
CORPORATE SUSTAINABILITY REPORTING DIRECTIVE



GUIDELINES FOR SMEs



INTRODUCTION

This document aims to give a glimpse of the **CSRD's key requirements for listed small and medium companies or groups.**

Its content is based on the EU commission Delegated Regulation C(2023) 5303 adopted on 31/7/2023.



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1. WHAT IS THE CSRD?

As one of the latest components of the European Green Deal, the CSRD (Corporate Sustainability Reporting Directive) is a European directive that requires all listed (except micro-companies) and large European entities to **publish a comprehensive sustainability report annually, with a mandatory set of information.**

In this report, companies and groups must disclose how they manage the significant **negative and positive impacts that their activities have on people and the environment**, as well as the **significant social and environmental risks and opportunities** that can impact them.

The goal of the CSRD is to **increase the quality and comparability of sustainability data** among companies within the EU and to prevent greenwashing.

All the information and data to be disclosed are described by the “ESRS” (European Sustainability Reporting Standards*). The ESRS are currently the same for all economic sectors. The EU is working on sector-specific standards, which should be released in the coming years.

The CSRD requires only the disclosure of a sustainability report; it **does not oblige companies to implement specific sustainability policies or targets.**

In addition, information regarding another EU regulation, the **EU taxonomy**, will have to be integrated into the CSRD reporting.



2. CSRD FOR LISTED SMEs

Listed small and medium companies or groups fall under the CSRD scope if they exceed at least two of the following limits:

- Balance sheet total > 350.000 €
- Net annual turnover > 700.000 €
- Average number of employees > 10

Listed small and medium companies or groups do not have to report as much information for the CSRD as larger entities and benefit from additional time regarding some of the disclosures.

Companies or groups are considered as small or medium size if they don't exceed two of the following limits:

- Balance sheet total < 4 M€
- Net annual turnover < 78 M€
- Average number of employees < 50

Listed small and medium companies or groups will release their **first CSRD sustainability reporting in 2027, regarding their 2026 financial year**. Nevertheless, they have the possibility to opt out for two additional years.



3. DOUBLE MATERIALITY

Before producing their sustainability reports, entities within the scope of the CSRD must **determine which of the CSRD sustainability topics are material (=relevant/important) to their activities and value chain**. This is what we call materiality. If the matter is considered as immaterial, the company will not have to disclose information related to it.

There are two dimensions to determine the materiality of a topic:

- Financial materiality (outside-in perspective)
- Impact materiality (inside-out perspective)

This is what the CSRD refers to as **double materiality**.



Financial materiality: a sustainability matter is considered as financially material if it can impact the company's financial position, financial performance, cashflow, access to finance or cost of capital over the short, medium, or long term.

Impact materiality: on the contrary of the financial materiality, impact materiality reveals the consequences that the company has or can have on the outside world. A sustainability matter is material from an impact perspective when it has actual or potential, positive or negative impacts on people or the environment over the short, medium, or long term.

The impact materiality includes impacts along all the value chain, upstream and downstream, including through the company's products and services, as well as through its business relationships (and not limited to contractual relationships).

The company **must disclose information on a topic/ subtopic if it is considered material (=relevant) in terms of financial materiality and/or impact materiality**.

Some CSRD disclosures are nevertheless compulsory and not subject to a materiality assessment.

4. MATERIALITY ASSESSMENT

The entity must assess the materiality of the CSRD sustainability topics (cf. list in section 6) based on a solid process and objective documentation.

When the entity assesses that a topic is not material (meaning it doesn't have to disclose information on that matter), it must be able to provide an explanation of its materiality assessment conclusions.

