

# Four non-negotiable and practical steps for CSRD implementation

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From biodiversity loss and bribery to workers' rights and waste management, [Corporate Sustainability Reporting Directive](#) (CSRD) compliance mandates in-depth reporting on multiple environmental, social and governance (ESG) data points.

In fact, the CSRD includes more than 1000 quantitative and qualitative disclosures. For each one that is relevant, your organisation must report on related sustainability data to an auditable standard. That means applying the same standards of accuracy and comparability to these reports as you would to financial statements.

## Everyone needs to be on board for CSRD reporting

CSRD compliance is mandatory for in-scope organisations. It can also be vital for accessing finance, tendering for new business and overall reputation management. While your organisation may already have some sustainability reporting processes in place for existing voluntary or Non-Financial Reporting Directive (NFRD)-related reporting, CSRD disclosures demand much more. It's time-consuming and administratively challenging work.

Unfortunately, the penny hasn't yet dropped for every organisation around the scale of reporting necessary for CSRD compliance and the depth of internal involvement and research demanded to deliver it. It's a team effort, and it requires everyone to:

- understand what reporting is required,
- scope and plan the project work needed,
- know the extent to which your organisation needs to work with business partners and suppliers on CSRD reporting,
- have initial conversations with these stakeholders, and
- put in place effective, well-documented due diligence processes to gather, manage, analyse and report on data.

While it's tempting to get mired in the technical details from the outset, successful implementation involves a deeply strategic approach across the organisation. While CSRD compliance could

ultimately necessitate process changes, a mindset shift might need to come first.

Organisations must have smart internal communications and extensive training and awareness sessions about the CSRD. Senior stakeholders, in particular, need an evolved understanding of the task at hand so they can direct change management and alignment across the organisation. Below are four non-negotiable, practical steps that organisations should take to ensure successful CSRD implementation.

## **1. Double down on governance**

Setting up clear governance structures to enable effective CSRD decision-making and approvals is critical for success. Poorly defined governance structures delay project delivery and can lead to ambiguity in decision-making. Crucially, these issues can affect the auditability of the CSRD process, undermining all work done on this front.

Furthermore, the CSRD requires mandatory disclosure around your governance process and structures, your due diligence process for sustainability reporting, and how your strategy and business models interact across key topics.

The foundation stone of a good governance structure could be, for example, a sustainability working group that would meet weekly to review progress and set actions. At the above level, a sustainability executive team (including the CEO) can meet monthly and provide quarterly status updates to the board. If your organisation hasn't already, it should appoint a sustainability lead. This project owner should be a senior leader to reflect the weight of the work.

## **2. Get the right resources in place**

CSRD compliance is a complex, demanding undertaking—half-hearted attempts at box-ticking won't suffice. Project under-resourcing is a real risk to successful implementation.

Some businesses have a clear vision of what it takes to achieve even 'minimum compliance'. Don't make the mistake of thinking your organisation can drastically limit the resourcing required. Given the limited assurance requirement, leadership needs to be able to show that the company followed a robust process especially if that resulted in minimal disclosures.

To assess your resourcing needs, start by looking at your existing sustainability reporting and data management processes. Then, you can work to understand:

- what needs to change,
- how and when it should change,
- how much work is involved, and
- who needs to be responsible for it.

## **3. Ensure everyone is aligned on disclosures**

While your organisation may already have a mature ESG or sustainability function that has made voluntary disclosures, misalignment might occur between the rigor of their work and that of compliance, legal or finance functions working on sustainability-related reporting for the first time.

This mismatch in ambition makes internal communications critical to success. The board and executive committee should have sufficient CSRD awareness and understanding to decide on your organisation's strategy for reporting and to help each function understand their responsibilities around sustainability statements as well as the importance of the task at hand.

Those individuals charged with CSRD decision-making authority should know the consequences of their decisions and have enough context to be able to challenge any information from various functions to ensure its accuracy and rigor.

Meanwhile, those involved in day-to-day activity around reporting should have a detailed understanding of:

- disclosure requirements,
- supporting data,
- future audit requirements, and
- the need for cross-functional input.

Other staff should have at least a broader awareness of ESG considerations and how disclosure requirements could affect their roles.

## **4. Manage the expectations of non-European colleagues**

The sustainability agenda is being driven from Europe, with the CSRD being a European Commission directive. That means it's the European divisions of large multinationals that tend to manage strategy, implementation and organisational ethos on this front.


Entities in scope with non-European parents (or indeed non-European subsidiaries) can face challenges when it comes to achieving internal alignment on the disclosures needed. Sustainability isn't always as high on the agenda elsewhere, and some parent organisations may have concerns around cost and litigation. This reality can create mismatched appetites for disclosure and challenges in assigning responsibility for aspects of CSRD reporting within a group.

Organisations can alleviate the tensions that arise from these differing priorities with clear communication about the mandatory nature of reporting, the organisational risks associated with noncompliance, and the opportunities created by successful reporting. Clear communication also lays the groundwork for the collaboration required across large, complex organisations working with multiple teams in multiple jurisdictions.

**To discover how our expert, partner-led teams can support with your CSRD compliance programme, [talk to Grant Thornton today.](#)**

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