Implementing CSRD: Are companies ready for new reporting standards? 2/30/24

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Sustainability has become a salient feature in today's business landscape, with companies having to adapt to the growing pressure for operating responsibly and transparently. The European Union (EU) has taken significant steps to improve corporate sustainability reporting standards by implementing the Corporate Sustainability Reporting Directive (CSRD). It lays down a wider range of reporting requirements and offers more detailed guidelines helping companies make accurate and complete disclosures on their ESG impacts, as well as outlining criteria for companies liable to report on their sustainability practices.

CSRD affects about 50,000 companies across the EU and is being implemented in several stages. For many of the companies governed by CSRD, the sustainability reporting requirement has come into force this year, meaning the first report is due for FY24.

To assess whether companies are ready to report as the deadline approaches and to identify key challenges and opportunities arising from the new reporting requirements, PwC surveyed 547 respondents – executives as well as senior finance, risk and sustainability professionals – across more than 30 countries and territories (PwC's Global CSRD Survey 2024).

Almost two-thirds (63%) of companies say they are very or extremely confident they will be ready to report under CSRD. More than three-quarters (79%) of companies headquartered outside the EU and 74% of those headquartered within the EU believe CSRD has resulted or will result in business leaders considering sustainability in their decision making to a greater extent.

Obstacles to sustainability reporting

While the survey indicates confidence in sustainability reporting, respondents cite obstacles to implementation. The single biggest concern listed is data availability and quality (59%).

Only one-fifth of companies due to report in FY25 have validated the availability and completeness of data for their disclosures. Less than 60% of all respondents have engaged their technology function, although most respondents plan to do so, and most companies are not using specialist tools or technology to obtain sustainability data. Spreadsheets are the most commonly used tool (74%), compared with 26% using centralised sustainability data storage (e.g. a data lake) and 20% using AI, although more have plans to use these tools in the future.

It's good to see companies being largely confident they will be ready to report. Yet there is still some way to go, with the majority grappling with complex challenges, particularly the quantity and quality of data required, not only for their own operations but across their value chain. Business leaders recognise that sustainability information must be available, accurate and audit-ready: not just on a one-time basis, but annually. Implementing CSRD means we can rely on a global baseline of reporting standards to improve comparability and offer insights into corporate sustainability performance.

Implementation obstacles beyond data persist

Despite high confidence levels, especially in companies due to report in FY25 (72%), less than half have completed early-stage activities, such as confirmation of reporting options (39%), double materiality assessment (38%) and validation of data availability (20%).

While respondents report high confidence on topics that are generally included in existing disclosures such as workforce (75%), business conduct (75%) and climate change (60%), they are far less confident in their ability to meet reporting requirements on less familiar topics such as biodiversity (35%), pollution (43%) and workers in the value chain (44%).

Sustainability is rising in the leadership agenda

The survey finds 76% believe CSRD has resulted or will result in business leaders considering sustainability in their decision making, including 59% who say sustainability is already being considered to a greater extent due to CSRD, and 17% who say it will be considered.

Companies expect a wide range of business benefits to flow from CSRD. More than half (51%) expect benefits to a large or very large extent to include better environmental performance, 49% expect improved engagement with stakeholders, and 48% better risk mitigation.

Almost one-third believe CSRD largely improves revenue growth (28%) or cost savings (26%). The expectation of financial benefits is higher in companies closer to their reporting deadline, with 38% of companies due to report in FY25 expecting to benefit largely through revenue growth and 34% through cost savings.

Key takeaways

- Almost two-thirds (63%) of companies surveyed are very or extremely confident they will be ready to report under CSRD.
- However, with the first wave of companies due to report in six months' time, the executives cite data availability and quality (59%), value chain complexity (57%) and staff capacity (50%) as obstacles to implementation to a large or very large extent.
- Despite even higher confidence levels in companies due to report in six months' time (72%), less than half have completed key activities, such as confirmation of reporting options (39%), double materiality assessment (38%) and validation of data availability (20%).
- More than three-quarters (76%) believe CSRD has resulted or will result in business leaders considering sustainability in their decision making to a greater extent.
- Respondents believe CSRD will largely benefit their company through environmental performance (51%), improved engagement with stakeholders (49%) and risk mitigation (48%).

About the Survey

In April–May 2024, PwC surveyed 547 executives and senior professionals across more than 30 countries and territories. Sixty percent of the companies are headquartered in the EU. More than half had annual revenues of over $1bn. The sectors included: Manufacturing (25%); Financial Services (21%); Technology, Media & Telecommunications (18%); Consumer & Retail (14%); Energy, Utilities & Resources (13%);

Healthcare (7%). Across all respondents, 57% say they will be filing for the first time in FY25, based on the data for 2024.