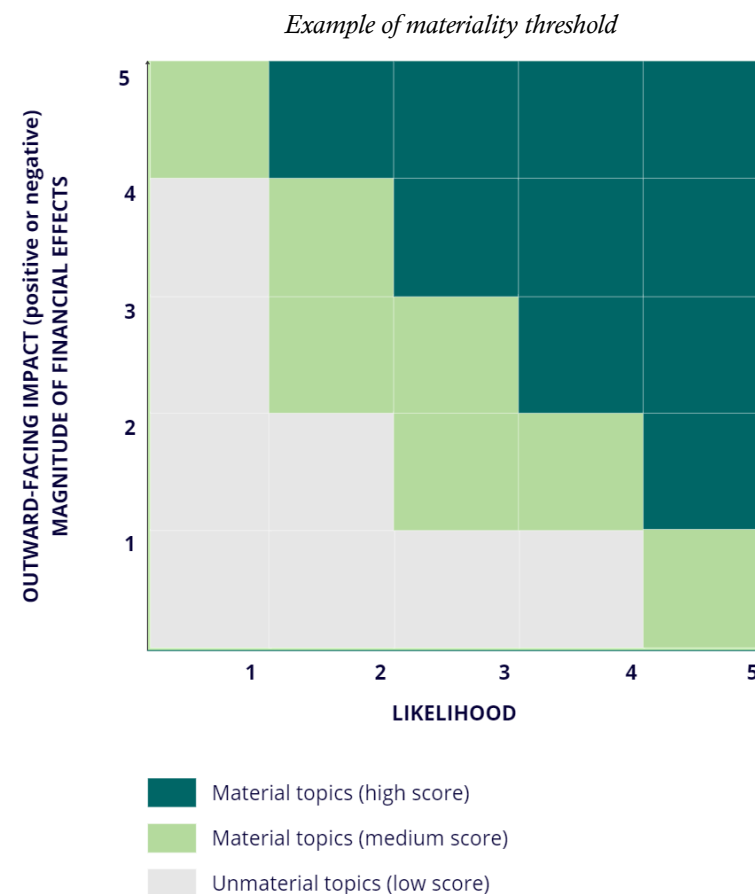
Materiality criteria

The materiality assessment of sustainability matters is based on the severity/amplitude and the likelihood of the impact, risk or opportunity.

Severity is based on the three following factors:

- Scale
- Scope
- And irremediable character of the impact

Once the entity has evaluated the severity/amplitude and likelihood of the different impacts, risks and opportunities, it must determine a threshold beyond which the matters will be considered material.

