



Transform CSRD Risks Into a Business Advantage

Introduction

If you're doing business in the EU, there's a major shift in corporate reporting underway — and you need to be on top of it. The Corporate Sustainability Reporting Directive (CSRD) is raising the bar for transparency and supply chain reporting, requiring many companies to go beyond their own four walls to assess the risks, impacts, and opportunities across their entire value chain.

It's putting how your operations affect people, the planet, and your long-term growth potential under the microscope. It follows the structure and methods outlined in the European Sustainability Reporting Standards (ESRS), adding new depth to non-financial corporate reporting.¹

A core part of the CSRD requires companies to undertake a double materiality assessment, which looks at two areas:

External Materiality

How your company's activities affect people and the environment

Internal Materiality

How changes in the world around you could impact your business performance

For manufacturers with complex supply chains, this isn't a small adjustment — it's a whole new way of thinking about risk, responsibility, and growth.

In this guide, you'll find practical steps to confidently meet CSRD requirements, along with insights on upcoming regulatory changes. Putting this information into action will help you turn your compliance efforts into real business advantages.

Understanding Value Chains

The value chain encompasses every step a company takes to deliver a product or service, from the initial idea to the end user.² This includes direct activities (such as sourcing materials, production, and distribution) and extends to support functions (like HR management) that ensure a product's journey from conception to customer is seamless and efficient.

² Investopedia. (2024, February 14). Value Chain: Definition, Model, Analysis, and Example. <https://www.investopedia.com/terms/v/valuechain.asp>

¹ European Commission. (2023, July 31). The Commission adopts the European Sustainability Reporting Standards. https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en





Big Changes Coming: The 2025 Omnibus Simplification Package

On February 26, 2025, the European Commission introduced the Omnibus Simplification Package, a set of proposals aimed at reducing the cost of sustainability due diligence efforts while still supporting EU Green Deal objectives.

The proposals outline amendments to the CSRD, as well as the Corporate Sustainability Due Diligence Directive (CS3D), the Carbon Border Adjustment Mechanism (CBAM), and EU Taxonomy.

The proposed changes to all these regulations include:

- ▶ Limiting the amount of information in-scope companies can request from small and medium-sized enterprises (SMEs) and small mid-caps as part of value chain engagement
- ▶ Exploring ways to simplify due diligence requirements
- ▶ Extending the deadline to July 26, 2028, for second-wave companies to meet sustainability due diligence rules
- ▶ Publishing the official guidelines a year earlier (in July 2026) so in-scope companies have enough time to prepare for CS3D



Major Changes to the CSRD

The CSRD would see a major reduction in scope, applying only to companies that meet all the following criteria:

- ▶ More than 1,000 employees
- ▶ Either a turnover above €50 million or a balance sheet total above €25 million

This change would reduce the number of companies covered by the CSRD by about 80%.

Additionally, the European Commission plans to introduce a voluntary reporting standard for SMEs. This standard, based on the European Financial Reporting Advisory Group (EFRAG) framework, will put a limit on the amount of data that large, in-scope companies can request from SMEs in their value chains.

On April 14, 2025, the EU Council approved the stop-the-clock mechanism included in the Omnibus Simplification Package. This delays the start date for CSRD reporting by two years for companies in waves 2 and 3 (2028 and 2029, respectively). EU member states have until December 31, 2025, to transpose this into their national legislation.



Other Notable Adjustments

The European Commission will:

- ▶ Reduce required ESRS data points, clarify vague provisions, and improve alignment with other regulations
- ▶ Eliminate sector-specific standards, but keep the sector-agnostic standards
- ▶ Remove the "reasonable assurance" requirement, but limited assurance will still be required
- ▶ Give second- and third-wave companies two extra years before they need to comply with the reporting requirements

Nothing is written in stone yet. The Omnibus Simplification Package and its legislative proposals are still under scrutiny by the European Parliament and the Council. However, it's expected that these changes will be adopted and come into effect. We recommend that manufacturers use this period to understand the CSRD requirements and start putting supply chain due diligence practices in place.



The Risks of Inaction

The broad scope of the CSRD is not the only concern for manufacturers. There are also the risks of non-compliance, which can impact a business's operations, reputation, and financial standing. Beyond direct impacts like fines, these risks include indirect impacts that are significant and difficult to quantify.

Prison Time for Business Leaders

France's implementation of the CSRD includes severe penalties for non-compliance, including the possibility of imprisonment for business leaders. As of December 6, 2023, French law includes up to five years behind bars for failing to comply with CSRD requirements.³ Business leaders need to be acutely aware of these penalties and ensure full compliance with the CSRD to avoid significant legal consequences.

