

# Corporate Sustainability Reporting Directive (CSRD): Sustainability reporting in the supply chain

The Corporate Sustainability Reporting Directive (CSRD) is an EU directive requiring companies to expand and standardise their sustainability reporting. It is relevant to procurement and supply chain managers insofar as key report content must be collected along the company's own supply chain. The term therefore describes not merely an accounting requirement, but a driver of structured supplier data and sustainability key figures.

## Key facts

- The CSRD is an EU directive on sustainability reporting and largely replaces the former NFRD.
- Reporting follows the European ESRS standards and covers environmental, social and governance topics (ESG).
- In practice, the directive also indirectly affects many suppliers that receive data requests from their customers.
- A core component is double materiality: the company's impact on the environment and society as well as sustainability risks for the company.
- Supply chain data such as emission values, working conditions and proof of origin is typically collected via structured processes within the procurement process.
- Implementation deadlines are staggered by company size; details of application should be examined on a case-by-case basis.

## Definition: Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive is an EU directive governing which companies must report on sustainability aspects and to what extent. It links sustainability reporting to the existing accounting framework and requires standardised, audit-ready disclosures.

### Distinction from the NFRD

The CSRD largely supersedes the previously applicable Non-Financial Reporting Directive (NFRD). The scope of affected companies is considerably expanded, report content is regulated in more detail and is subject to mandatory assurance. While the NFRD primarily required group-wide, qualitative statements, the CSRD relies on clearly delineated, measurable key figures under uniform standards.

### Role of the ESRS

The content benchmark is the European Sustainability Reporting Standards (ESRS). They are structured thematically into cross-cutting standards as well as environmental, social and governance standards. Particularly relevant for procurement departments are the requirements relating to the value chain and working conditions, as well as environmental topics such as climate protection, although the

specific disclosure obligations must be examined on a case-by-case basis.

### **Double materiality**

The central concept is the principle of double materiality. Companies must demonstrate, on the one hand, how their activities affect the environment and society and, on the other, which sustainability risks affect revenue, costs or financial position. This requires a systematic materiality analysis, which is frequently set up jointly with the procurement, legal and controlling functions.

## **Methods and approach: CSRD-compliant data collection in procurement**

Preparing a compliant sustainability report begins with data collection along the supply chain. Procurement plays a key role here, as many mandatory disclosures – from CO emissions to labour standards – originate with suppliers. A structured approach prevents data requests from running on an ad hoc basis with a high manual effort.

### **Expand supplier master data**

In practice, it has proven worthwhile to supplement supplier master data with sustainability-relevant fields, for example certificates, locations, industry codes or self-declarations on labour and environmental standards. This allows requests to be answered automatically in future, rather than sending out new surveys every year. A prerequisite is clear data ownership between procurement, compliance and accounting.

### **Integrate processes into the procurement process**

Sustainability data should not be treated as a separate project but as an integral part of the procurement process. Proven points of integration are the enquiry and tendering phase, the bidder discussion and contract renewal within the contract renewal process. Sustainability requirements can be anchored there as criteria without disrupting existing procedures.

### **System support and interfaces**

An e-procurement system or a supplier management tool significantly reduces the workload, for example through standardised questionnaires and reminder logic. Established interfaces such as EDI can also be extended to include sustainability-relevant information. It is important that data quality and currency are checked regularly, as inaccurate statements carry assurance risks.

## **Key CSRD KPIs and report content**

The CSRD requires measurable disclosures instead of general statements of intent. For buyers, the relevant key figures concentrate on three areas: the environmental impact of procurement, working conditions in the supply chain and governance structures at suppliers.

### **Emission key figures along the supply chain**

Particularly relevant in practice are the so-called Scope 3 emissions, i.e. emissions from the value chain, including purchased pre-products and logistics. In practice, these are frequently estimated on the basis of factors per euro of revenue or per quantity, with supplier data gradually improving quality. Suppliers with a high emissions share are typically prioritised.

## **Social key figures for the supply chain**

Reported information includes, among other things, details on working conditions, human rights and complaint channels along the supply chain. Frequently used key figures are the share of critical suppliers with audited standards, the rate of codes of conduct issued, and the number of identified violations and completed corrective actions.

## **Governance and process key figures**

At governance level, disclosures on risk management, internal controls and due diligence processes matter. Of interest to procurement are, for example, the share of suppliers with a signed code of conduct, the turnaround time of supplier audits or the share of completed risk assessments. Such key figures can be readily integrated with existing supplier evaluations.

## **Risks and controls surrounding the CSRD**

The CSRD brings tangible liability and reputational risks, as the reports are externally assured. Insufficient data quality, missing processes or excessive promises to suppliers can lead to restatements and loss of trust. Controls should therefore be planned in from the outset.

## **Data quality and traceability**

A common risk are estimates with weak plausibility that do not stand up in the assurance process. It is advisable to document every key figure with its method, data source and scope of application. Changes to calculation logic must be traceable so that key figures remain comparable across several periods.

## **Supplier-side risks**

Suppliers may ignore requests, provide contradictory statements or deliver data only with delay. This creates a supplier capacity risk in the reverse direction: it is not the supplier that cannot deliver, but the report that remains incomplete. Data delivery obligations should therefore be anchored contractually and escalation levels planned, for example at the bidder discussion or at order release.

## **Internal controls and commercial invoice verification**

The interface with existing control instruments such as commercial invoice verification should be clearly defined, for example where sustainability requirements affect order or payment processes. As a general rule, legal and accounting questions of CSRD application in individual cases should be clarified by tax advisers or legal counsel.