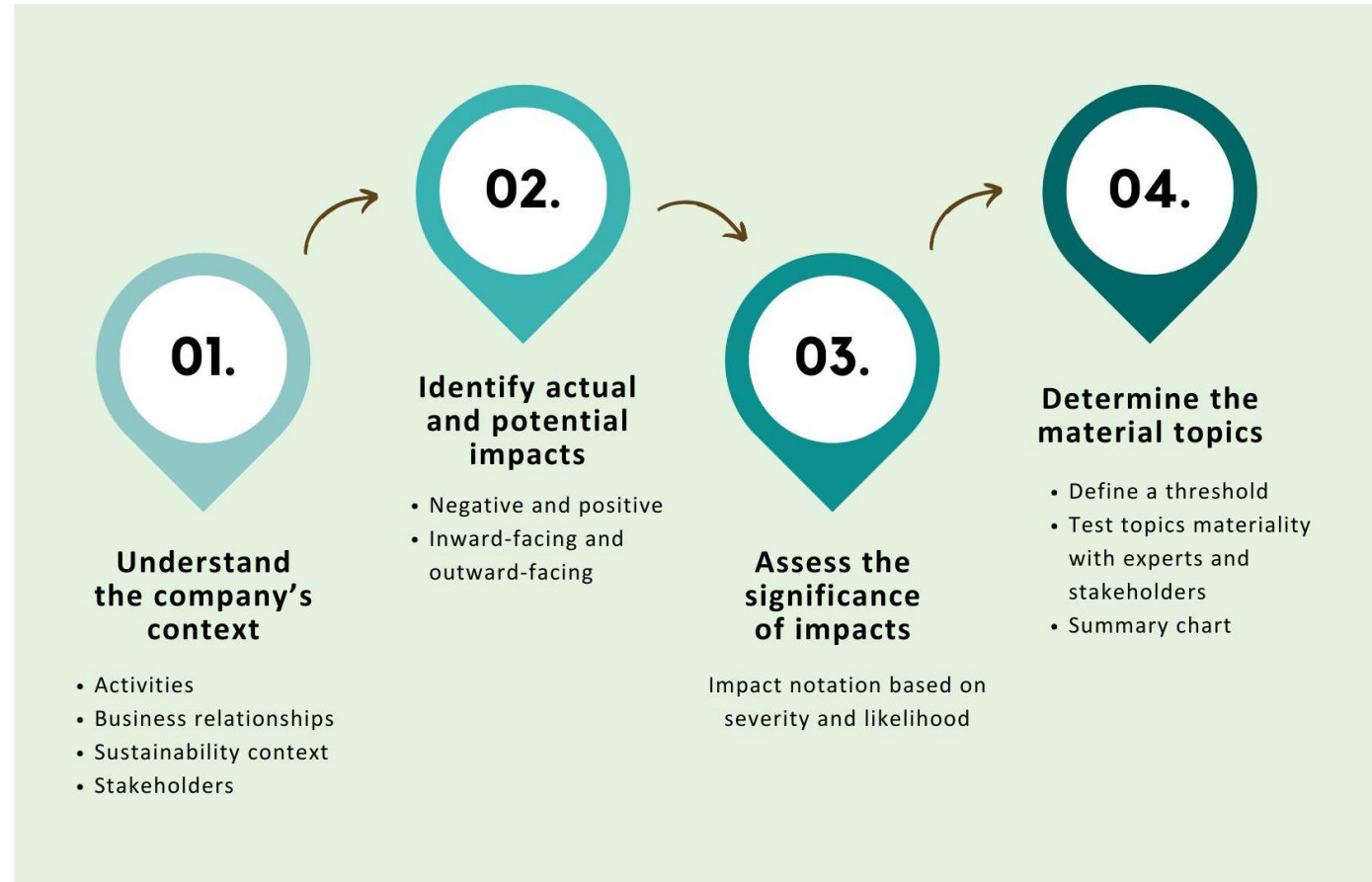


4. MATERIALITY ASSESSMENT

The CSRD provides a framework but does not describe in detail a specific methodology regarding the materiality assessment.

The EFRAG guidelines, the GRI methodology as well as the due diligence process defined in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises provide useful guidance for the materiality assessment.

The diagram on the right proposes a materiality assessment process inspired by the GRI methodology:



5. STAKEHOLDERS' ENGAGEMENT



The CSRD emphasizes the importance of **knowing and engaging the entity's stakeholders within the materiality assessment process**, and beyond that, in the company's global sustainability strategy.

The CSRD strongly encourages considering stakeholders' inputs, as well as their feedback on the materiality assessment conclusions.

Stakeholder engagement can take various formats, such as **surveys or interviews** with key stakeholders' groups or groups representants.

Regarding the entity's own workforce, the CSRD specifies that **the workers' representatives must be informed and engaged in the discussions related to relevant sustainability matters**. Their opinion must be communicated to the management and supervisory bodies.

In practice

Stakeholders can be for example:

- **Affected stakeholders:** individuals or groups whose interests are affected or could be affected – positively or negatively – by the company's activities and its direct and indirect business relationships across its value chain
- **Users of sustainability statements:** primary users of financial reporting (existing and potential investors, lenders and other creditors), and other users of sustainability statements (business partners, trade unions and social partners, civil society and non-governmental organizations, governments, analysts and academics...)
- **Employees and other workers in the value chain**
- **Suppliers**
- **Consumers**
- **Customers**
- **End-users**
- **Local communities & persons in vulnerable situations**
- **Public authorities, including regulators**
- **Supervisors**
- **Central banks**
- **Nature**, as a silent stakeholder. The company will use scientific data to evaluate the impacts, risks and opportunities of its activities.

