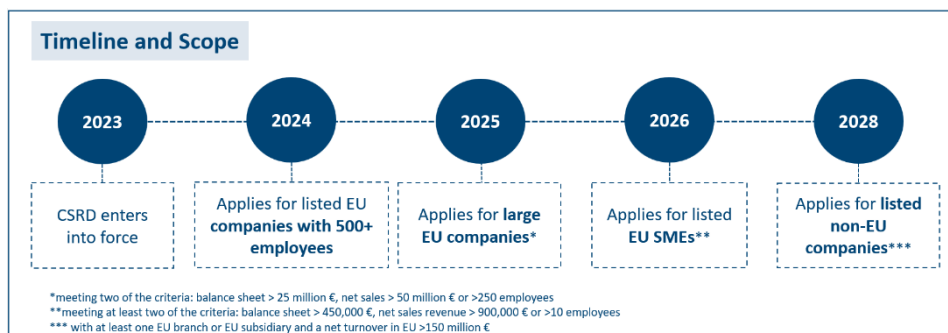


The EU's Corporate Sustainability Reporting Directive

Information from The Responsible Business Helpdesk (RBH) Network to inform and capacitate suppliers on human rights and environmental due diligence.

Background

The EU's [Corporate Sustainability Reporting Directive \(CSRD\)](#) streamlines and strengthens the rules concerning the environmental and social information that companies have to publish. The law does not apply directly: EU Member States have to incorporate the CSRD's provisions into national law. The Directive entered into force in January 2023, however, implementation in EU member states starts 18 months later in July 2024. Overall, it is estimated that 50.000 companies will be covered by the CSRD.



CSRD provides ...

- **transparency** to company's stakeholders (investors, customers, civil society) regarding its sustainability performance and impact on people and the environment.
- a framework for **harmonized** reporting. It aligns with CSDDD and LkSG in scope and obligation, ensuring comprehensive coverage and eliminating the need for double reporting.
- **comparable** reports that are relevant, reliable, easy to access and use.

CSRD requires ...

detailed **qualitative and quantitative sustainability disclosures with limited assurance** (e.g., by a third-party auditor or certifier) on environment, governance, and human rights. Reports need to include risks experienced by the company, a sustainability strategy, targets, policies, incentive schemes, indicators, and disclosure on due diligence processes. There are different standards for different types of companies in scope of the CSRD.

FAQ

How do companies in scope report?

Companies subject to the CSRD will have to report digitally according to [European Sustainability Reporting Standards \(ESRS\)](#) in the European Single Electronic Format (ESEF). The standards are developed by the European Financial Reporting Advisory Group (EFRAG).

When and to who do companies in scope report to?

The required reports need to be handed in on a yearly base as part of the management report. It is submitted according to the specification of the respective EU Member State. In addition, an EU-wide digital platform (European Single Access Point) is to be set up for submission.

How is the CSRD report evaluated?

The information will be verified by external auditors and can be examined by various stakeholders (e.g., NGOs).

What are consequences for non-compliance for companies in scope?

Non-compliance has negative consequences for companies in scope, such as legal sanctions, a negative financial statement audit opinion and reputational damage. Penalties for non-compliance will be determined by each EU Member State.



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Possible Consequences for Suppliers



Higher supplier engagement: Increasing consultations, interviews, surveys, grievance mechanisms and informal interactions (like meetings or roundtables) to inform buyers sustainability reporting.



Enhanced data collection: Suppliers need to assess their data availability on relevant CSRD indicators. Reporting systems may need to be expanded.



Monitoring mechanisms: Checks on adherence to human rights and environmental due diligence may increase in form of audits or (third party) inspections.



Selecting a direct supplier: Buyers consider the adherence of human rights and environmental standards as well as its verifiability in their supplier selection.

Preparedness of companies?

Analysis by the [World Benchmarking Alliance \(2024\)](#) showed that **less than 30%** of companies **in scope** of the CSRD from developing economies **are on track** to report.

Further Resources

1. Detailed Information on CSRD by PWC: [Worldwide impact of CSRD – are you ready?](#)
2. Overview by BSR: [Making Sense of CSDDD and CSRD](#)

Opportunities for Suppliers

Platform for engagement: Buyers need to consider perspectives of stakeholders.

Cementing buyer-supplier relationship: An improved dialogue with the buyer can strengthen trust, credibility and might foster long-term relationships.

Resilience: Better reporting raises companies' awareness of HREDD risks and improves risk management.

What can I do as a supplier?

- **Allocate sufficient resources** to understand and proactively comply with the legislative landscape
- Keep an **ongoing record** of processes to be able to provide the necessary information
- **Discuss** the implications and implementation plans **with your customers** and **communicate the need for support** to be able to meet their requirements
- Check existing **management systems** and **certification schemes**
- **Know risks** within the own business operations and supply chain to compare the information against the findings of auditors
- Seek out opportunities to **engage policymakers** to contextualize policy implications
- **Seek help of support structures** like the Responsible Business Helpdesks and other service providers