

# CSRD Simplified

A Comprehensive Guide to  
Strengthening Reporting



# Table of Contents

## Understanding the CSRD

- [01 Redefining Sustainability for Modern Business](#)
- [02 What Is the CSRD?](#)
- [03 Who Is In Scope?](#)
- [04 Timeline](#)
- [05 Anticipated Challenges](#)

## CSRD Reporting Considerations

- [01 Double Materiality](#)
- [02 Tips for Double Materiality Assessment](#)
- [03 ESRS Overview](#)
- [04 ESRS: A Phased Approach](#)
- [05 Other Reporting Considerations](#)

## Regulatory Alignment

- [01 Aligning ESRS with Other Regulations, Standards, and Frameworks](#)
- [02 Regulations Aligned with the CSRD](#)
- [03 Key Standards and Frameworks Aligned with ESRS](#)

## Essentials for Compliance

- [01 Why Compliance Matters](#)
- [02 CSRD Scope for Financial Institutions](#)
- [03 Preparing for Reporting with Novata](#)

# Understanding the CSRD



## Redefining Sustainability for Modern Business

In today's rapidly evolving business landscape, regulatory bodies, consumers, and investors alike are demanding greater transparency and accountability from companies regarding their environmental and social impact. Against this backdrop, the Corporate Sustainability Reporting Directive (CSRD) is a groundbreaking regulatory framework poised to reshape the way companies approach sustainability reporting.

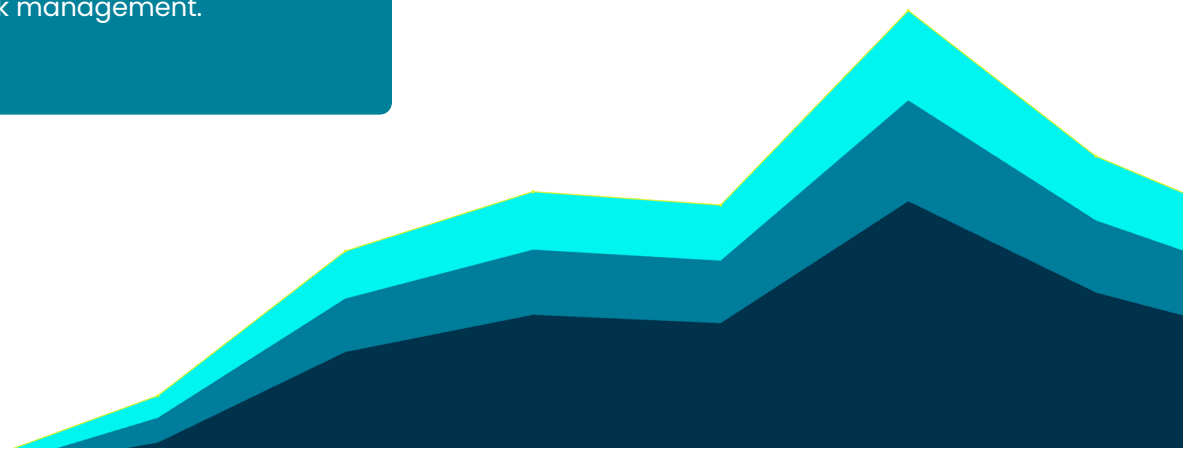
For companies across Europe and beyond, the CSRD represents a fundamental change in how business performance is measured, taking into account not only financial outcomes but also how companies manage their environmental, social, and governance (ESG) risks and opportunities. But what does this mean for businesses, and why should companies care?

### Compliance Is Critical and More Than a Regulatory Box-Tick

The CSRD is a legally binding European directive, and its broad scope includes more than 50,000 companies within and outside the EU. Failure to comply may lead to both penalties and reputational harm. In practice, these penalties are determined by individual EU member states and integrated into their national laws. As a result, the penalties companies face can differ across countries. Beyond avoiding penalties, compliance offers a powerful way for companies to align with investor expectations, stay ahead of competitors, and enhance risk management.

### Sustainability Data Can Inform Business Decisions

The data collected through CSRD compliance can provide valuable insights on a company's risk management and sustainability practices, ultimately improving transparency. Investors may also gauge how companies are integrating macro-trends such as planning for climate change into business strategy, which may enhance investor confidence.



## What Is the CSRD?

Introduced by the European Commission, the Corporate Sustainability Reporting Directive (CSRD), requires companies in scope of the regulation to report on the impacts, risks, and opportunities arising from social, environmental, and governance issues.

The CSRD aims to help key stakeholders, such as investors, lenders, business partners, and consumers, better evaluate the sustainability performance of companies. It is part of the European Union's broader plan to direct capital flows towards sustainable investment and aims

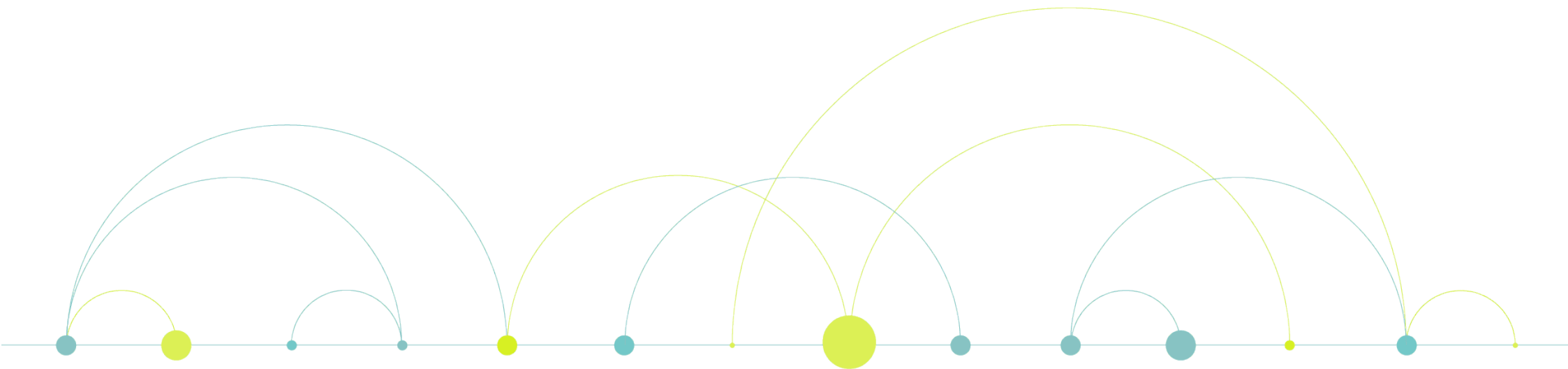
to elevate the importance of sustainability reporting in investment decision-making.

