



# **20 Important points in CSR**



It doesn't have to be difficult to comply with the Corporate Sustainability Reporting Directive (CSRD) from the EU.

While the EU estimates some shockingly high costs per company, and all kinds of expert groups write about the CSRD requirements at length, we have proven with our customers that compliance can be straightforward.

If you're feeling overwhelmed or confused by what the CSRD is and what it requires, we got you.



Here's our straightforward step-by-step checklist for the entire CSRD reporting process:

## 1. Familiarize yourself with the why, how, and what of the CSRD regulation

Start by getting an overview of what the CSRD is, the requirements, and what it will require from you.

Learn the basics -- including terminology -- in our stupidly simple, yet highly helpful, overview of the CSRD.

You could watch our CSRD webinar for a high-level introduction, or dig into the detailed videos from the European Financial Reporting Advisory Group's (EFRAG).

We don't really recommend the EFRAG videos unless you have enormous interest in the nitty-gritty regulatory frameworks. But it is useful to be familiar with the EFRAG website, because EFRAG helps the European Commission with drafting the reporting standards.

## 2. Run an initial double materiality assessment

You're right that a *thorough and complete* double materiality assessment is a longer process.



Doing a double materiality assessment means you have to consider:

- which topics your company has a material (i.e., noteworthy) impact on
- which topics have or can have a material, financial impact to your company.

A thorough assessment needs involvement of your colleagues and external stakeholders.

We do, however, recommend starting with a quick and dirty version of the double materiality assessment. This helps you get familiar with what the assessment requires and informs which of your colleagues and external stakeholders to involve for later steps.

This assessment can even be done in a simple spreadsheet. Companies that work with our Konsortium benefit from our template for the double materiality assessment.

### 3. Map out which internal functions to involve for which parts of your double materiality assessment

Your colleagues can help you identify which topics are relevant for a thorough double materiality assessment. They will also help with the assessment required for the material topics, including assessing impacts, risks, and opportunities.

The initial materiality assessment is helpful to decide which of your internal experts to involve.



## 4. Map out which external stakeholders to involve

Ask yourself: Whose lives are affected by what we do as a company? Which groups represent them? What parts of the environment are we affecting? You might want to involve workers' unions, preservation groups, or others to get a good understanding of your impacts.

## 5. Define how to involve your stakeholders (both internal and external)

This isn't just a nice-to-have: The CSRD requires you to report on how you've involved your stakeholders.

Here are our top 3 best-practices:

1) Tailor your approach for each type of stakeholder.

While it's fitting to involve your own employees with employee surveys, 1:1 meetings, or internal workshops, you need a different approach for external stakeholders. You might, for example, invite customers or advocacy groups to a town hall, or set up separate meetings with group representatives.

2) Set up a way for stakeholders to raise issues anonymously.

Raising concerns anonymously is calling whistleblowing, and the CSRD requires procedures for it. Involve them early on and ask for input at various checkpoints for your report.



3) Always, always, always involve your own employees as a stakeholder group.

While it's not required by law, we consider it a must. Your employees' day-to-day -- and their families' day-to-day -- are directly affected by you as an employer.

## 6. Set up initial dialogues

Kickstart your plan for how to involve stakeholders.

Once you're on your way with these dialogues, you can get started with the next phase of doing a double materiality assessment. Involve the relevant stakeholders as needed while doing that assessment.

A common pitfall is to try to finish stakeholder dialogues before starting the double materiality assessment. We then see companies spin their wheels for ages. It's far more effective to do the steps somewhat iteratively, and get feedback as you move along.

## 7. Create a list of sustainability issues relevant for your business

Start by listing out topics. They could include workers in the value chain, water use, biodiversity, and more. The CSRD from the EU provides lists of topics and sub-topics that you can use as a starting point.

You can do this in a spreadsheet or in CSRD software solutions.



## 8. Assess the impact of your business on each sustainability issue

To understand the impact of all the topics, use the input gathered from stakeholder dialogues and internal experts.

At this point, you'll appreciate having involved stakeholders!

## 9. Assess the risks and opportunities

For each sustainability topic, assess the risks and opportunities related to the value of your company.

This step may require more in-depth understanding of specific issues within environmental research, the industry itself, human rights, and so on. Again, input from your colleagues can be helpful. Other resources include climate and environmental research, industry or sector reports, and human right indices in your country.

## 10. Create an overview of the sustainability issues that are material

Now that you have a list of sustainability issues, along with the impact, risks, and opportunities, you can assess which issues are material (i.e., most important to tackle) for your business.



Per today, there is no quantitative definition of what makes an issue material. Instead, the EU says that a topic is more material if it's of higher severity and has a higher likelihood of having an effect. The term 'severity' is defined as a combination of scale (e.g., child labour is so bad it's of large scale), scope (i.e., how far-reaching is it/hos many people are affected?) and irremediability (i.e., it can't be cured later).

