organizations can gain insights into their performance, identify areas for improvement, and make informed decisions to drive sustainability initiatives forward.

To streamline the process of data aggregation, it is essential to utilize a centralized platform. This allows for the consolidation of sustainability data from different departments and sources into one location, eliminating data silos and facilitating easier access and analysis.

Data validation ensures the accuracy and reliability of the aggregated data. Implementing clear validation rules for different types of data (e.g., emissions data, employee diversity statistics, or governance policies) is essential. These should align with the EU Directive and your company's ESG goals.

It can be helpful to have tools and software that help to flag anomalies within the data along the way, such as outliers, missing data, or discrepancies.

Data Integrity: Audits and Third-Party Verification

CSRD now requires third-party assurance of sustainability reports to ensure data integrity standards. Companies must verify their sustainability information by independent auditors to ensure accuracy and compliance.

The key aspects of the audit process include:

1. **Internal Audit:** Companies must establish internal processes for collecting and validating sustainability data. This may involve integrating ESG data into existing financial reporting systems to ensure consistency.
2. **External Audit:** External, independent third-party auditors will review the sustainability data. These auditors will evaluate the methodology used to collect and analyze data, ensuring it aligns with the ESRS standards.

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3. **Limited or Reasonable Assurance:** The CSRD mandates limited or reasonable assurance for ESG disclosures. Limited assurance typically involves less extensive testing than reasonable assurance. However, both approaches share the common goal of verifying the reliability of reported data.

The Power of iXBRL Tagging for CSRD Reports

Inline XBRL (iXBRL), or Inline Extensible Business Reporting Language, is an international standard for digital business reporting, specifically designed to integrate machine-readable data with human-readable content. Unlike traditional XBRL, which is a separate file format for encoding financial data, iXBRL embeds tags directly into HTML documents, allowing both machine-readable data (e.g., numbers and financials) and human-readable text (e.g., narrative information) to exist in the same document.

With the introduction of the CSRD, iXBRL serves as a powerful tool to meet the demand for integrated ESG reporting that includes both financial and non-financial data. By tagging data with iXBRL, companies enhance data accessibility and comparability across organizations, boosting transparency for investors and stakeholders.

However, the tagging process can be daunting. Sustainability professionals often struggle with the technical intricacies, leading to potential non-compliance issues. This is where Cority's partnership with CoreFiling becomes instrumental.

Innovating CSRD Reporting: Partnering with CoreFiling

Cority's partnership with CoreFiling, a leader in XBRL solutions, integrates their Seahorse iXBRL tagging technology into Cority's Sustainability Cloud, streamlining the tagging process for users. Seahorse's advanced features, powered by AI, automate the tagging process, significantly reducing the complexity and time involved in generating compliant reports.

"Over half of organizations believe in the transformative power of technology to accomplish sustainability objectives and digital investment is set to double as a proportion of revenue over the next five years."[5]

World Economic Forum

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Chapter 4

The Role of Software & Advisory Services in Simplifying Reporting

Software and advisory services are critical in simplifying the CSRD reporting process and helping organizations navigate the complexities of sustainability reporting.

Software Solutions for CSRD Reporting

Software solutions offer advanced tools for data collection, analysis, and reporting. They streamline the collection of performance-related information, making compliance with reporting requirements more efficient. These solutions also reduce manual errors and ensure data accuracy by automating data collection and reporting processes.

Additionally, they integrate with existing systems, facilitating seamless data transfer and analysis and enhancing the reporting process's efficiency. One key advantage of software solutions is their ability to keep organizations abreast of evolving frameworks and reporting standards. By delivering real-time notifications, up-to-date templates, and integrations with frameworks, software solutions empower organizations to adapt swiftly to changes and avoid potential non-compliance issues, thus maintaining transparency and accountability in their reporting practices.

"The software and supporting services have been instrumental in supporting our sustainability journey to ensure we have access to accurate and meaningful data that can help us set and achieve our long-term goals."