As a crucial part of the [European Green Deal](#), the CSRD plays a role in connecting other EU regulations, such as the EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR).

Like the SFDR, the CSRD pushes for increased transparency of sustainability matters and a standardised format for reporting sustainability matters. The aim is to improve transparency and

increase data availability for investors who rely on the information to fulfill their disclosure requirements. If successful, this regulation will undoubtedly ease the challenges many investors have faced when assessing the financial risks and opportunities associated with existing and target investee companies.

Notably, the CSRD amends and broadens the reporting requirements of its precursor, the Non-Financial Reporting Directive (NFRD), which remains in force until companies in scope of CSRD have to apply the new rules.



## Who Is Affected by the CSRD?

More than 50,000 companies in the EU and 10,400 non-EU companies will be affected by the CSRD, according to [European Commission estimates](#).

[Article 5](#) of the CSRD outlines the applicability of the regulation for different types of entities. The breakdown includes:

- 01** Large EU public interest entities with more than 500 employees (essentially, companies which are already subject to the EU's NFRD)
- 02** Large EU companies and EU subsidiaries of non-EU companies that meet at least two of the following criteria:
  - €50 million in net turnover
  - €25 million in assets
  - 250 or more employees
- 03** Listed small-medium sized enterprises (SMEs)
- 04** Non-EU companies with substantial activity in the EU, defined as €150 million in annual turnover in the EU and having at least one subsidiary or branch in the region
- 05** Non-EU entities with debt or equity securities listed on an EU-regulated market

The CSRD is adopting an iterative approach to reporting, with more companies falling into scope each year. The first group of companies began collecting data in 2024 (to report in 2025), with others following each year after.

Over 50% of companies anticipate annual CSRD compliance costs to exceed €100,000

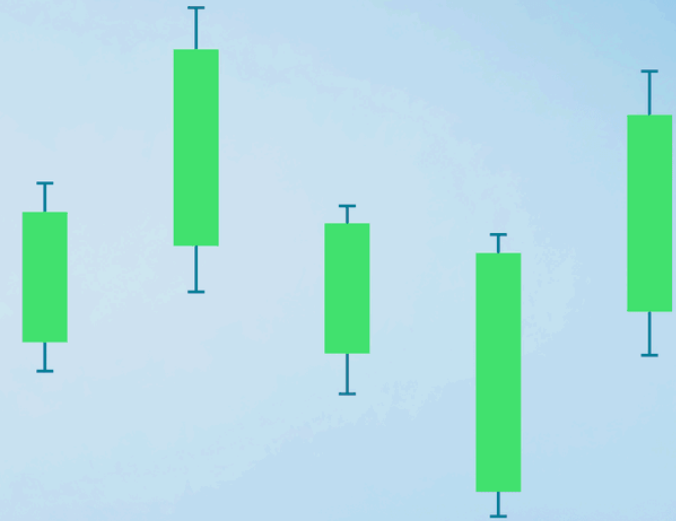
Novata 2024 CSRD Survey

[DOWNLOAD THE REPORT](#)



## Is There A Grace Period for CSRD Reporting?

The European Commission recognises that companies may need time to set up processes and controls for collecting this data. Therefore, it has included a three-year grace period, specifically for value chain disclosures. Many data points are subject to phase in, which means that companies can choose to disclose them in subsequent years, while they work on surfacing the data within their business. During the grace period, companies may omit such data and instead disclose their efforts to obtain this information, the reasons for its omission, and plans to obtain the data.



# Key Dates & Milestones for CSRD Implementation



## CSRD Scope

A large undertaking is an EU subsidiary in-scope when two of these three criteria are met on consecutive balance sheet dates:

1. Total assets exceed €25 million
2. Annual revenue exceeds €50 million
3. Employees over 250

A third-country undertaking is for entities that have annual EU revenues over €150 million in the two most recent years and one of these two criteria is met:

1. An EU subsidiary meets the criteria above
2. The entity has an EU branch with €40 million in revenue



## Anticipated Challenges with the CSRD

The CSRD seeks to elevate sustainability reporting to the same standard as financial reporting, requiring companies to understand and address risks across their entire value chain. This ambitious and detailed regulation aims to transform the role of sustainability within corporate business models. Novata has identified the following key challenges when it comes to aligning with the CSRD:

### 01 The Process is Resource- and Cost-Intensive.

Based on a double materiality assessment, companies must independently report and verify more than 1,000 data points, covering everything from greenhouse gas emissions to gender pay differences and human rights issues. According to [Novata's recent CSRD survey](#), over 50% of companies anticipate annual compliance costs to exceed €100,000. Costs are expected to be proportional to organisation size, as larger organisations have more data to collect and assure, as well as more complex value chains to assess for their DMA. Additional factors that may

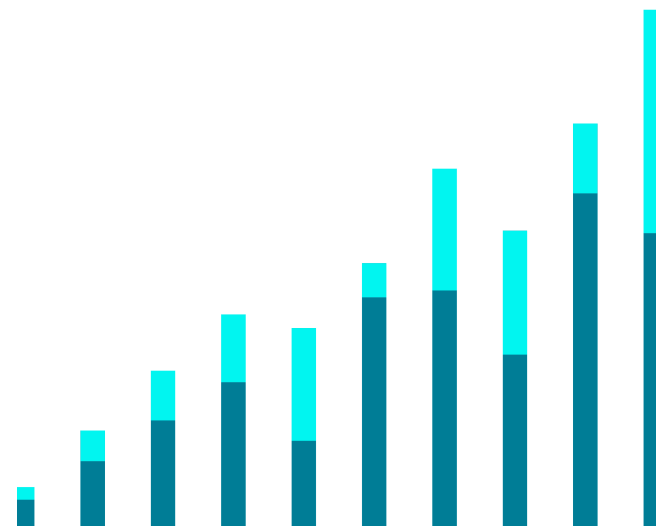
affect implementation costs include the complexity of business models, particularly in high-risk industries that demand specialised expertise for DMA.

