

The Corporate Sustainability Reporting Directive: What every board needs to keep on the agenda

Sustainability measures in companies affect both finances and the planet. Boards need to be responsible overseers.



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As the EU [Corporate Sustainability Reporting Directive \(CSRD\)](#) comes into effect, boards of

directors and executive committees must brace for a significant shift in how sustainability is reported and governed.

Here are some critical points boards should keep in mind as they lead their organizations through the implementation of this transformative regulation.

At the heart of the CSRD is the concept of double materiality, which requires companies to assess not only how sustainability issues impact their financial performance (financial materiality) but also how the company's activities affect people and the planet (impact materiality). This shift means that boards must oversee comprehensive materiality assessments to ensure that both financial and sustainability factors are identified, measured and addressed. Directors should push for clear processes to manage these assessments, including setting sustainability goals and integrating these into the overall business strategy.

The CSRD increases the responsibilities of the board in overseeing sustainability matters. Boards must ensure that the company's governance structures are equipped to handle these new responsibilities. This may involve revising the roles and competencies of board members and ensuring that those tasked with overseeing sustainability have the necessary expertise. Additionally, regular training on sustainability issues seems critical to maintaining high standards of governance.

Supervisory duties will expand to include the evaluation of sustainability risks and opportunities, setting targets and monitoring the company's progress in meeting those targets. Boards must also ensure that sustainability is integrated into the company's risk management processes.

The CSRD introduces reporting standards that go beyond traditional financial metrics. Companies will need to disclose detailed information about their sustainability strategies, policies, targets and performance. This includes data on climate change, biodiversity, resource use, human rights and governance practices. Boards must ensure that the company has robust internal controls in place to collect, verify and report on this information.

Moreover, the CSRD mandates that this information is included in the company's annual management report filed along with the financial statements. This will require significant coordination between the sustainability and financial reporting teams. Boards must ensure that sustainability data is reliable and consistent with financial information to meet the growing demand for transparency from investors and stakeholders.

One of the most significant challenges posed by the CSRD is the requirement to report on the

sustainability impacts across the entire value chain. This means that companies must collect data not only from their own operations but also from suppliers, distributors and other partners. The board must ensure that the company has a clear plan to engage with its value chain and gather the necessary information. This process will be phased in over several years, giving companies time to build the required infrastructure, but boards should begin preparing now.

Boards must ensure the accuracy and reliability of the company's sustainability disclosures. Engaging with external auditors or developing internal verification processes will be necessary to meet these requirements. In fact, another key feature of the CSRD is the requirement for limited assurance on sustainability reports. Over time, the assurance level will increase to reasonable assurance, so companies should be prepared for more stringent audits in the future.

The CSRD reporting requirements will come into effect in several stages, depending on the type of company, and will be voluntary for unlisted companies. Regardless, their wider implementation is a critical moment for boards to demonstrate leadership in sustainability. By embedding ESG into the core of their governance and decision-making processes, boards can ensure that their companies not only comply with the new regulations but also thrive in a business environment where sustainability is increasingly linked to long-term success. As the CSRD comes into effect, boards need to make sure that sustainability is well integrated into corporate strategy.

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