



ecovadis

**Navigating the CSRD:**  
Your Essential Guide to Smart  
Sustainability Reporting Compliance



# Navigating the CSRD

Beyond Optional: Understanding the New Landscape  
of Sustainability Regulations ..... 3

In a Nutshell: Four Key Considerations Behind the CSRD ..... 4

What Companies Are Affected?  
And When Will Reporting Be Required? ..... 5

Key CSRD Supply Chain Reporting Requirements and How to Prepare ..... 6



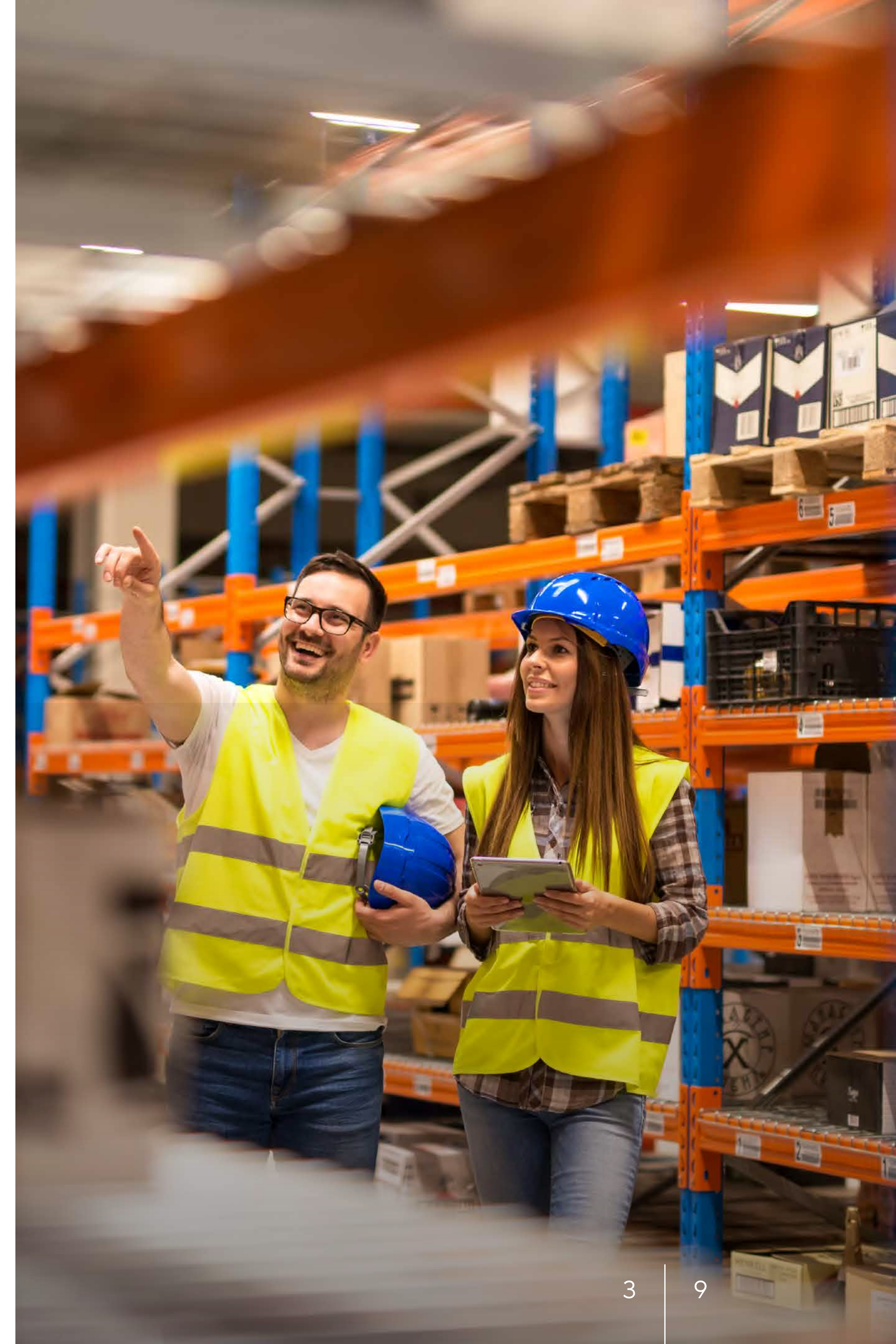


# Beyond Optional: Understanding the New Landscape of Sustainability Regulations

Sustainability and sustainable supply chains are no longer optional. A sweeping wave of sustainability reporting and due diligence regulations is shaping the business landscape. These emerging mandates are multifaceted, with many elevating standards by expanding their scope – covering all enterprises operating within their jurisdiction, regardless of the company's base of operation. The depth of responsibility is also widening – stretching throughout a company's entire supply chain, even to its deepest tiers.