### 02 It Covers Many Layers, Including Value Chain.

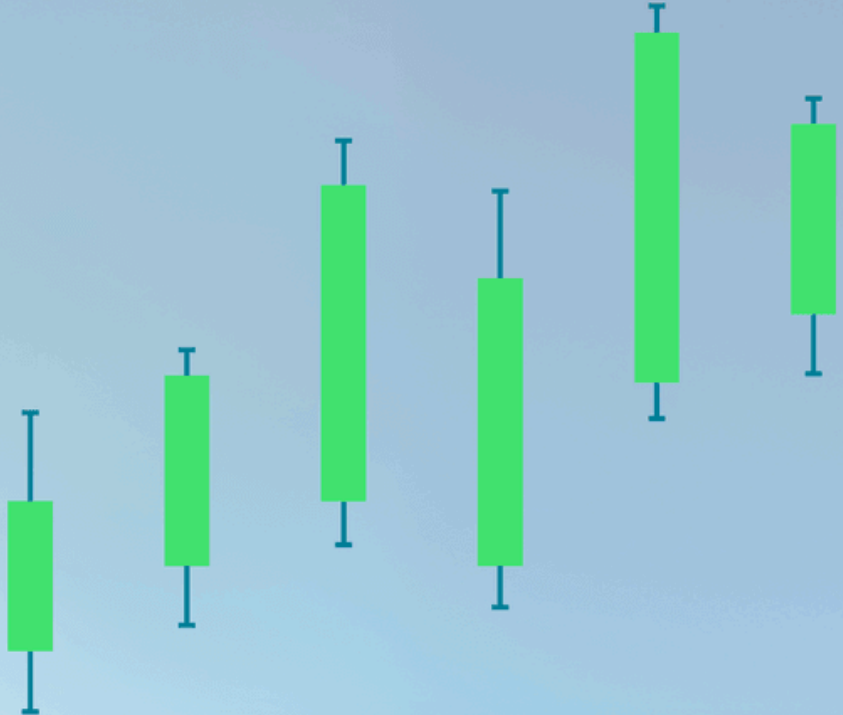
The CSRD mandates that companies disclose significant ESG impacts, risks, and opportunities (IROs) associated with their entire value chain, both upstream and downstream. This requirement extends beyond evaluating IROs within a company's direct supply chain and may include impacts on farm workers outside company control or environmental factors linked to raw material production, even when these processes are not directly managed by the company.

To understand and assess these IROs within the value chain, companies will need a more granular view through a value chain mapping exercise, which illustrates how their business impacts

different stakeholders at each step of their value creation process. Consequently, companies outside the direct scope of the CSRD may also be affected by data requests from companies subject to CSRD, as they seek to gain a better understanding of IROs. Additionally, companies required to report under the CSRD will need to strengthen communication channels within their value chains to obtain the necessary data and information.



# CSRD Reporting Considerations



## Double Materiality as the Basis of Sustainability Reporting

To specify the reporting requirements, the EU has introduced the European Sustainability Reporting Standards (ESRS). Currently, there are two overarching ESRS standards (ESRS 1 and 2) and 10 topic-specific standards, with additional sector-specific standards scheduled for adoption in 2026.

While all companies must adhere to the reporting requirements in ESRS 1 and 2, the 10 topic-specific standards require companies to report only on information that is relevant to their business and value chain.

To determine what is material, companies must apply a double-materiality perspective. This approach considers both the impact the company has on the environment and society (impact materiality) and the actual or potential impact that sustainability issues may have on the business itself (financial materiality).

To assess this, companies will be conducting what is called a double materiality assessment. The double materiality assessment process will ask companies to draw up an initial list of potential impacts, risks and opportunities (IROs). Doing so, companies might leverage existing resources such as:

- Climate risk assessments
- Risk management documents
- Internal policies
- Peer research and ESG reports
- Past materiality assessments
- Due diligence processes

The initial list of IROs will be assessed for materiality. As part of this process, it's advised that companies engage with stakeholders such as customers, suppliers, investors, and affected communities. During the stakeholder engagement process, new IROs may also resurface, which will need to be assessed for materiality.