6. ENVIRONMENT CSRD TOPICS AND SUB-TOPICS



E1 - CLIMATE CHANGE

Climate change
adaptation

Climate change
mitigation

Energy

E3 - WATER & MARINE RESOURCES

Water

- Consumption
- Withdrawal
- Discharges

Extraction and use
of marine resources

E5 - CIRCULAR ECONOMY

Resources inflow

Resources outflow

Waste

E2 - POLLUTION

Pollution of air

Pollution of soil

Substances of
concern

Pollution of water

Pollution of living
organisms and food

Substance of very
high concern

E4 - BIODIVERSITY & ECOSYSTEMS*

State of species
(Size, extinction)

Extent and
condition of
ecosystems

Biodiversity loss

Dependencies on
ecosystem services

- Land degradation
- Desertification
- Soil sealing

- Climate change
- Land use
- Fresh water use
- Direct exploitation
- Invasive alien species
- Pollution
- Others

*Companies/ groups with less than 750 employees may omit the information specified in the disclosure requirements of this topic for the two first reporting years.

6. SOCIAL & GOVERNANCE CSRD TOPICS & SUB-TOPICS

S1 – OWN WORKFORCE & S2 – WORKERS IN THE VALUE CHAIN*

Working conditions

- Secure employment
- Working time
- Adequate wages
- Freedom of association
- Existence of work councils
- Collective bargaining
- Work-life balance
- Health and safety

Equal treatment and opportunities for all

- Gender equality
- Training
- Employment
- Inclusion of persons with disabilities
- Measures against violence and harassment in the workplace
- Diversity

Other work-related rights

- Child labour
- Forced labour
- Adequate housing
- Water and sanitation
- Privacy

S3 – AFFECTED COMMUNITIES*

Economic, social and cultural rights

- Adequate housing
- Adequate food
- Water & sanitation
- Land-related impacts
- Security-related impacts

Civil and political rights

- Freedom of expression
- Freedom of assembly
- Impacts on human rights defenders

Rights of Indigenous People

- Free, prior & informed consent
- Self-determination
- Cultural rights

S4 – CONSUMERS & END-USERS*

Information

- Privacy
- Freedom of expression
- Access to (quality) information

Personal safety

- Health and safety
- Security of a person
- Protection of children

Social inclusion

- Non-discrimination
- Access to product and services
- Responsible marketing practices

G1 – BUSINESS CONDUCT

Management of relationships with suppliers (Incl. payment practices)

Whistle-blowers protection

Animal welfare

Corporate culture

Political engagement

Corruption and bribery

*Companies/ groups with less than 750 employees may omit the information specified in the disclosure requirements of S1 for the first reporting year, and S2, S3 and S4 for the two first years.

7. CSRD REPORTING STRUCTURE

Under the CSRD standards, the sustainability reporting must be composed of four main sections:

- General information (ESRS 2)
- Environment (ESRS E1 to E5)
- Social (ESRS S1 to S4)
- Governance (ESRS G1)

The general information section (ESRS 2) must contain the following elements:

- Information about the reporting preparation (Scope, time-horizon, metrics uncertainty and estimation, changes compared to the previous reporting...);
- Governance structure, processes, controls and procedures to manage sustainability matters;
- Elements related to the strategy, business model and value chain that affect sustainability matters, stakeholders, impacts, risks and opportunities;
- Impact, risk and opportunity management: process and output of the materiality assessment.

The 3 sustainability themes are divided into 11 topics (cf. diagram on the right).

Each topic is divided in subtopics, described in the next two following slides.

The entity will not necessarily have to disclose information regarding all the sustainability topics and subtopics: through the **materiality assessment (cf. point 5.)**, it will determine which topics and subtopics are relevant for disclosure in the CSRD sustainability report.

ENVIRONMENT

E1 Climate change
E2 Pollution
E3 Water and marine resources
E4 Biodiversity and ecosystems
E5 Circular Economy

EU Taxonomy

SOCIAL

S1 Own workforce
S2 Workers in the value chain
S3 Affected communities
S4 Consumers and end-users

GOVERNANCE

G1 Business Conduct

8. TYPE OF INFORMATION TO DISCLOSE

Within each sustainability topic (except for the EU Taxonomy), the following types of information must be disclosed:



GOVERNANCE

How these topics are factored into the performance assessment and remuneration of the governance structure



STRATEGY

How the company's strategy and business model are compatible with the transition to a sustainable level of this topic, and what is its transition plan to improve it



IMPACT, RISK & OPPORTUNITY MANAGEMENT

Process to identify impacts, risks and opportunities (IRO)
Policies related to these IROs
Actions and resources related to these IROs