Fines & Penalties

Regulatory authorities in the EU have the discretion to impose substantial fines and penalties on companies that neglect their CSRD reporting obligations. While the exact figures may vary between member states, non-compliance penalties are likely to be significant across the board, making compliance a financial imperative.

Impact on Customer & Supplier Relationships

The strength of a manufacturer's business hinges on its relationships with customers and suppliers. In an environment where stakeholders increasingly value transparency and sustainability, failing to meet CSRD requirements threatens your ability to continue working with key partners. Proactive compliance is critical to safeguarding your company's reputation and relationships.

Legal Risks & Lawsuits

Non-compliance with the CSRD opens companies to a variety of legal risks, including lawsuits from stakeholders who may claim damages due to a lack of transparency or failure to adequately disclose sustainability-related risks. Companies must fully embrace the CSRD's reporting requirements to mitigate potential legal complications.

³ Foley, M. (2023, December 21). France Introduces Possible Jail Time as Penalty for Non-Compliance With Sustainability Disclosure. Forbes. <https://www.forbes.com/sites/maryfoley/2023/12/21/france-introduces-possible-jail-time-as-penalty-for-non-compliance-with-sustainability-disclosure/?sh=47be425834db>



Reputational Damage

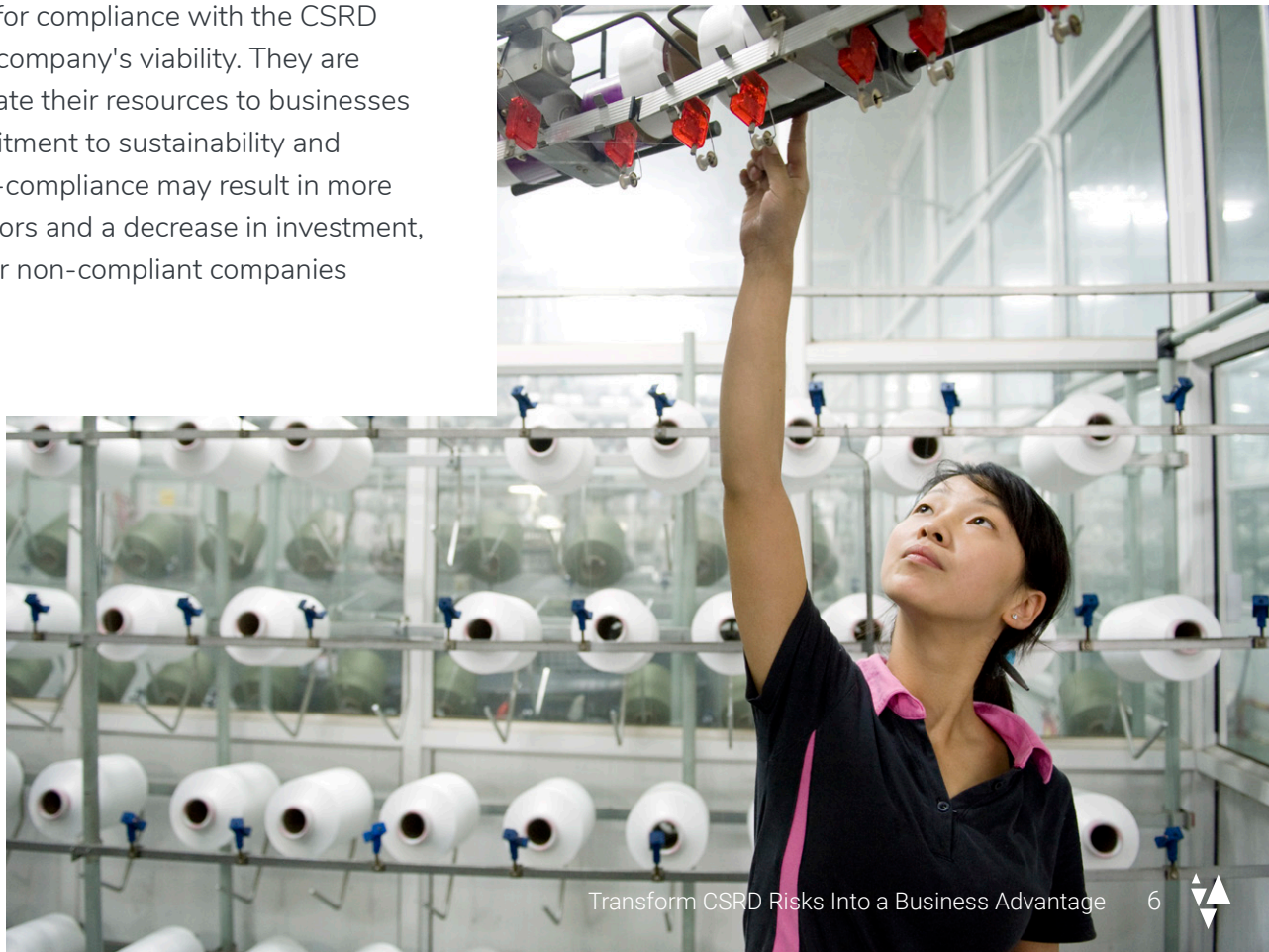
The reputational cost of failing to comply with the CSRD can be far-reaching. In an era where customers, investors, and the broader public are increasingly conscious of corporate sustainability efforts, non-compliance can lead to a significant erosion of trust and credibility. This, in turn, can affect customer loyalty, investor confidence, and overall brand value.