### IN BRIEF

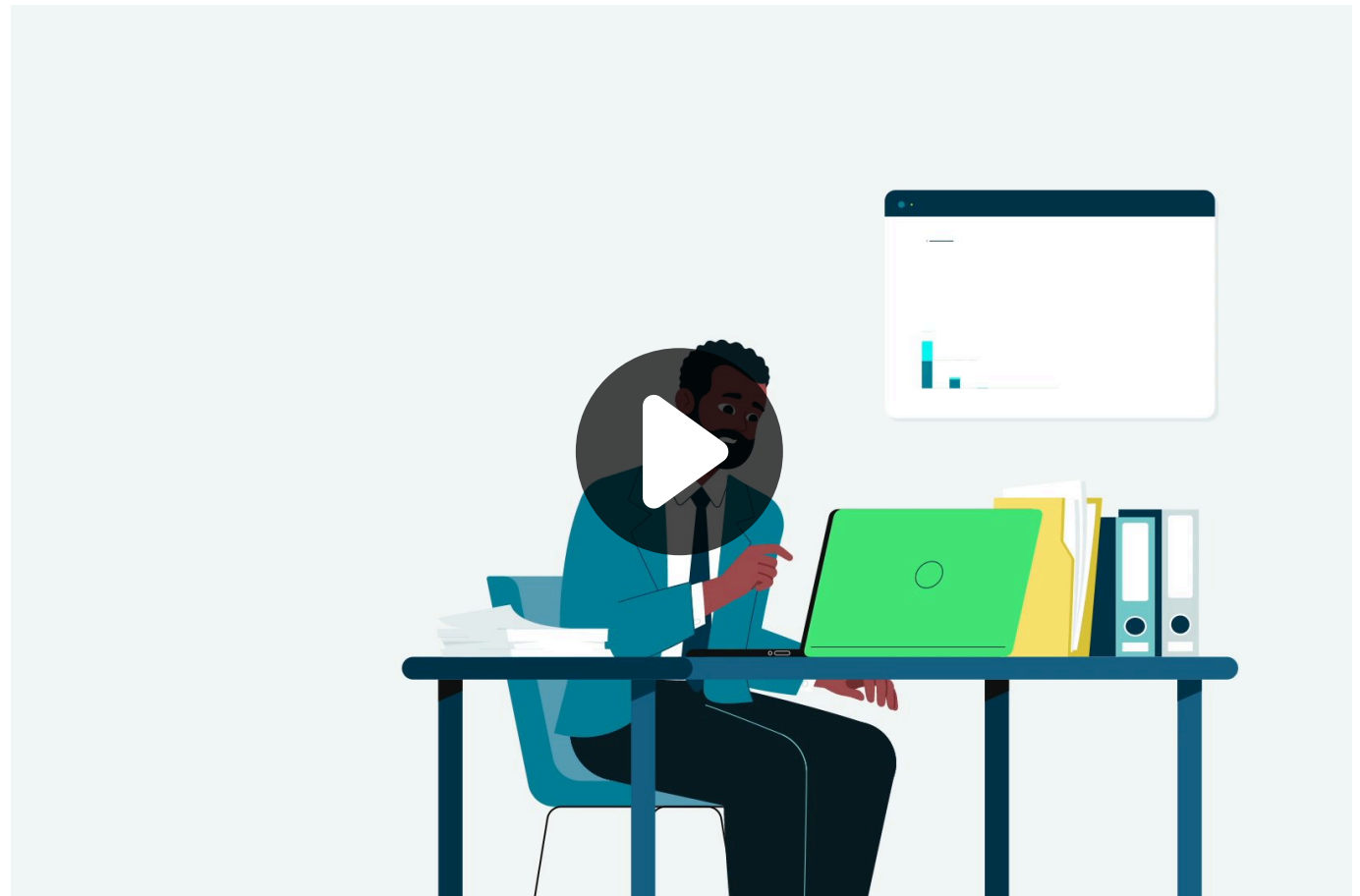
Impact materiality refers to a company's impact on people or the environment. This includes actual or potential impacts, as well as a company's impact through its upstream and downstream value chain.

Financial materiality refers to the effects of sustainability matters on a company's cash flows, financial performance, access to finance or cost of capital in the short-, medium- and long-term. See [EFRAG's Implementation Guidance 1](#) for more information.

All IROs must be assessed for materiality from both an impact and a financial perspective. However, a topic is considered material if it is significant from either perspective. Additionally, the regulation mandates that companies evaluate materiality across short-, medium-, and long-term timeframes.

Materiality assessments consider factors such as the scale, scope, irreversibility, and likelihood of the IRO. Depending on whether the IRO represents an impact, risk, or opportunity—and whether it is actual or potential—different dimensions of materiality must be evaluated. For instance, actual negative impacts are assessed based on their scale, scope, and irreversibility, while potential impacts must also consider the likelihood of occurrence.

In conducting these assessments, companies will need to set thresholds that align with their specific business contexts. For example, a large multinational may establish a higher threshold for scale compared to a smaller company serving local markets.



## Double Materiality Assessment with Novata

# Tips for a Successful Double Materiality Assessment

## 01 Understand the Context

An essential part of the double materiality assessment is understanding the context. This includes:

- Gaining insight into your company's activities and business relationships, including products, services, and the geographic locations of your operations.
- Understanding your stakeholders and interactions with them across the entire value chain.
- Analysing media coverage, industry peers, sector-specific benchmarks, and sustainability trends.
- Understanding the legal and regulatory environment, particularly sustainability-related regulations.

This contextual information is essential for the double materiality assessment (DMA) and will shape the IROs you identify, as well as the stakeholders you engage with. Additionally, this

context must be reported as part of the mandatory disclosures. Getting a head start on gathering this information will help ensure a solid foundation for your DMA.

## 02 Obtain Stakeholder Buy-In

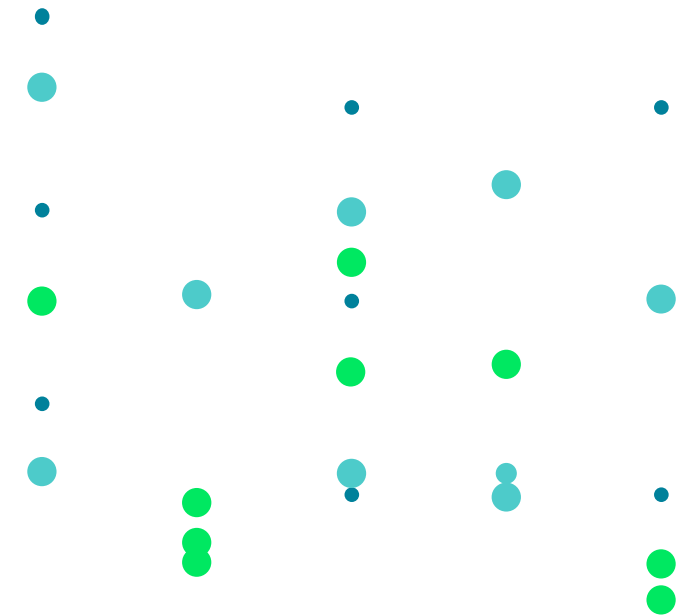
The double materiality assessment (DMA) is inherently a cross-functional effort that requires active involvement and support from a broad range of stakeholders across the organisation. Building understanding and commitment from all key stakeholders is essential to ensure the success of the process.