Additionally, these laws come with an elevated sense of purpose. They carry precise criteria aimed at actively identifying and disclosing risks and promoting the enhancement of worldwide social and environmental conditions. Coupled with rigorous enforcement and hefty penalties for non-compliance, companies, especially those operating internationally, must be proactive. In other words, they need to implement robust sustainable supply chain strategies to stay compliant.

The Corporate Sustainability Reporting Directive (CSRD) is one such sustainability reporting law. It significantly extends the existing Non-Financial Reporting Directive (NFRD) by expanding its scope, tightening reporting requirements, and integrating sustainability into corporate governance. Initial reports are due in 2025 for the first cohort of companies in scope. This ebook summarizes the scope, requirements and timeline, and how EcoVadis can help companies comply with this complex new law.





## In a Nutshell: Four Key Considerations Behind the CSRD

1. The CSRD adopts a holistic view of sustainability: Companies will have to report on the environmental, social and governance (ESG) impacts of their value chain. This includes adopting a “double materiality” lens for impacts, risks and opportunities mapping, setting credible ESG targets and tracking progress toward them, and reporting on Scope 3 emissions, mandating disclosure requirements that encompass a diverse set of ESG factors.
2. Large listed businesses will fall under the scope of the CSRD starting from fiscal year 2024. Subsequently, its reach will extend to a vast array of companies previously untouched by the current NFRD.
3. The CSRD puts a huge emphasis on data: Companies will be tasked with gathering, processing and publishing a substantial volume of information. The current draft list published by the European Financial Reporting Advisory Group covers 1,178 data points. To meet those requirements many companies will have to establish new systems, procedures and governance frameworks.
4. Reporting under the CSRD will require assurance from an external auditor. To start with, evaluations will offer limited assurance with comprehensive verifications anticipated in the long-term horizon.





# What Companies Are Affected? And When Will Reporting Be Required?

The breadth of companies affected by the CSRD is vast, encompassing nearly ten times the number of businesses covered by the NFRD. It includes approximately 50,000 companies within the EU and an additional 10,000 companies headquartered outside the EU. Moreover, the scope is not confined to publicly listed companies. Entities, whether operating individually or as part of a consolidated group, across various categories may be subject to these reporting requirements.

The reporting timeline differs based on the entity type. Entities classified as “large undertakings” with securities listed on an EU-regulated market and with over 500 employees, as well as those that are subject to NFRD, will need to update data collection in 2024, with reports to be published by 2025. All other large companies will start data collection in 2025 with reports to be published in 2026. Reporting requirements for smaller entities will kick in a year later, companies headquartered outside the EU will need to collect data through their EU subsidiaries in 2028, with the publication deadline in 2029. On the right is a summary of the reporting timeline by company type.

