

A map of Europe is displayed on a corkboard, with several gold pushpins placed at various points across the continent. The background is dark, and the corkboard has a natural, textured appearance. An orange triangle is visible in the top-left corner.

# Responsible change and transparency through standardization – how the CSRD will change ESG

WHITE PAPER



# Origins, adoption, the spark of change

## The origin story

The EU has long believed that investors and consumers are entitled to understand the Environmental, Social and Governance (ESG) impact of organizations in a clear, easily comparable way.

Although existing regulations, including the Non-Financial Reporting Directive (NFRD), were a step in the right direction, they are considered inadequate and replaceable. The NFRD has been particularly criticized because it implies that ESG has no financial relevance.

Investors find that many ESG reports omit crucial information, use differing and confusing metrics, and focus on different aspects, making it difficult to trust the data or benchmark organizations against one another. Inevitably, this impacts sustainable investments, one of the EU's focal points.

## Adoption ignites the spark of change

The European Council overwhelmingly voted to adopt the landmark Corporate Sustainability Reporting Directive (CSRD), first proposed in April 2021.

The European Financial Reporting Advisory Group's (EFRAG) new EU legislation means that, from 2025, large EU and non-EU companies must submit public reports going beyond financial reporting to disclose their sustainability impact.

The CSRD will unite financial data, ESG information and assurance for the first time, and will expand upon and replace the NFRD.

Like the NFRD, the CSRD outlines ESG reporting requirements for organizations, but will considerably expand upon the NFRD's scope concerning who needs to report and what needs to be reported.

The CSRD aims to establish a shared framework for reporting non-financial data. The hope is that by enforcing rigorous, robust and standardized reports, everyone, from policymakers and investors to clients and consumers, can make informed decisions concerning an organization's ESG performance.

The directive stands to accelerate responsible change and create transparency across all sectors by standardizing the disclosure, reporting and assurance of sustainability metrics. Long-established reporting practices will also undergo widespread reform.

The CSRD has been hailed by many, including SGS, as "a new epoch", "a watershed moment" and "the spark of change" for ESG.



# Reach, reporting and requirements

## Who does the CSRD apply to?

The directive will have a significantly larger reach than the NFRD, increasing the number of organizations affected from 11,000 to about 50,000.

For EU-based organizations and non-EU organizations with EU-based subsidiaries or securities on EU-regulated markets, the pathway to more sustainable practices will be unavoidable. But the European Commission has planned a phased rollout to ensure compliance.

As well as organizations currently in the NFRD's scope, the CSRD will impact all EU-based organizations with:

- A EUR 40 million or more net turnover
- At least EUR 20 million in assets
- 250 or more employees

Every listed organization, except micro-enterprises, will also be affected.

## What will organizations face?

With the CSRD confirmed, organizations will face these key facts:

- The CSRD will remove all ambiguity
- ESG will be part of the annual report process

- Sustainability information will sit alongside its financial counterpart
- ESG information will be treated with the same rigor and suspicion as financial information
- The amount of data that needs collecting will significantly increase
- The number of people involved in the integrated reporting process will significantly increase
- Sustainability information will be audited



## What must be reported?

The CSRD aims to improve ESG report accessibility, trust and transparency, as well as better demonstrate the financial value of sustainability information.

Organizations must present this information in a standardized format that enables investors to compare companies and their ESG efforts.

The European Sustainability Reporting Standards (ESRS) set out the specific rules and requirements for companies to report on sustainability-related impacts, opportunities and risks under the CSRD.

Organizations must disclose information on:

- The environment
- Treatment of staff and the approach to social issues

- Human rights
- Anti-bribery and corruption
- Board diversity

## What do the reporting requirements include?

### DOUBLE MATERIALITY

Organizations must disclose their impact on social and environmental issues, and how these issues could affect the organization going forward.