As part of this effort, educating stakeholders across the business on CSRD requirements early on will support a smoother, more successful implementation.

## 03 Consider Diverse Insights

Use a range of data sources to identify and evaluate IROs, such as recognised frameworks, industry benchmarks, stakeholder interviews,

focus groups, or surveys. Many valuable resources may already exist within your business; consider compiling notes from recent board discussions, reviewing risks identified in policies, analysing supplier audits, and examining recent materiality assessments.



Remember to assess company-specific impacts, risks, and opportunities not explicitly mentioned in the ESRS, as they must also be evaluated for materiality—and reported if deemed material. Leveraging various methods to gather this information will foster deeper engagement and provide richer insights.

#### **04 Collaborate**

When assessing financial materiality, engage representatives from risk, finance, and legal divisions. They will be able to assess the financial implications of sustainability risks and will potentially have dealt with them in the past.

Some topics will be new to these business functions, so provide educational resources to support their understanding and application of financial materiality to ESG topics. Cross-functional collaboration will also create synergies for the business and ensure CSRD can function as a catalyst for business transformation.

#### **05 Validate**

Once impact and financial materiality assessments are complete, validate these with stakeholders, particularly senior leadership, who should sign off on the assessment.

#### **06 Be Transparent and Stay Up-to-Date**

Be transparent about the assessment process and engage with stakeholders throughout. As a best practice, update the assessment regularly to reflect changes to your business landscape as well as the dynamic nature of social and environmental changes. Rather than a one-off exercise, double materiality and CSRD should be seen as a continuous process.

The double materiality assessment is a cross-functional effort that requires support from a broad range of stakeholders.



## What Are the ESRS?

Following the double materiality assessment, companies need to ensure they have the data, processes, and expertise to report on ESG topics. The European Sustainability Reporting Standards (ESRS) are based on draft standards developed by EFRAG to support CSRD implementation. The ESRS guide the “how” and the “what” and act as the reporting framework companies must use to disclose their sustainability performance under the CSRD.

The ESRS set out two cross-cutting standards which apply to all sustainability matters and provide general reporting concepts with overarching disclosure requirements and data points. Ten topical standards for the disclosure of ESG information are also provided. Together, all 12 standards push companies to disclose quantitative and qualitative metrics and targets, details on their governance and strategy to address material sustainability topics, and information regarding the impacts, risks, and opportunities arising from those topics.

[Annex I](#) sets out the 12 ESRS and Annex II provides a list of acronyms and a glossary of terms. The ESRS requires qualitative and quantitative information to be:

**Relevant.** Information can affect the decisions of any key stakeholders.

**Faithfully Represented.** Information must be complete, neutral, and accurate.

**Comparable.** Information can be compared with information provided by the company in previous periods, but also with information provided by other companies.

**Verifiable.** Give users confidence that information is complete, neutral, and accurate.

**Understandable.** Reasonable, knowledgeable users must be able to readily comprehend the information. It should be clear and concise.

### Spotlight on Data in the ESRS

The ESRS include 85 disclosure requirements and over 1000 data points. This is **a lot** of data to collect and manage and will require a robust data management system that also allows independent third-party assurance to run smoothly.

The easiest way to think about the CSRD and the ESRS is that the CSRD is the regulation while the ESRS are the instructions for how to adhere to the regulation.

[DOWNLOAD THE ESRS GUIDE](#)



# Overview of the ESRS

## Cross-Cutting Standards

**ESRS 1**  
General Requirements

**ESRS 2**  
General Disclosures

## Topical Standards

### ENVIRONMENT

**ESRS E1**  
Climate Change

**ESRS E2**  
Pollution

**ESRS E3**  
Water and Marine Resources

**ESRS E4**  
Biodiversity and Ecosystems

**ESRS E5**  
Resource Use and Circular Economy

### SOCIAL

**ESRS S1**  
Own Workforce

**ESRS S2**  
Workers in the Value Chain

**ESRS S3**  
Affected Communities

**ESRS S4**  
Consumers and End Users

### GOVERNANCE

**ESRS G1**  
Business Conduct



## ESRS: A Phased Approach

To give companies, especially smaller companies, more time collect and report data, the first set of standards introduces relief measures for one, two, and three years. These include:

### 01

In the first year of reporting, all companies, regardless of size, have the option to opt out of disclosing the expected financial impacts of risks from environmental issues.

### 02

Companies can choose to only provide qualitative disclosures on these financial impacts for the subsequent two years.

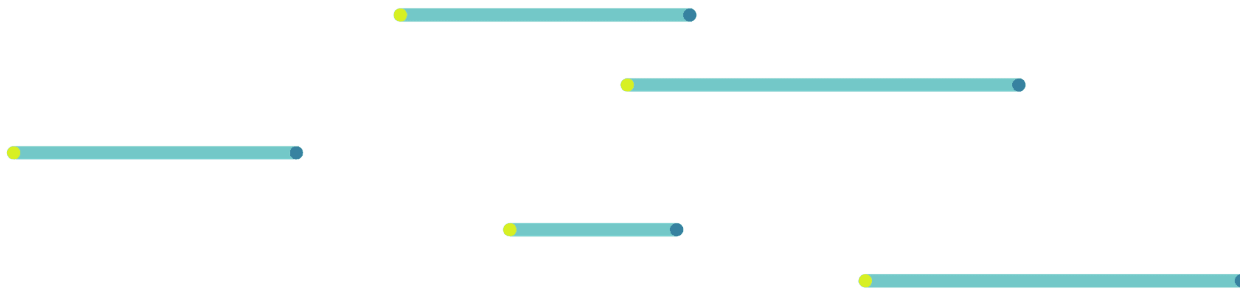
### 03

Companies are also not required to report on certain workplace disclosures in the first year of reporting. These include metrics related to social protection, people with disabilities, and work-life balance.