QUANTITATIVE TARGETS & METRICS

What are the company's performance and progress on the sustainability topics

9. KPIS TO DISCLOSE



If the sustainability topics are considered material (cf. point 5.), the CSRD requires the disclosure of the following KPIs*:

Climate change

- Energy consumption by source
- Greenhouse gas (GHG) gross emissions (scope 1, 2 and 3*)
- GHG intensity per revenue
- GHG removals, storage & carbon credits
- Internal carbon pricing schemes
- Anticipated financial effects from material physical and transition risks and potential climate-related opportunities **

Water & Marine resources

- Total water consumption (m3)
- Total water consumption in areas at water risk or high-water stress
- Total water recycled and reuse
- Total water stored and changes in storage
- Anticipated financial effects from water and marine resources related impacts, risks and opportunities**

Circular Economy

- Weight of material used
- % of sustainably sourced biological materials
- Weight of secondary reused or recycled components/ products/ material
- Durability & reparability of the products placed on the market
- % of recyclable content in products and their packaging
- Total amount of waste generated, directed to disposal and diverted from disposal
- Total amount of non-recycled waste
- Total amount of hazardous waste and radioactive waste
- Anticipated financial effects from circular economy related impacts, risks and opportunities**

Own workforce**

- Headcount of employees by gender, country, type of contract
- Employees turnover
- % of employees covered by collective bargaining agreements, and by workers' representative
- Employees distribution by gender and age group
- Adequate wage
- % of employees covered by the company's health & safety mgt
- Number and rate of recordable work-related accidents
- Gender pay gap
- Ratio of the highest paid individual to the median total remuneration
- Number of incidents of discrimination, including harassment
- Number of complaints
- Total amount of fines, penalties and compensation for damages
- Number of severe human rights incidents

Pollution

- Amount of each pollutant used or generated
- Amount of microplastic used or generated
- Amount of substances of concerns/ very high concern used or generated
- Amount of substances of concerns/ very high concern that leaves the facilities
- Anticipated financial effects from pollution related impacts, risks and opportunities**

Biodiversity & Ecosystems**

- Number and areas of sites near biodiversity-sensitive areas
- Metrics regarding land-use change or freshwater-use change impacts
- Metrics related to invasive species
- Anticipated financial effects from biodiversity & ecosystems related impacts, risks and opportunities

Business conduct

- Number of convictions and amount of fines related to corruption and bribery
- Financial contributions to lobbying activities & political influence
- Invoices payment average time
- Number of legal proceedings for late payment

*Optional KPIs are not mentioned here

**Optional the 1st year

10. SCOPE AND TIME HORIZON



TIME HORIZON

Within the sustainability reporting, the company will have to disclose and link together information and **data from past, present and future**.

The company's progress in terms of sustainability will be measured against a **base year**, which can generally be the 1st year of the CSRD reporting. The company is not required to release data before this base year.

Information about the future can be required in different time intervals:

- **Short term:** reporting period in financial statement (1 year)
- **Medium-term:** from the end of the financial statement period and up to 5 years
- **Long term:** > 5 years

SCOPE

The reporting scope regarding the **KPIs** is generally limited to the **company's or group's operations**, with the same boundaries as the company's financial statements (except for the GHG emissions, which include the scope 3).

However, the scope of **the impacts, risks and opportunities** goes further and also includes the **entity's whole value chain**.

Though, it is **not required to disclose detailed information on each and every actor of the value chain**, but more at aggregated levels and when their impact or risk is significant (ex. by geography, by type of industry/product etc.).

Moreover, the CSRD regulation acknowledges that some information from the value chain might be challenging to obtain. In these circumstances, the entity must use, whenever it is possible, estimates, proxies, or any reasonable and supportable information (ex: sector-average data for GHG scope 3 emissions).

