

Why businesses cannot lose sight of CSRD in 2024

Covering a range of important factors such as environmental impact, social responsibility, human rights, and governance, the implementation of the Corporate Sustainability Reporting Directive (CSRD) marks a significant step towards accounting for sustainability alongside financial reporting in the EU.

Temps de lecture : minute

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With plans for a phased launch later this year, the regulation will require over 75 percent of businesses in the European Economic Area (EEA) to disclose their ESG performance. This will mandate a more standardised, consistent approach to sustainability reporting, with over 50,000 businesses now required to integrate CSRD compliance in their operational planning.

Busting myths surrounding CSRD

Though the legislation was planned to take effect from January 1st, 2024, approval from EU-lawmakers in late January confirmed the full enactment of the framework will be delayed by two years. A flurry of headlines was quick to follow, bringing with it a wave of industry disappointment given the anticipation around the regulatory update.

However, it is important to note that these headlines were, in fact, misleading. While the announcement was disappointing, it was also somewhat unsurprising – and most importantly does not have any major implications for businesses in practice. In fact, the media fanfare could

mean businesses end up stalling on progress, setting a damaging tone which ultimately slows the wider net zero agenda.

In reality, it is *only* sector-specific sustainability disclosure standards being delayed. The key standards which build the main foundation of the CSRD will still be implemented as expected, which must be followed by all businesses irrespective of the sectors they operate in.

Those who dedicatedly follow the foundational CSRD requirements will already implement a majority of what will ultimately be required by the sector-specific guidelines in 2026. Businesses should therefore focus on reimagining their business plans in alignment with the wider, key standards that have already been established by CSRD to be best prepared for the next phases of implementation.

The significance of CSRD

To address the increasing severity of the climate crisis, there is a need for a unanimous reporting system that fosters more effective, realistic, and efficient environmental planning.

This is where the CSRD comes into play: by providing a synthesised solution to measure, compare, and analyse sustainability performance of organisations. This allows businesses to set and achieve realistic and transparent climate targets, and inform decision making in financial planning.

Creating greater transparency of sustainability efforts through CSRD reporting means businesses can also build stronger relationships with investors, consumers and regulators, which in turn creates new opportunities for collaboration and capital.

Adhering to CSRD guidelines will also push businesses to optimise their

supply chains from a sustainability perspective, whereby following the regulation's guidance means organisations will be better positioned to anticipate and mitigate potential challenges in operations.

Going above and beyond

Businesses often strive for 'compliance', but this should not be their ultimate goal.

Thinking a few steps beyond basic compliance is essential, especially when it comes to environmental performance, of which Scope 3 alone often contributes towards 70 percent of businesses' total emissions. Acknowledgement of this part of the value chain is far too often overlooked.

Final thoughts

Businesses should continue to follow the CSRD guidelines even in the face of sector-specific delays. Not only will this help future-proof them against more stringent sustainability regulation, but will also help stimulate growth and

Although navigating CSRD guidelines may present some initial challenges whilst the industry gets up to speed, it will ultimately help businesses in driving meaningful change, and secure their position as strong examples in the transition to a net-zero future.

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