Companies with fewer than 750 employees also have the option to omit:

- Disclosure of Scope 3 greenhouse gas emissions (ESRS E1) and other disclosures on their own workforce (ESRS S1) in the first reporting year
- Disclosures on biodiversity (ESRS E4), workers in the value chain (ESRS S2), affected communities (ESRS S3), and consumers (ESRS S4) in the first two reporting years

However, the ESRS do not consider situations where the absence of data would justify omitting the disclosure of material information.



## Other Reporting Considerations

### 01 Enhanced Transparency

While the CSRD doesn't mandate new targets or policies, companies must disclose detailed information about their sustainability efforts, including policies, action plans, and governance structures. This also involves how sustainability KPIs impact executive pay and Board incentives, increasing visibility and accountability.

### 02 Confidence in Data Processes

Reports must be certified by an accredited auditor, including for non-European companies. This means businesses must ensure their data processes and assessments are robust and reliable before disclosure. On top of assuring the reported datapoints, the DMA too needs to be assured.

### 03 Climate Impact Disclosures and Transition Plans

The CSRD requires companies to assess the potential impacts of climate change on their business models and financial health through climate scenario analysis. Even if a company deems climate change non-material, they must justify that decision. Additionally, by 2027, large companies will need to present a climate transition plan aligned with the Paris Agreement, making the CSRD more ambitious than similar regulations around the world.



## Structured Sustainability Disclosures

The Sustainability Statement must follow a specific format and be included in the management report, alongside financial statements. It must be digitally tagged in the European Single Electronic Format (ESEF) for easy accessibility<sup>1</sup> and analysis, covering general, environmental, social, and governance information.

<sup>1</sup> The final draft of the ESRS XBRL Taxonomy was published in August 2024, and is currently being submitted to the European Commission and the European Securities and Markets Authority (ESMA) for approval. Digital tagging of ESRS will not be mandatory for companies until the EC adopts the XBRL taxonomy as part of the ESEF RTS that will be prepared by ESMA. It's likely that it will first be used in 2026 for Fiscal Year 2025 reports.

# Management Report

Analysis of company's development and performance and its position

Description of the principal risks and uncertainties

The company's likely future developments

Corporate governance statement

## Sustainability Statement

### GENERAL INFORMATION (ESRS 2)

Specific topical disclosures

List of disclosure requirements applied

Sector-specific disclosures

Table of all data points deriving from other EU legislation

### TOPICAL STANDARDS

Environmental, social, and governance information, including:

- Impact, risk, and opportunity
- Metrics and targets
- Sector-specific disclosures
- Company-specific disclosures
- Disclosures in line with Article 8 of the EU Taxonomy regulation (under Environment only)

Source: ESRS 1, Appendix F. Example of structure of ESRS Sustainability Statement  
An example of how a company might structure the sustainability statement based on non-binding guidance from the ESRS

# Regulatory Alignment



## Aligning ESRS to Other Regulations, Standards, and Frameworks

The ESRS are aligned with several other frameworks, standards, and regulations, both at the European and international levels. In designing the ESRS, EFRAG, the entity which wrote the ESRS, worked with a number of entities including the GRI, the TNFD, and IFRS, to enhance convergence and interoperability of standards. [This alignment](#) allows companies to streamline their reporting efforts, avoiding the need to duplicate work across multiple standards. As a result, companies should be able to allocate resources more effectively and reduce reporting costs.

Undertaking a mapping exercise to determine what information companies already have available from other frameworks and understanding the key differences between them would be beneficial. Novata has provided a high-level summary of the similarities and differences below.

### IN BRIEF

#### What Is the EU Taxonomy?

An important part of the CSRD is EU Taxonomy alignment. At the core of the EU Taxonomy is a classification system to identify whether company activities meet the definition of a sustainable economic activity based on two criteria: (1) Contributing to at least one of six environmental objectives in the Taxonomy; and (2) Doing no significant harm (DNSH) to other objectives while respecting basic human rights and labour standards.

The environmental objectives of the Taxonomy are: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems.



## Regulations Aligned With CSRD

REGULATION	DESCRIPTION	ESRS COMPATIBILITY
<b>The Sustainable Finance Disclosure Regulation (SFDR)</b>	<p>The SFDR is an existing EU regulation that requires financial market participants (FMPs)—such as banks, investment firms, and pension funds—and financial advisors to disclose information about their sustainability risks and opportunities, as well as the sustainability of the products and services they offer. These two regulations feed into one another, with many FMPs unable to report much of their principal adverse impact (PAI) information unless their investee companies have provided the underlying data. Much of the SFDR information, including PAI indicators, is being asked of companies within the CSRD.</p>	Full
<b>European Taxonomy (EU Taxonomy)</b>	<p>The EU Taxonomy establishes a classification system for sustainable economic activities. The ESRS requires companies to report whether their economic activities are eligible (i.e., the activities are listed as having the potential to be sustainable). It is a “green” taxonomy, with a focus on lower-carbon business models, which means that some companies might not qualify for alignment in the first place. If they are eligible, they need to establish how much of their activity is aligned, i.e., the economic activities meet specific EU Taxonomy regulation criteria. Therefore, companies should screen their activities, assess their Taxonomy status, and report the relevant KPIs (turnover, CapEx, OpEx).</p>	Full
<b>The Corporate Sustainability Due Diligence Directive (CSDDD or CS3D)</b>	<p>Part of the European Green Deal, this Directive was adopted in 2024. It requires very large companies to undertake due diligence of their activities and those of their suppliers to identify, prevent, mitigate, and account for their impacts on human rights and the environment. It complements the SFDR, EU Taxonomy, and the CSRD by adding more granularity to the types of information disclosed and, crucially, the processes companies must have to support sustainable and responsible value chains.</p>	Full