## Scope & Timeline

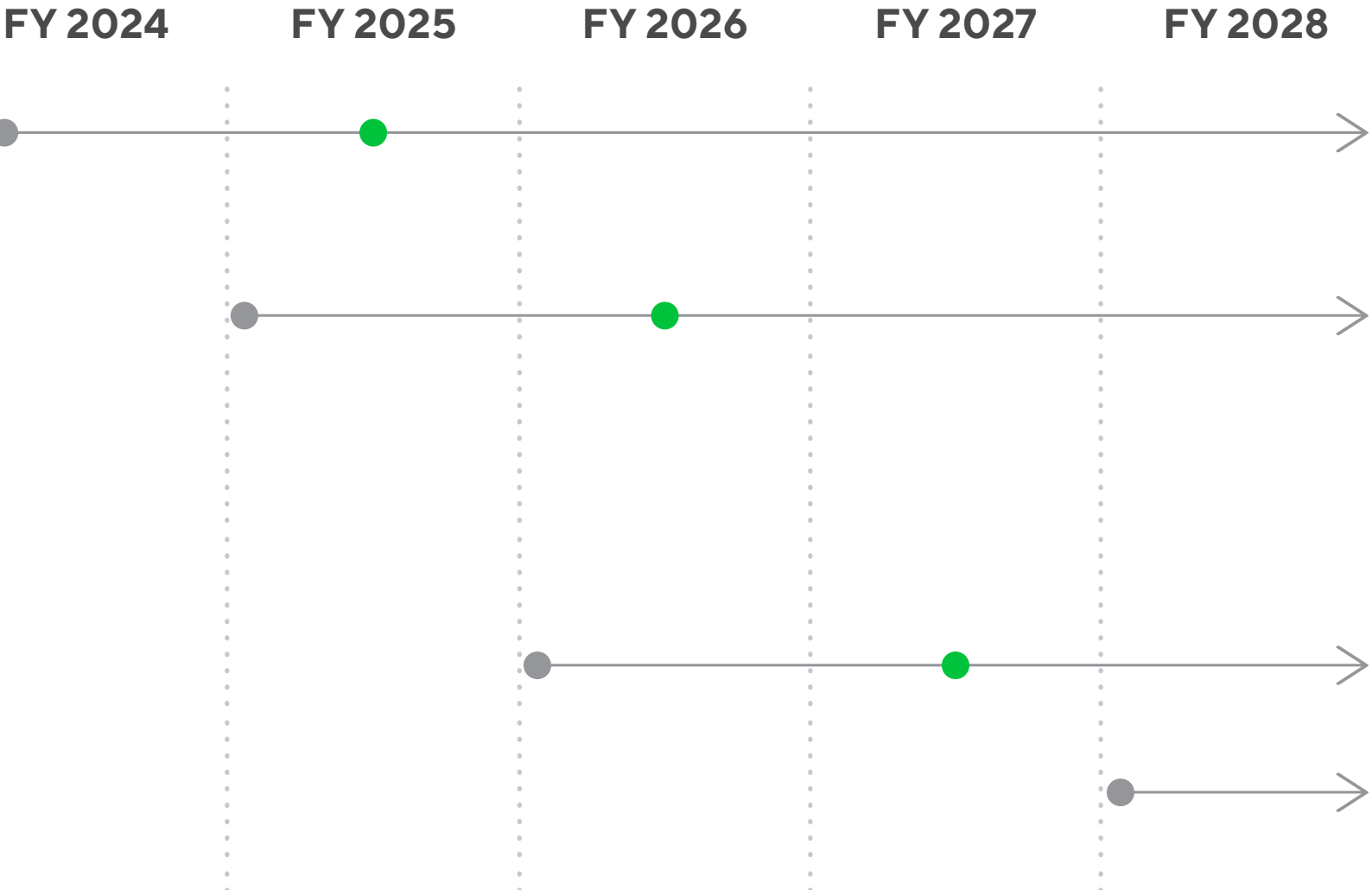
Large companies (500+ employees) already subject to NFRD

Large companies that meet at least two of the following criteria:  
250+ employees and/or  
€40 million in turnover and/or  
€20 million in total assets

Listed SMEs

Non-EU companies through their EU subsidiaries

● Data collection ● First report





# Key CSRD Supply Chain Reporting Requirements and How to Prepare

Compared to NFRD, the CSRD breaks new ground for reporting requirements, and it replaces many national standards to date. At the root of these requirements is a “double-materiality” principle, stating that companies must not only identify sustainability issues that represent impacts, risks and opportunities to their business, but also the reverse: What sustainability impacts their business is making on planet and society – worldwide.

To specify requirements for what and how to report on various sustainability topics, the CSRD references the European Sustainability Reporting Standards (ESRS). These are set to provide a comprehensive, detailed and comparable picture of how businesses are performing in terms of sustainability, covering environmental, social and employee matters, human rights, anti-corruption and bribery issues. Companies must conduct a materiality analysis to determine which these are included or emphasized for their industry and business.

Here are example key elements, and how EcoVadis can help companies prepare:

Disclosure elements	What’s expected	How you can use EcoVadis data for reporting
ESRS 2 GOV-4:  Statement on due diligence	The responsibility of reporting sustainable practices has broadened, extending beyond internal operations, to encompass the entire value chain, reaching multi-tier levels. Thus, if the supply chain downstream and upstream is considered material for your industry or business activity, you’ll need to report not only on your operations but also on your entire supply chain.	EcoVadis offers a holistic approach that combines risk mapping and ratings to provide a comprehensive evaluation of ESG risks in the supply chain. Plus, by facilitating supplier engagement, companies that partner with EcoVadis ensure that their suppliers are not only assessed but are also encouraged to improve their sustainability performance. Thus companies can actively mitigate any risks and transparently disclose.
ESRS 2 SBM-1:  Explain your strategy, business model and value chain	You’ll need to describe supply chain risk screening and segmentation of supplier social and environmental risks that are material to the supplier categories and regions you source from.	With IQ Plus, companies get a fast and comprehensive view of supply chain risks through efficient mapping and automated data scans. Procurement spend data and supplier “criticality” can be included as factors in the risk calculation, while DocScan reviews any information published by suppliers.