Robin Tindall,
Environmental Stewardship Team Leader,
Hypertherm

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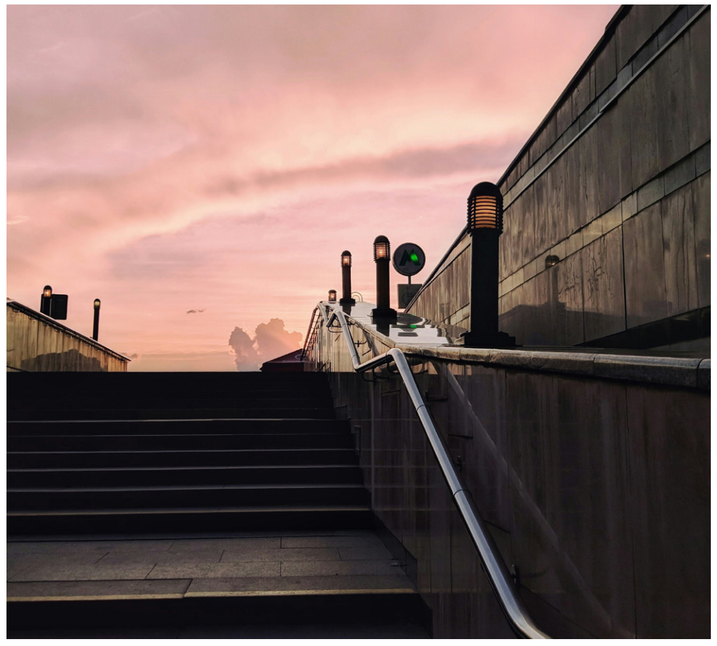
Advisory Services for CSRD Reporting

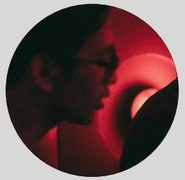
In conjunction with software solutions, advisory services offered by experienced consultants play a pivotal role in simplifying CSRD reporting. Cority's award-winning advisory services bring extensive expertise in sustainability reporting frameworks and best practices, guiding organizations through the intricacies of CSRD requirements. They offer strategic insights and practical recommendations, assisting companies in navigating the complexities of data collection, analysis, and reporting. Consultants provide valuable support in identifying key performance indicators (KPIs) and developing comprehensive reporting strategies tailored to the specific needs and goals of the organization.

The Synergy Between Software and Advisory Services

The collaboration between software solutions and advisory services creates a synergistic approach to simplifying reporting. While software streamlines the technical aspects of data management and reporting, advisory services provide valuable expertise and strategic guidance, ensuring that organizations meet compliance standards and leverage their sustainability efforts for strategic advantage.

Integrating software and advisory services fosters a comprehensive approach, enabling organizations to enhance their reporting processes, leverage data-driven insights, and effectively communicate their sustainability initiatives to stakeholders.





Customer Story

Enterprise Company Prepares for CSRD Compliance with Advisory Services

Cority collaborated with an enterprise-level company that recognized the urgency of preparing for compliance. To effectively navigate the complexities of this new reporting requirement, the company enlisted the support of Cority's advisory services team.

Cority's role was instrumental in training and raising awareness among key employees impacted by the directive. In addition, the company needed to conduct a comprehensive double materiality analysis and construct a double materiality matrix at the Group level. Cority also facilitated the creation of their new reporting framework and configured the relevant indicators within their reporting software, ensuring alignment with CSRD standards.