## Key Frameworks and Standards Aligned with ESRS

FRAMEWORK/ STANDARD	DESCRIPTION	ESRS COMPATIBILITY
<b>CDP</b>	<p>The CDP's disclosure process is voluntary, but it is supported by over 680 institutional investors with over US\$130 trillion AUM. In 2022, over 18,700 organisations disclosed their environmental data through CDP. Due to much of the information required for the CDP submission (i.e., business model and strategy resilience, metrics and targets, risk and opportunity identification), it is a complementary framework and companies that are already reporting to CDP will be well-positioned to align to the ESRS disclosure requirements.</p>	<a href="#">Mostly</a>
<b>IFRS Sustainability Disclosure Standards 1 &amp; 2 (S1 and S2)</b>	<p>The IFRS Standards are intended to create a global baseline for sustainability disclosures. The standards are, so far, voluntary; however, <a href="#">more than 20 jurisdictions</a> have introduced or are taking steps to introduce the Standards into legal or regulatory frameworks. The European Commission and EFRAG have worked closely to ensure a very high degree of interoperability between the two sets of standards, so companies that are required to report in accordance with the ESRS will largely report the same information as the IFRS Standards. It is important to remember that the IFRS Standards are steered more towards decision-relevant information for investors, whereas the ESRS is a reporting framework for all key stakeholders. EFRAG and ISSB released <a href="#">interoperability guidance</a> for the Standards and the ESRS.</p>	<a href="#">Mostly</a>
<b>Global Reporting Initiative (GRI) Standards</b>	<p>The GRI Standards are a widely used set of interconnected sustainability standards to support companies in reporting the impact of their activities in a structured way. The ESRS disclosure requirements draw inspiration from <a href="#">these standards</a>, and companies could include disclosures based on GRI Standards when developing their company-specific disclosures. EFRAG and the GRI released an <a href="#">interoperability index</a> in 2024 to support companies' reporting efforts.</p>	<a href="#">Mostly</a>

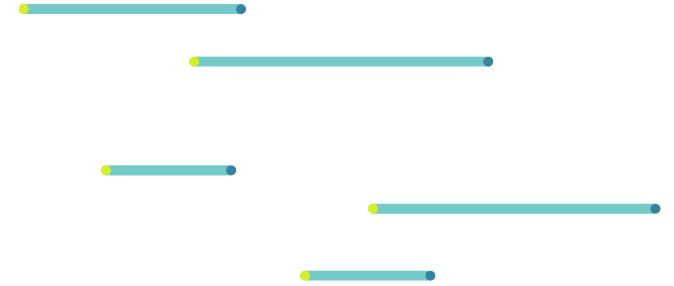
FRAMEWORK/ STANDARD	DESCRIPTION	ESRS COMPATIBILITY
<b>Sustainability Accounting Standards Board (SASB) Standards</b>	<p>The SASB standards identify sustainability topics and related performance metrics that are likely to have financially material impacts on companies in 77 industries. According to EFRAG, companies can voluntarily use the SASB standards to help develop their entity-specific metrics. Therefore, the ESRS are aligned with the SASB Standards in terms of their focus on materiality and investor needs. Nevertheless, the ESRS are broader in scope than the SASB Standards and cover a wider range of industries.</p>	Partially
<b>Task Force on Climate-related Financial Disclosures (TCFD)</b>	<p>The TCFD recommendations are a set of disclosures that companies can use to report on their climate-related risks and opportunities. Whereas the TCFD recommendations are a voluntary framework, they have been made part of national regulations and have spread to more than a dozen jurisdictions including Switzerland, South Africa, and the UK. The ESRS, particularly ESRS E1 (climate change), is aligned with the TCFD with regard to the focus on climate-related risks and opportunities (and the ESRS requires climate scenario analysis to assess the resilience of a business strategy). However, the ESRS are more detailed and prescriptive than the TCFD recommendations and cover a wider range of sustainability topics. Additionally, ESRS E1 requires a climate transition plan aligned with 1.5 degrees Celsius, making it more ambitious than the TCFD recommendations.</p>	Partially
<b>Task Force on Nature-Related Financial Disclosures (TNFD)</b>	<p>The TNFD recommendations enable businesses and financial institutions to assess, report, and act on nature-related dependencies, impacts, risks, and opportunities. According to the TNFD and EFRAG's correspondence mapping, all 14 of the TNFD's recommendations are reflected in the ESRS. Both recommendations focus on the need for nature-related disclosures, incorporate double materiality, and are organised around the TCFD's disclosure pillars.</p>	<a href="#">Mostly</a>

# Essential Information for CSRD Compliance



## Why CSRD Compliance Matters for Companies and Investors

For companies, the CSRD will standardise how sustainability performance, risks, opportunities, and impacts are disclosed, making it easier to benchmark against industry peers and to align with investor expectations. Investors, in turn, will benefit from enhanced comparability and transparency, allowing them to assess companies' ESG profiles more effectively and make informed decisions. With a comprehensive view of each company's sustainability data, investors can identify industry leaders, understand sector risks, and use these insights in their reporting and investment strategies.



## How Companies and Investors Can Use CSRD Data

### Assessing Climate Risks and Opportunities

The CSRD requires detailed reporting on greenhouse gas emissions and climate action plans, enabling investors to pinpoint companies at higher risk due to fossil fuel dependence and exposure to carbon policies. For companies, meeting these disclosures highlights their readiness for climate regulations and their strategies to reduce climate-related vulnerabilities.

### Identifying Companies Leading the Low-Carbon Transition

CSRD compliance involves disclosures on investments in renewable energy and energy efficiency. Investors can use this data to identify companies positioned to benefit from the low-carbon economy, aligning investment decisions with long-term growth in sustainable sectors.

### Evaluating Social Responsibility Commitments

With the CSRD's focus on human rights policies and employee relations, investors can identify companies demonstrating strong social responsibility—a quality increasingly valued by employees, customers, and stakeholders. Companies that align with these social criteria can strengthen their brand and appeal to conscientious consumers and employees alike.