## **Current developments: transition periods and the Omnibus debate**

The application of the CSRD is staggered over several reporting years. In parallel, discussions are under way at EU level on how reporting obligations can be simplified and mid-sized companies relieved. For buyers, this means: the obligation to collect supplier data remains, but scope and level of detail may shift.

## **Staggering by company size**

Originally, large non-listed companies and selected mid-sized companies were also to report on a staggered basis. The exact deadlines and thresholds have been postponed several times during the legislative process; binding statements should therefore always be verified against the current state of EU law.

## Simplification through the Omnibus proposals

With the so-called Omnibus proposals, the European Commission is pursuing the aim of streamlining reporting obligations and reducing the data burden in the supply chain. Among other things, simplified ESRS standards and a limitation of data requests towards smaller suppliers are under discussion. Details had not been finalised at the time of writing.

## Interaction with other regulations

The CSRD forms part of a regulatory framework with other EU requirements such as the German Supply Chain Due Diligence Act and the European supply chain directive CSDDD. Anyone wishing to avoid duplicate structures should build supplier data and processes once in such a way that they serve several regulations – also with a view to a sound procurement philosophy.

## Recommendations for action for technical procurement

For suppliers and manufacturing companies, it is worthwhile translating CSRD requirements early into commercial processes. Procurement can act as a hub here: it knows the suppliers, knows the material risks and has existing evaluation tools in place. A clear division of responsibilities with controlling and the sustainability team is important.

### Prioritisation by materiality and spend volume

Start with suppliers that are particularly economically significant or carry a high sustainability risk, for example through energy-intensive manufacturing or risky sourcing markets. In practice, an ABC analysis by spend volume combined with a country and material risk assessment provides a solid starting basis.

### Anchor key figures in procurement decisions

Sustainability data has an impact when it flows into price comparisons and contract decisions. Options include a bonus-malus model in supplier evaluation or binding data delivery obligations with rights and obligations, extending to amendment logic in the event of contract changes. This creates a structured lever rather than a mere reporting exercise.

## Typical metrics

### Supplier questionnaire response rate: > 80%

typical target value for active key suppliers after two to three cycles

### Proportion of suppliers with a code of conduct: > 90%

usual benchmark as a share of spend volume

### Covered Scope 3 share: > 70%

share of emission-relevant spend backed by reliable data

### Data currency of supplier master data: < 12 months

maximum age of sustainability self-declarations

## Practical example

A mid-sized mechanical engineering company in the DACH region is included in the CSRD reporting perimeter as a subsidiary of a European group and must provide emissions and social data for its roughly 800 active suppliers. Initially, requests are handled via scattered Excel lists and emails, and the

response rate remains low. Procurement then establishes a structured approach:

- Expanding supplier master data to include certificates, locations and self-declaration fields with clear data ownership
- Anchoring a sustainability questionnaire as a mandatory component of the request for quotation, bidder discussion and contract renewal
- Contractual obligation of the top 100 suppliers to deliver data annually with graduated escalation before order release
- Establishing a regular commercial invoice verification of the reported key figures before handover to the reporting team

## Conclusion

The CSRD makes sustainability an accounting-verifiable mandatory metric – and makes procurement the most important data source along the supply chain. Anyone still answering requests on an ad hoc basis today loses time and control over their own reporting quality. A staged approach makes sense: expand master data, adapt processes and contracts, and review key figures systematically. The legal details of implementation should be examined on a case-by-case basis, but the direction is clear: structured supplier data is the key. This turns the CSRD from an additional task into a tool for better supplier decisions.

## Frequently asked questions

### Who is affected by the CSRD?

The CSRD applies to companies falling within the EU scope, in particular capital market-oriented and large companies, with further size classes being included successively. Suppliers bear indirect obligations when they receive data requests from customers. The thresholds and deadlines applicable to a specific company should be checked against the current legal position, as the requirements have been adjusted several times.

### What does double materiality mean?

Double materiality means that a company must report from two perspectives: the impact it has on the environment and society, and the sustainability risks affecting its business development. This determines which ESRS topics must be addressed in depth in the report. In procurement, this typically feeds into the prioritisation of suppliers and material groups.

### Are suppliers without their own reporting obligation also affected?

Yes, indirectly and significantly. Even without their own reporting obligation, suppliers receive data requests from customers that are required to report, for example on emission values, working conditions or certificates. Companies that maintain standardised, audit-ready data improve their position in the selection process considerably. In practice, such evidence is increasingly becoming a quality criterion alongside price and delivery capability.

### What role does procurement play under the CSRD?

Procurement provides the value chain data, in particular on Scope 3 emissions, labour standards and supplier structure. It embeds sustainability requirements in requests for quotation, bidder discussions and contracts, and maintains the master data required for this purpose. Without an integrated procurement process, reporting remains patchy and laborious.

### **How can Scope 3 emissions in the supply chain be determined?**

In practice, three stages are used: first, sector-average factors per revenue or quantity, then specific data from major suppliers, and finally product-level data for critical materials. It is important to document the method used consistently, as the figures must remain comparable across periods. Accuracy typically improves with each cycle.

### **What does the CSRD have to do with supply chain law?**

The CSRD and the EU Corporate Sustainability Due Diligence Directive (CSDDD) pursue different purposes: reporting versus due diligence obligations in day-to-day business. However, they draw on similar supplier data and processes. Companies therefore frequently combine both requirements in a single due diligence and supplier management framework in order to avoid duplicated effort.