We recommend creating a table where you estimate the following for each sustainability issue:

- Scale
- Scope
- Irremediability
- Likelihood (if you're not sure the impact is really happening)

Based on your estimates, you can create an overall score per topic. Finally, you combine your human judgment with the score to decide which issues are material. Remember to pay attention to cases with high scale, even if the likelihood is low.

This resulting overview is the output of doing a complete double materiality assessment.

## 11. Develop policies that should guide the work on material topics

The CSRD requires companies to define policies (i.e., binding guidelines) for the overall approach the company takes to address the material (i.e.,





relevant) sustainability topics (i.e., issues like water consumption, waste, etc.).

Each so-called policy should — amongst others — have an objective, a defined scope, a description of who's responsible for what, and a description of how the interests of stakeholders are considered.

## 12. Define targets with milestones and deadlines for each material topic

The CSRD requires companies to define metrics for their impact on various sustainability topics and to set targets (i.e., goals) for improvement.

These targets should be time-bound, outcome oriented and measurable.

## 13. Define actions needed to reach the defined targets

What specifically will your company do to reach each target? Here you need to be specific. Each action shall link to a specific target.

## 14. Assign actions to owners

Who will do those actions? Improving sustainability across the company requires help from colleagues across the organization.



## 15. Move on and iterate

Don't get stuck creating your strategic plan. Instead, create a first draft plan, and then get started. As long as your plan is managed in a tool which minimizes the administrative burden, you can easily improve the plan as you go along. You can, for example, redefine targets, create new actions, or reassign actions to new owners.

When it's time to submit the final report, you can simply export your latest plan from your software tool of choice. (Yes, of course: At Celsia we provide such software designed for the CSRD.)

## 16. Do a data gap analysis

The targets you defined in your strategic plan were measurable metrics.

To track progress, however, you need to find out whether you track those metrics today, and where to retrieve them from. Companies often have gaps in what they want to track and the data they have today. A data gap analysis helps you figure out which data gaps you need to fill to track progress towards your defined targets.

## 17. Address data gaps or data quality issues



If you're missing data, then set up a way to get the data. If the metric has data quality issues today (perhaps it's based on manual input which is prone to human error), then address those issues.

## 18. Discuss progress towards targets

You know what happens with KPIs and goals when they're not followed up... Schedule regular times to report on and discuss your company's progress. That's how you hold everyone accountable.

## 19. Follow up on delegated actions

What's been done and what's still outstanding? Keep an ongoing overview and follow-up with owners about actions that are lagging behind.

## 20. Combine your work from the previous steps into a report

If you've done the above steps in a tool like Celsia's CSRD software, this task is easy:

- Review and quality check your work
- Click export and get a CSRD-compliant report

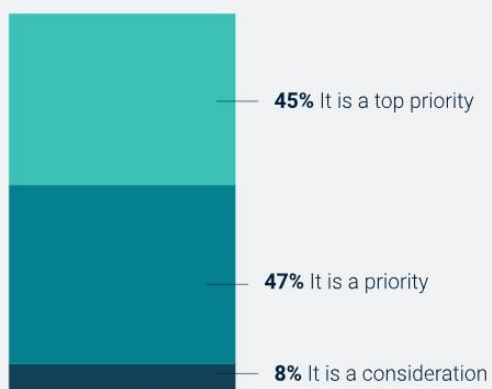


We have many more insights to share with you based on our many hours of work with the CSRD.

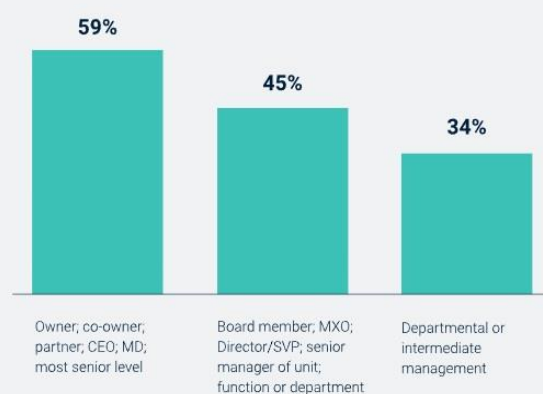
And remember..... Change is coming.

## Organizations are putting Sustainability and ESG front and center

**99%** sustainability and ESG is a top priority/  
a priority/a consideration for our business



Showing the % of those who say that sustainability  
and ESG is a top priority for their business



## Executives recognize that sustainability and ESG is a top priority. Set against their estimated digital maturity.

■ It is a top priority for our business

■ Technology is fully implemented and used extensively across the business