Disclosure elements	What's expected	How you can use EcoVadis data for reporting
<p>ESRS G1-2:</p> <p>Describe and report on management of relationships with suppliers</p>	<p>You'll be required to detail how your program assesses the social and environmental performance of suppliers. External assurance is mandatory. If risks are detected, you must be prepared to report on these risks and outline your management strategies, such as your due diligence processes, in a manner suitable for auditing.</p> <p>The CSRD calls out target setting as mandatory – it may be the only regulation with this specific requirement. For example, this means you must ensure suppliers:</p> <ol style="list-style-type: none"> <li>1. Measure and report an initial baseline, such as for GHG emissions.</li> <li>2. Set time-bound reduction targets.</li> <li>3. Monitor and report progress over time.</li> </ol>	<p>EcoVadis Ratings provide for the screening and evaluation of social and environmental performance of suppliers across the relevant criteria for the CSRD.</p> <ul style="list-style-type: none"> <li>• EcoVadis methodology allows visibility and covers key CSRD/ESRS quantitative sustainability criteria, as well as management system indicators.</li> <li>• Our API provides for seamless integration with procurement decisions via software.</li> <li>• The rating process produces a rich set of KPIs to support your reporting, such as the number of suppliers rated, score improvement year-over-year.</li> <li>• Use the CSRD reporting dashboard to gain a comprehensive view of supplier performance criteria relevant to the law.</li> </ul>
<p>ESRS S2-4:</p> <p>Taking action on material impacts on value chain workers, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions</p>	<p>You'll be expected to recognize and address the well-being of all workers in your supply chain – not just your direct employees. As such, you'll be required to proactively mitigate any associated social and environmental risks, and capitalize on opportunities to foster positive impacts. Plus, you must not only implement these strategies but also regularly monitor and ensure their effectiveness, emphasizing both responsibility and the pursuit of tangible, positive outcomes for all involved.</p>	<p>Through Corrective Action Plans (CAPs), EcoVadis provides a systematic approach to help companies track and address human rights aspects in their supply chain. By setting up automatic CAP requests, businesses can target suppliers that fall below set benchmarks on labor and human rights metrics, ensuring that specific improvement areas are identified and addressed. Furthermore, the platform offers the ability to categorize these areas based on priority and indicators ranging from policies to actionable steps and their subsequent results.</p>



# Unique Insights, Unparalleled Experience

No matter where you are on your sustainability and compliance journey, trying not to fall behind due diligence requirements or using them as a guide to create value, partnering with a best practice leader is key to success. With EcoVadis’ extensive experience in supporting due diligence regulations worldwide you get all the boxes ticked and can focus on what matters to your business. Here’s more on what you get:

**Unrivaled insights and ability** with the industry’s first touchless supplier risk identification offered by IQ Plus. These insights are category- and country-specific and are based on a unique database of 200,000 analyst-validated scorecards.

**Accurate ESG ratings and benchmarks** built on validated, evidence-based analysis and 360° Watch of 100,000 sources with ongoing live news monitoring for continuous updates on potential risk events across the supply base.

**Unmatched value for suppliers** that comes with scorecards and an industry-leading ESG improvement platform. Undergoing an EcoVadis assessment helps with compliance but also guides improvement across some 20 sustainability criteria, including decarbonization, waste reduction, circularity, DEI and anti-corruption.

**Established expertise** in ESG assessment with more than 15 years in the market and supporting due diligence regulations for over six years. During this time we’ve partnered with some 1,000 global leaders and sector initiatives. Our expertise has been recognized by authorities such as the BME German Procurement Association and the German Sustainability Award Foundation.







[www.ecovadis.com](https://www.ecovadis.com)

in

f

X

o

**Copyright:** No part of this document may be reproduced, modified or distributed in any form or manner without prior written permission of EcoVadis.

**No warranty:** This document is intended for informational purposes only, and EcoVadis does not warrant the accuracy, reliability, completeness of the information, content, text, and graphics herein, and is subject to changewithout notice.

**Limitation of liability:** In no event shall EcoVadis or its subsidiary companies be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of any opinion or information expressly or implicitly contained in this publication.

Copyright © 2023 EcoVadis SAS (Paris, France). All Rights Reserved.