11. INFORMATION CHARACTERISTICS REQUIREMENTS



The information presented in the CSRD sustainability report must apply the 5 following criteria:

RELEVANT

It may make a difference in the decision of the reporting's users

FAITHFUL REPRESENTATION

The information is complete, neutral and accurate (1)

COMPARABLE

With previous periods, with other companies, especially from the same industry

VERIFIABLE

The company is able to provide information about sources, inputs, methods of calculation, underlying assumptions and methods of producing the information

UNDERSTANDABLE

The information is clear and concise, and understandable by all "reasonably knowledgeable" users (2)

(1) An information **can be accurate without being perfectly precise**, as long as it has been obtained through an adequate process to avoid errors. In that sense, estimates, proxies, and assertions based on information of sufficient quality and quantity are allowed. In particular, it can be challenging to collect information from upstream and downstream value chain. In that case, the company should still estimate the information, using sector-average data and/or other proxies.

(2) The company should **avoid** (a) **general information not specific** to the company, and (b) unnecessary **duplication of information**, including information also provided in financial statements (it is prescribe to use references instead)

Classified and sensitive information

The entity is **not required to disclose classified information or sensitive information**, even if such information has been considered material.

A piece of information can be considered as classified or sensitive if:

- It is secret in the sense that "it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question";
- It has commercial value because it is secret;
- It has been subject to reasonable steps by the company to keep it secret;
- All the other material information not meeting these criteria must be disclosed in the reporting.

12. TAXONOMY



The entities which are included in the scope of the CSRD must disclose in their sustainability reporting a set of information related to another European regulation called the EU taxonomy.

The EU Taxonomy is a directive aiming to **help companies and investors to shift their investments towards environmentally sustainable activities**, and to increase transparency in the market about environmental performances of assets and activities.

It provides a common understanding of activities that make a **substantial contribution to the EU's climate and environmental goals**, by providing consistent and objective criteria.

In practice, this means that the SMEs must:

- Determine which of their activities are “**taxonomy-aligned**”;
- Calculate and disclose in their sustainability report **the 3 taxonomy-related KPIs** .

To be recognized as environmentally sustainable by the EU taxonomy, an activity must meet the following criteria:

- Make a **substantial contribution** to at least one of the 6 EU environmental objectives*;
- **Do no significant harm** to the other EU environmental objectives;
- Comply with **minimum safeguards** (human rights, including workers' rights, bribery/corruption, taxation, fair competition);
- Comply with the **technical screening criteria**.

The taxonomy KPIs to disclose are the following:

- **% of Turnover** associated with economic activities that qualify as environmentally sustainable;
- **% of new Capex** (new investments during the reporting year) associated with economic activities that qualify as environmentally sustainable;
- **% of Opex** associated with economic activities that qualify as environmentally sustainable.

** Climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.*



13. AUDIT / LIMITED ASSURANCE

The CSRD requires that the sustainability report be audited by an external statutory auditor or an audit firm.

For now, the sustainable report audit consists of a light audit, called “**limited assurance**”. In a limited assurance engagement, the auditor performs fewer tests than in the reasonable assurance engagement, required for financial statements.

The CSRD requirement might expand in the future to the reasonable assurance engagement, but no date has been set yet.

The limited assurance is **required from the 1st year of the sustainability reporting**.

This audit can be made by the external auditor who is already in charge of the financial statements audit, or by another external auditor.

14. FORMAT AND AVAILABILITY



The CSRD sustainability reporting must be released in **2 different formats**:

- "Human-readable format" (for example PDF);
- "Machine-readable format", named generally "Single Electronic Reporting Format", and technically "XHTML format".

Moreover, the CSRD has set some requirements regarding the availability of the sustainability reporting:

- It must be released within a **maximum of 12 months after the close of the financial year**;
- It must be **available for free** on the company's website;
- The **external assurance** conclusions must be included in the report.