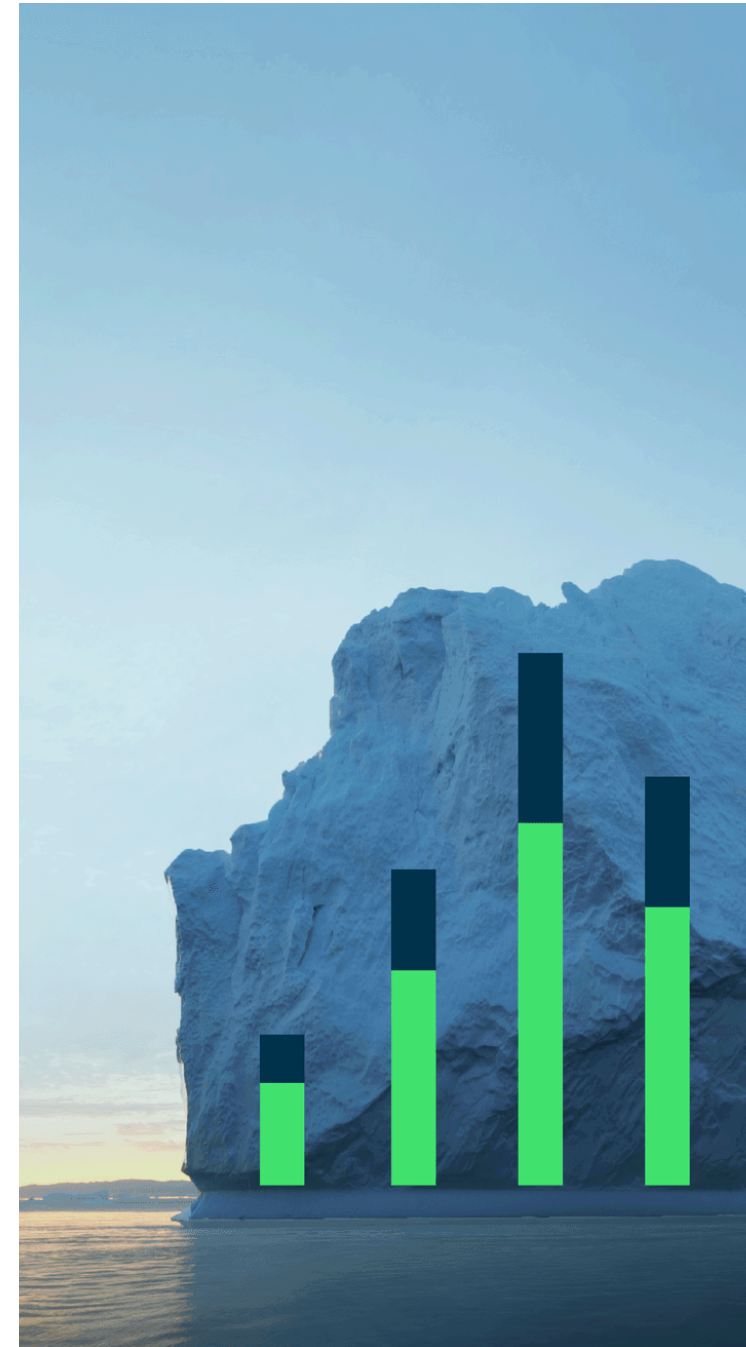
## CSRD Scope and Compliance Challenges for Financial Institutions

Many financial institutions will fall under both SFDR and CSRD, including investment firms and fund managers. While CSRD requirements are currently designed with corporates as the primary focus, upcoming sector-specific standards (expected under a modified timetable) will include additional guidance for financial institutions. To prepare, financial entities should establish robust data management systems and build capacity to meet these expanded ESRS metrics upon release.

Ultimately, the CSRD will empower companies to enhance transparency and align with investor expectations, while offering investors critical insights to assess alignment with their own sustainability objectives and SFDR Article classifications. By aligning data, reporting processes, and sustainability goals, both companies and investors can build a more accountable and transparent ESG landscape.

## Penalties for Non-Compliance

As it stands, the penalties for non-compliance with the CSRD are still unclear in some places and will likely differ by jurisdiction. Each member state will be able to introduce its own penalties for non-compliance when implementing the CSRD into national law. So far, penalties introduced have varied from fines all the way to jail time. It is expected that these will be introduced and based on the penalties applied when member states implemented the NFRD. Currently, under the NFRD, penalties include fines of €25,000, imprisonment for individual directors, or fines charged to a company that could equal up to €10 million or 5% of the company's global annual turnover. This highlights the importance of understanding whether a company is in scope of the CSRD and ensuring the relevant information is disclosed in line with the regulation.



# Preparing for CSRD Reporting with Novata

Navigating CSRD compliance doesn't have to be complicated. Novata offers a powerful solution that combines cutting-edge technology with expert advisory to guide you through every step of the process—from double materiality assessments to audit-ready reporting. With Novata, you can simplify your CSRD compliance journey and turn sustainability reporting into a strategic advantage, giving you the confidence to meet regulations and unlock new opportunities for growth.

## **Streamlined Double Materiality**

Identify ESG risks and opportunities, understand their impacts to your business and share results in an assurance-ready format.

## **Collaboration Made Easy**

Assign tasks, track progress, store all documentation, and collaborate effortlessly with stakeholders and advisors.

## **Effortless Data Collection**

Gather and manage all ESRS data points with automated processes and real-time tracking.

## **Audit-Ready Reporting**

Access assurance-ready templates, document trails, and change histories.

## **Expert Advisory Practice**

In-house ESG experts guide you every step of the way.

## **Digital Tagging**

Our solution allows you to digitally tag your report, and send it to the European Single Point of Access, without moving between different solutions.

## **Flexible Packages**

Tailored solutions to fit your unique compliance needs.

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Learn how Novata can support your company with CSRD reporting:

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## About Novata

Novata is an ESG data management platform and advisory practice that empowers businesses to achieve their sustainability goals. We make it easy for private markets to navigate the evolving ESG landscape; collect, analyse, and report on the metrics that matter; and connect their sustainability strategy to meaningful outcomes—because it's good for business and it's good for the planet.

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