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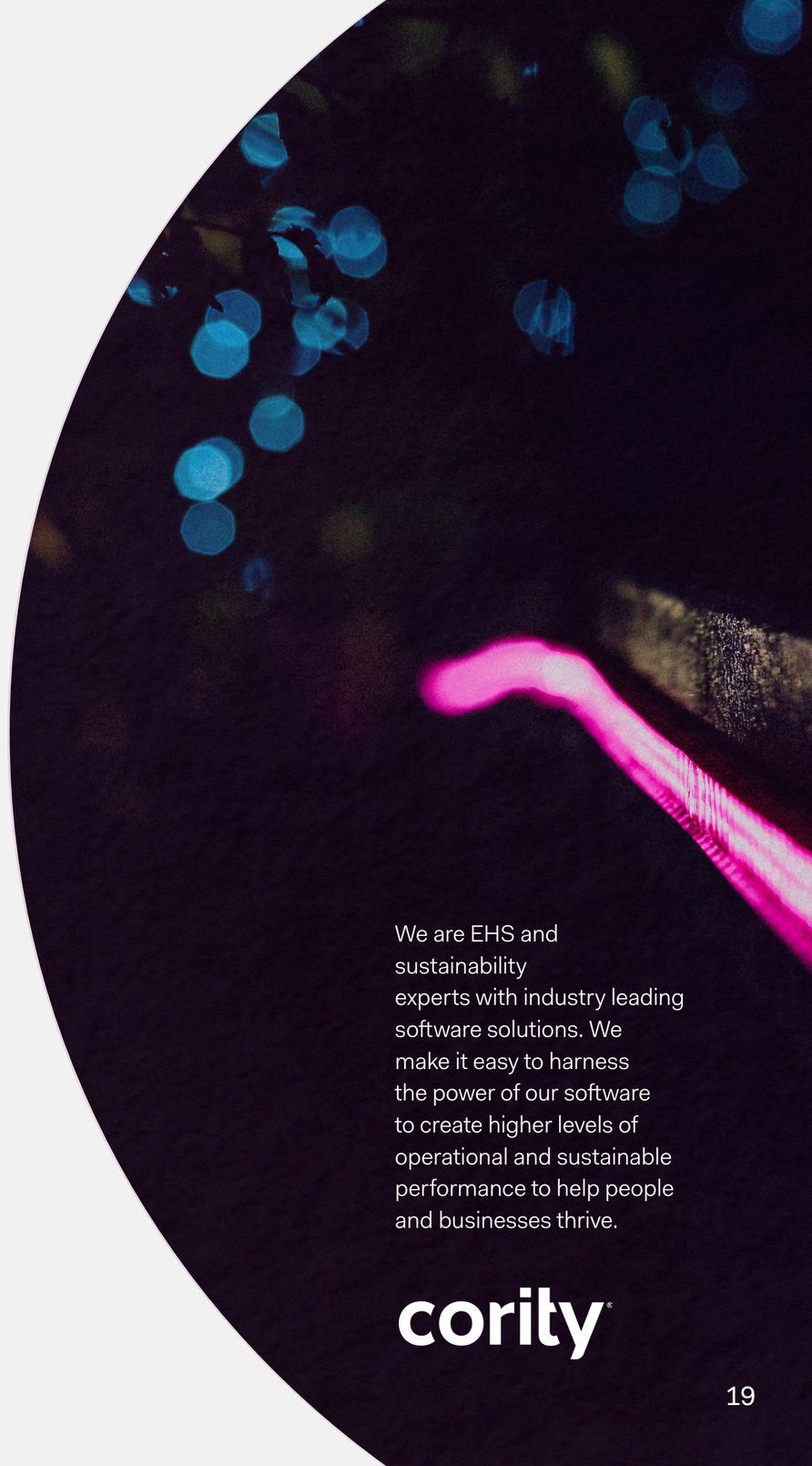
Final Thoughts

After completing a reporting cycle under the CSRD, it's important to take a broader, more comprehensive look at your organization's sustainability journey. Viewing compliance as an ongoing process, rather than a one-time achievement, allows for a more resilient and impactful approach to sustainability reporting.

While submitting a sustainability report is essential, focusing solely on the report itself can miss the broader opportunities for systemic improvement. Each reporting cycle provides valuable insights, highlighting not only areas where compliance is met but also where deeper integration of sustainability principles can enhance overall performance. Rather than narrowly addressing data gaps, consider the context, structures, and processes that influence reporting quality and effectiveness.

Engaging with advisory services can help organizations leverage these insights, guiding you to refine your double materiality assessments, enhance data collection, and better align with CSRD requirements in future cycles. By treating feedback as an opportunity for growth, organizations can transform sustainability reporting into a strategic driver, promoting continuous improvement, transparency, and long-term value.



We are EHS and sustainability experts with industry leading software solutions. We make it easy to harness the power of our software to create higher levels of operational and sustainable performance to help people and businesses thrive.

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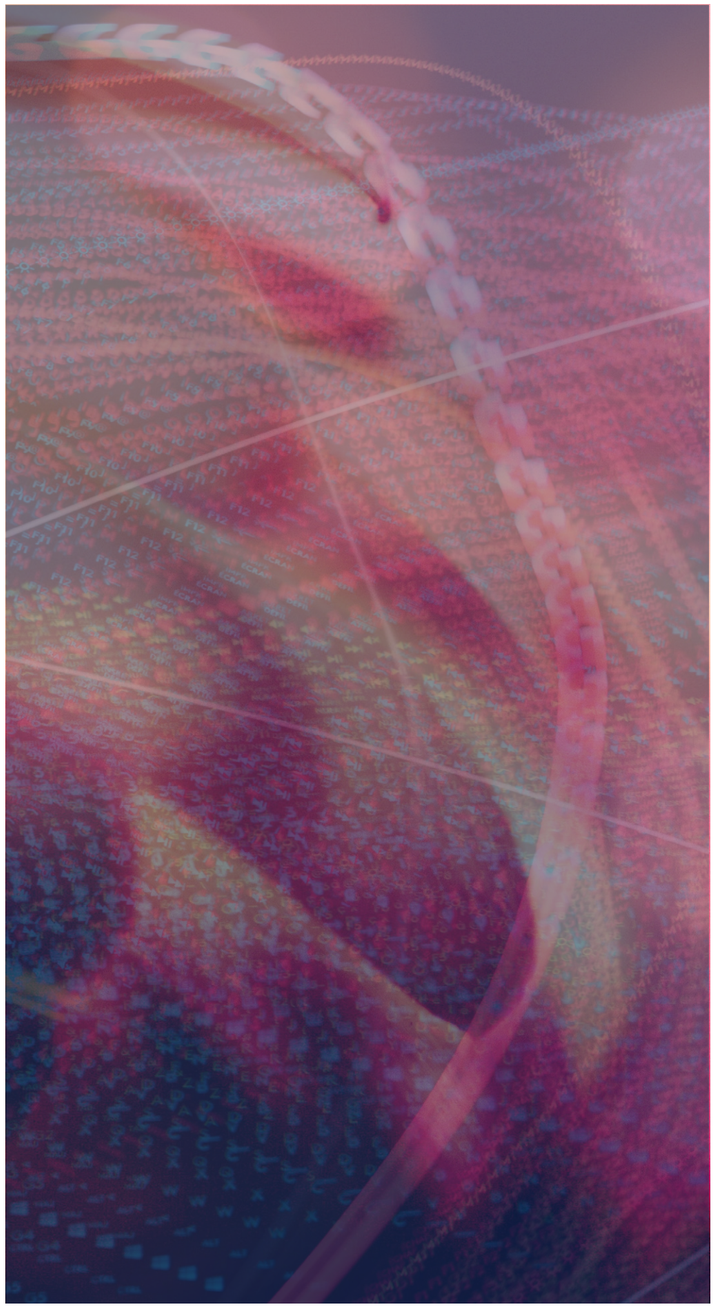