### FORWARD AND BACK-LOOKING ANALYSIS

Organizations must supply retrospective and forward-looking analyses. This means sharing quantitative, such as measured impact to date, and qualitative information, such as targets, strategy and risk assessments.

## STRICTER RULES ON CLIMATE RELATED DISCLOSURES

Crucially, the CSRD will call for disclosure of Scope 3 emissions, indirect carbon dioxide emissions produced by all organizations throughout the supply chain connected to the original organization.

### ENFORCED AUDITS

For the first time, all sustainability information in a report must go through an audit process to verify accuracy before publication.



# Fitting in, key challenges, where to turn?

## How does the CSRD fit with other legislation?

Given the various mandates and legislation, it can be challenging to understand how they fit together. The CSRD will also incorporate existing EU regulations, especially:

- Sustainable Finance Disclosure Regulation (SFDR), which sets out ESG disclosure obligations for financial market participants
- EU Taxonomy, a classification system of environmentally sustainable economic activities

The trio will work together to promote sustainable investments. This aims to align the requirements, helping to reduce complexity and avoid duplicating reporting requirements.

## What are the key challenges?

As the CSRD is much more detailed than the NFRD, organizations will need to collect vast amounts of accurate and verifiable data. Scope 3 emissions are especially difficult to track.

Organizations already reporting under the NFRD inevitably face a steep learning curve while those needing to produce their first ESG report under the CSRD have a greater challenge.

The CSRD will also be incorporated into national law throughout the EU. Depending on how strict individual countries are about enforcement, noncompliance could result in penalties or prosecution.

## Why choose CSRD services from SGS?

As a leader in sustainability for over 30 years, our ESG and legal and regulatory experts can help you to:

- Successfully understand and navigate the CSRD, fulfilling all requirements, including those of specific countries
- Fully engage all staff, particularly C-level and the board
- Clarify your vision and goals
- Prepare, so there are no surprises while decisions become easier
- Keep agile as the reporting landscape develops, including assessing the processes and tools regarding daily operations throughout your organization
- Access all required data while we confirm whether it is secure, verifiable and connected



# ESG Disclosures and Sustainability Report Assurance

## Avoid distorted reports

Disclosing and reporting your ESG performance demonstrates your commitment to sustainability.

Our ESG Disclosures and Sustainability Report Assurance (SRA) service provides third-party verification of ESG information for a more consistent and accurate disclosure.

## What are the benefits?

We can help you to:

- Comply with regulatory requirements
- Ensure ESG data integrity and transparency
- Reduce legal risks
- Avoid greenwashing
- Inspire peers and foster ESG innovation
- Reinforce internal reporting processes

## How is it done?

Our service is carried out in line with the requirements of reporting and assurance standards – the standards or guidance that you adhere to when producing an ESG or sustainability report. The options available include the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and AA1000 AccountAbility Principles.

Assurance standards are the rules we adhere to when conducting an assurance engagement or evaluating how you produce the report. The options include AccountAbility's AA1000 Assurance Standard, the International Standard on Assurance Engagements 3000 (ISAE 3000) and assurance protocols developed by our experts.

ESG claims on aspects, such as carbon emissions, energy use, community engagement and health and safety, can be verified objectively to provide increased confidence in the accuracy and validity of published information.

Additionally, our experts from around the world can help to assure that your ESG disclosures and reports meet the requirements set by the relevant stock exchanges in major markets and the ESRS to comply with the CSRD.

## Dominant Assurance Standards

### AA1000 ASSURANCE STANDARD

AA1000 is a methodology used for sustainability-related assurance. It ensures that an organization adheres to the AccountAbility Principles, to a certain nature and extent.

### ISAE 3000

ISAE 3000 underscores the importance of data quality, reporting procedures, controls and evidence-gathering processes.

## ON THE HORIZON

We are aware of and prepared for a possible new accreditation process for assurance providers, under CSRD implementation in local legislation.

## Dominant Reporting Standards

### ESRS

Under the CSRD, organizations must comply with this set of reporting standards.

