

How to Prepare for the CSRD: A Checklist

What to Know About the EU's Newest Directive and Essential Next Steps for Compliance

In November 2022, the European Parliament voted to pass the Corporate Sustainability Reporting Directive (**CSRD**), requiring impacted companies to have their sustainability reports independently audited each year.

The directive, which will be implemented in 2024, is just one piece of a **much larger ESG picture**, and it's not just European businesses that will be impacted — non-EU businesses generating at least €150 million inside the EU are also included under the new regulations.

So what can organizations in the EU and beyond do now to prepare for the CSRD? To start, it's important to understand what exactly the directive asks of businesses, then make a plan to implement the right systems and ensure your business is ready to comply.

What Does the CSRD Require?

The CSRD replaces the EU's current ESG directive, the Non-Financial Reporting Directive (NFRD), and requires subject companies to:

- Comply with the European Sustainability Reporting Standards (**ESRS**), which are expected to be adopted by summer 2023
- Obtain a third-party, certified audit of their reported information
- Apply double **materiality standards**, which show businesses' ESG impact on both their internal operations and outward-looking sustainability goals

How to Prepare: Your Checklist for the CSRD

Whether your deadline to comply with the CSRD falls in 2024 or 2028, the complexity and critical nature of these new disclosure requirements make it imperative to act now. The following is a checklist that will help you prioritize next steps to ensure you have the right systems in place.

KNOW YOUR DEADLINES

There are several different deadlines for complying with the CSRD, so it's important to understand which ones apply to your business.

Companies already subject to the EU's existing NFRD will need to adhere to CSRD standards beginning in 2024, with initial reporting due in 2025. That means these companies need to prepare to plan and implement their compliance approach by 2023 in order to be ready for the 2024 reporting cycle.

Other companies will phase in according to the following schedule:

- Large businesses will need to comply by 2025, with the first report in 2026
- Disclosures from SMEs follow in 2026, with reporting starting in 2027
- Non-EU companies subject to the CSRD would need to comply by 2028, with initial reporting due in 2029

EVALUATE YOUR CURRENT SYSTEM

Take stock of your current reporting efforts (if any) to see where your organization stands and identify next steps.

- Check for gaps in your current system against the CSRD's new requirements
- Identify your priorities and KPIs
- Set up a timeline for achieving compliance (keeping in mind the CSRD's deadlines)
- If you have a later deadline, watch and learn from the EU companies that need to comply sooner

APPLY DOUBLE MATERIALITY STANDARDS

The CSRD requires companies to demonstrate the ESG impact on both their internal operations and outward-looking sustainability goals.

- Be sure to disclose all areas where your business has an ESG impact
- Report on the ESG issues that influence your business
- Include clearly defined roles, responsibilities and controls in your data collection

MAP OUT YOUR RISKS

Set up a risk management system that allows you to efficiently act on your material topics.

- Document your business's risks and opportunities associated with ESG
- Review the materiality assessment results and ensure you understand the impact on society and the business value
- Design a plan for addressing each of those risks and prioritize

ESTABLISH A RELIABLE TRACKING SYSTEM

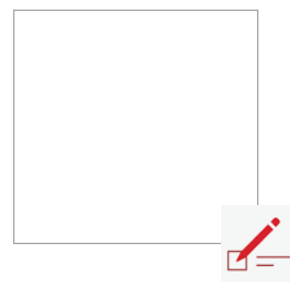
In addition to their Scope 1 and Scope 2 emissions, organizations should prepare for reporting by recording the following information required by the CSRD:

- The business's materiality process for selecting material ESG themes, risks and focus areas
- ESG performance targets and progress (including corporate board diversity)
- Sustainability risks facing the company
- Environmental protection policies and actions
- The organization's impact on the environment and society, including its treatment of employees, respect for human rights and anti-corruption practices

SET UP AN AUDITABLE REPORTING FRAMEWORK

The CSRD requires businesses to obtain a third-party, certified audit of their reported information.

- Begin conversations with auditors now to ensure you have a third-party verification source by your respective deadline
- Ensure complete calculation transparency
- Include change logs with specific audit-compliant user roles and permissions



Climate Compliance Made Simple

Keeping track of the numerous deadlines, requirements and related frameworks that overlap with the CSRD can be dizzying. Fortunately, you don't need to rely on a spreadsheet to track your ESG data and meet all of the mandates outlined by the CSRD.

A carbon accounting solution can help you streamline your reporting efforts and ensure that your data is ready to be properly verified by an independent auditor.

When evaluating solutions, look for:

- Time-saving automatic data collection and collation
- An audit-friendly reporting format that makes it easy to have your information independently verified
- Customizable dashboards that offer executives and board members deep visibility into your CSRD compliance posture

Diligent's Carbon Accounting Software Can Help

Carbon Accounting by Diligent checks all of these boxes and more. It presents a single source of truth that can help your organization easily generate accurate sustainability reports by automatically collating your data. Access dozens of pre-built, auditable reports to save time and cut auditing costs related to emissions reporting.

Diligent's Carbon Accounting solution offers:

- Automated and auditable data collection, cleansing, analysis and reporting across over 2,000 fuels and business activities, including all Scope 1, 2, 3, CSR and supply chain data sources
- Automated checks for data anomalies and completeness
- 80 pre-built audit-ready reports, so there's no need to create and configure new templates
- The ability to personalize your reporting and dashboards to reflect the formats and needs of your business (whether you're reporting for the CSRD or other regulations)

Moreover, this carbon accounting software will help you build transparency and maintain stakeholder trust through comprehensive and reliable greenhouse gas reporting.

Take the next step to prepare for mandatory climate disclosures like the CSRD. **Schedule a demo today.**

FOR MORE INFORMATION OR TO REQUEST A DEMO:

Email: info@diligent.com | Visit: diligent.com