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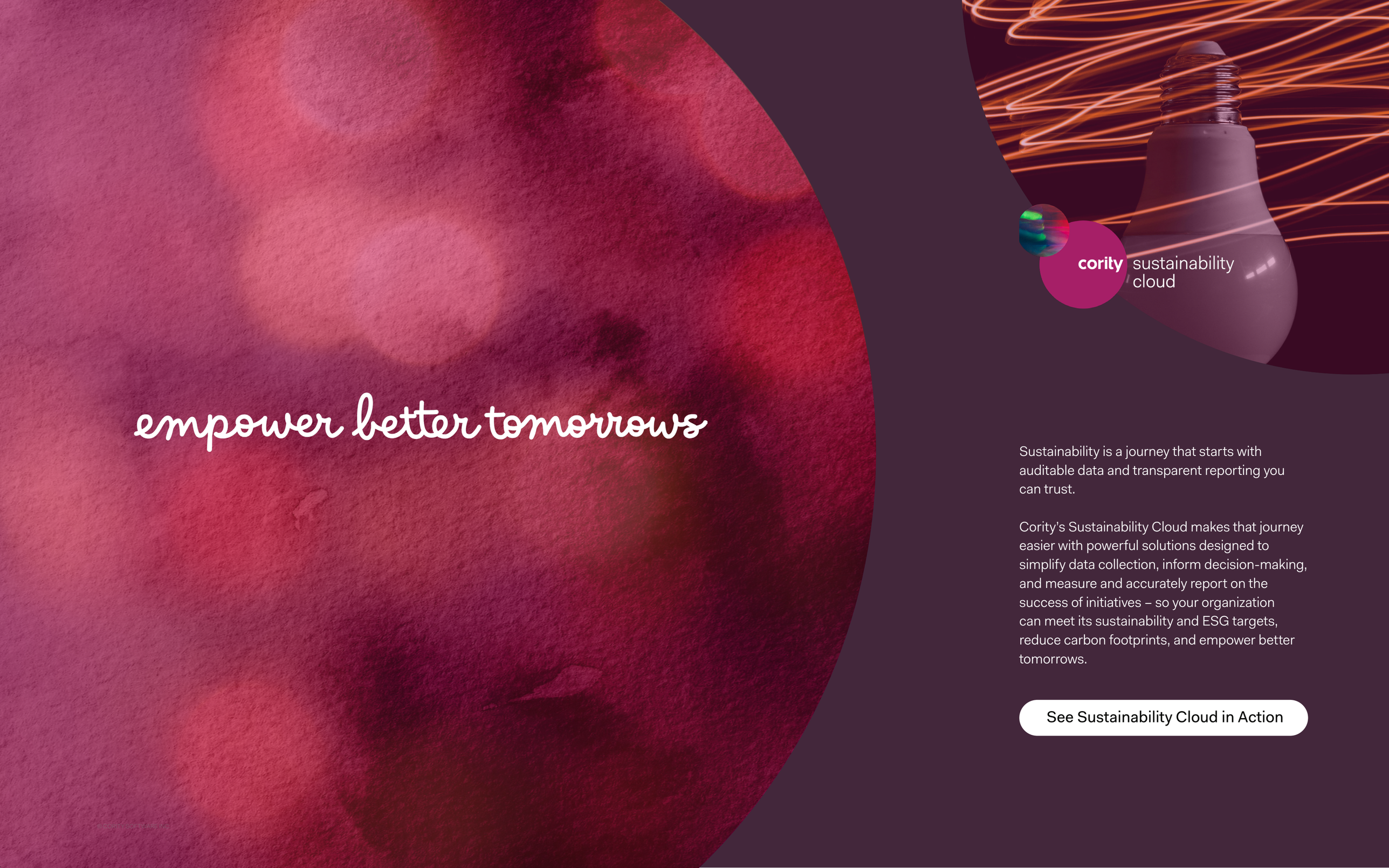