### GRI

The GRI Standards offer disclosures on an extensive range of sustainability topics. They help you to identify, gather and report ESG data in a clear and standardized manner.

## AA1000 ACCOUNTABILITY PRINCIPLES

There are four key principles a reporting organization can adopt to ensure that their report includes performance information on issues that impact their stakeholders.



# 30+ years of sustainability experience

We have been a leader in sustainability and ESG services for over 30 years.

With expertise in all major industries, we understand each sector’s pain points and have the technical expertise and logistical capabilities to ensure realistic sustainability outcomes.

Our ESG services can help you to mitigate supply chain risks, implement better processes, address stakeholder concerns and accomplish sustainability goals.

Leveraging our compliance, verification and training expertise, we create solutions tailored to your requirements, including specific support with the CSRD and ESRS.

## Global technical expertise and network

With a vast global network of experts and facilities, we offer high-level support to clients who are addressing local, national and international sustainability risks.

Our experts offer comprehensive technical support while understanding the local language, standards and customs, making it easier for companies to facilitate local and global projects.

## Consistency of service and execution

We deliver consistent results with excellent customer service and support. Our clients receive end-to-end support, from contract to report, and gain peace of mind through services delivered with integrity.

## Services portfolio

Integrated solutions allow us to operate as a single vendor, covering all client types and ESG areas. Our holistic service packages are tailored to meet your needs and not general industry demands.







# Follow the leader

We have implemented many of the solutions mentioned within our organization, delivering meaningful change, performance improvements and a stronger brand.

Our sustainability leadership is based on a robust commitment to creating value for our stakeholders and wider society. As one of the world's most sustainable companies, we are building on our expertise and extensive experience working with customers worldwide to provide best-in-class Sustainability Solutions.

As a purpose-driven company, we want to add long-term value to society across our whole value chain. We are committed to using our scale and expertise to spread positive impacts beyond our company, as well as accompany clients on their journeys towards value creation.

Discover how we can smooth your ESG journey.



[sgs.com/ESG](https://sgs.com/ESG)



[ESG@sgs.com](mailto:ESG@sgs.com)

## Our approach to sustainability

Sustainability is one of our Business Principles – it is embedded in our culture and the way we do business.

### – 2014

Carbon neutral since 2014

#### ▲ Incentive

Management incentive plan linked to sustainability

#### ▲ CHF 1,243k

Invested in communities around the world

#### ▲ Governance

Strong sustainability governance structure

#### ▼ 43%

Decrease in total greenhouse gas emissions against a 2014 baseline

#### ▼ 68%

TRIR decrease since 2014

#### ▲ 100%

of spend analyzed for sustainability risks

#### ▲ 95%

Electricity from renewable sources

#### ▲ Zero

Zero tolerance of any form of discrimination



# References

The Corporate Governance Institute

<https://www.thecorporategovernanceinstitute.com/insights/guides/what-is-the-csrd-and-esg-reporting/>.

SGS

<https://www.sgs.com>.

Workiva

<https://www.workiva.com/uk/resources/introduction-csrd>.

Plan A

<https://plana.earth/academy/csr-corporate-sustainability-reporting-directive>.

SGS ESG Services

<https://www.sgs.com/en/our-services/knowledge-solutions/esg-environmental-social-and-governance>.

The GRI

<https://www.globalreporting.org>.

The Value Reporting Foundation/SASB

<https://www.sasb.org/standards/materiality-finder/?lang=en-us>.

The ISAE

<https://www.icaew.com/technical/audit-and-assurance/assurance/isae-uk-3000>.

The UN Department of Economic and Social Affairs

<https://sdgs.un.org/goals>.

**SGS.COM**

**SGS Headquarters**  
1 Place des Alpes  
P.O. Box 2152  
1211 Geneva 1  
Switzerland



**WHEN YOU NEED TO BE SURE**