15. ROADMAP



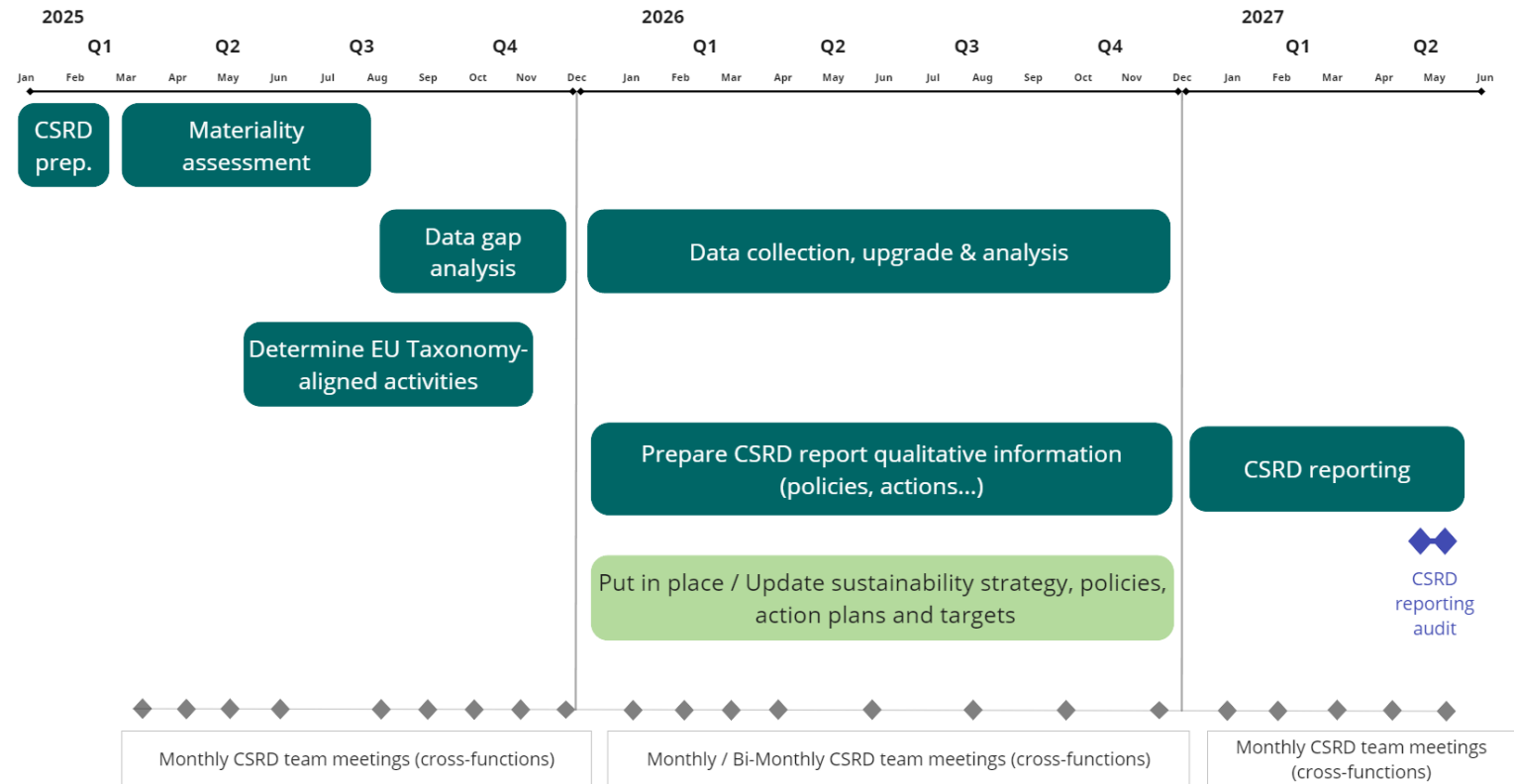
This indicative roadmap shows the main steps of a CSRD implementation project.

The CSRD does not require entities to update their sustainability strategies, policies and actions. Nevertheless, the implementation of the CSRD presents a **great opportunity to enhance your company's sustainability impact**.

The materiality assessment will provide a complete ESG diagnosis, which will serve as a powerful foundation to adapt your strategy and actions for better sustainability performance.

Moreover, recent studies have shown that companies with the highest ESG levels also outperform their market economically*.

Thus, you can **leverage the CSRD as a way to improve both your impact on People and Environment AND your economic growth!**



*McKinsey, The triple way: growth, profit and sustainability <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-triple-play-growth-profit-and-sustainability>

DO YOU NEED HELP IMPLEMENTING THE CSRD?



WE CAN HELP YOU AT EVERY STEP

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