Sustainability is a journey that starts with auditable data and transparent reporting you can trust.

Cority's Sustainability Cloud makes that journey easier with powerful solutions designed to simplify data collection, inform decision-making, and measure and accurately report on the success of initiatives – so your organization can meet its sustainability and ESG targets, reduce carbon footprints, and empower better tomorrows.

See Sustainability Cloud in Action

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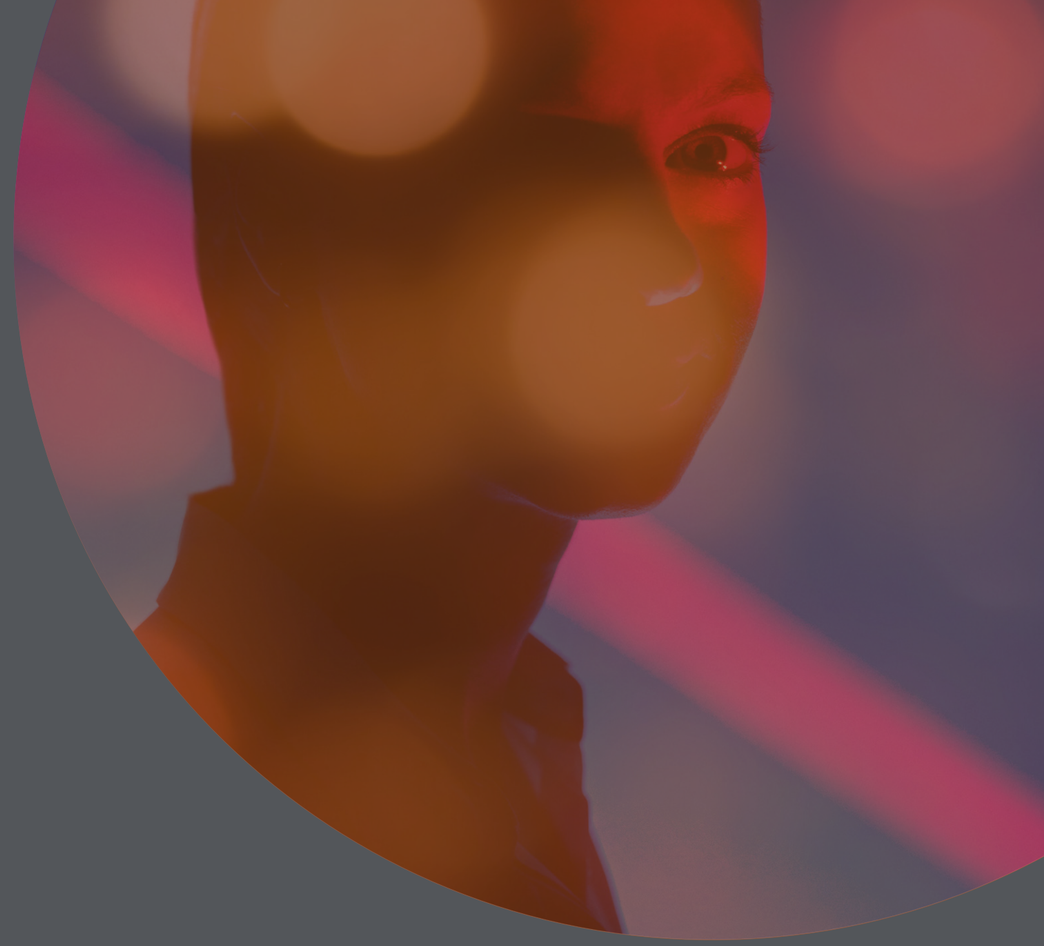
Introducing Cority One™. The human centered enterprise EHS SaaS platform—designed by industry experts for EHS experts and business leaders to empower healthier, safer, and more sustainable organizations that fulfill the business imperative of building the better enterprise of tomorrow.

Learn More



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empower better

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