Loss of Investment Dollars

Investors will look for compliance with the CSRD when assessing a company's viability. They are more likely to allocate their resources to businesses that show a commitment to sustainability and transparency. Non-compliance may result in more scrutiny from auditors and a decrease in investment, making it harder for non-compliant companies to access capital.

Competitive Disadvantage

Companies that fall short of CSRD reporting standards risk being at a competitive disadvantage. As compliance becomes synonymous with sustainability leadership, those that can't meet the directive's requirements may find themselves losing out in the marketplace to competitors that have embraced transparency and sustainability reporting.



Pressures & Expectations

It's essential to understand the early pressures and expectations that are coming out of CSRD reporting requirements. These pressures are not confined to the boundaries of the EU — they extend globally, impacting non-EU companies and reshaping stakeholder expectations around due diligence and transparency.

The Impact on Non-EU Companies

While the initial focus of the CSRD is on EU entities, its influence on non-EU companies cannot be understated. These companies, particularly those with operations or partnerships in the EU, are already feeling the ripple effects of the directive as they face demands for information about their sustainability and due diligence practices in alignment with the CSRD. Failure to collect and provide the necessary data will impact business relationships and the bottom line.

These pressures are heightened by a global trend toward enhanced transparency, such as the U.S. Securities and Exchange Commission (SEC)'s Climate-Related Disclosure Standards and the California climate disclosure laws (253⁴ and 261⁵).

4 California Senate. (2023). Senate Bill No. 253, Chapter 382. California Statutes. https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB253

5 California Senate. (2023). Senate Bill No. 261, Chapter 383. California Statutes. https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB261



Stakeholder Expectations for Due Diligence & Transparency

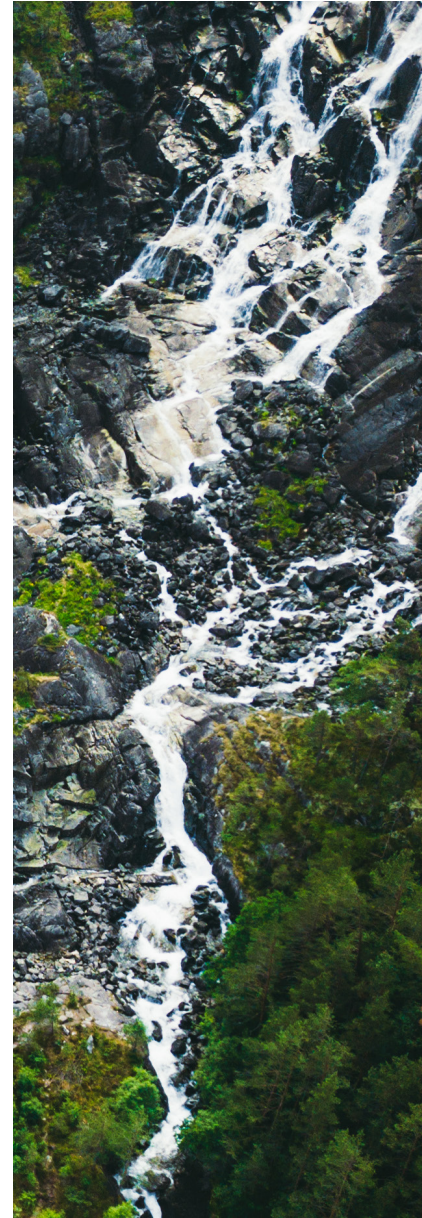
Stakeholders, including investors, customers, and regulatory bodies, are increasingly prioritizing non-financial risk and performance in their decision-making processes. The CSRD accelerates this trend by setting high standards for due diligence and transparency, not just within a company's direct operations but across its entire value chain. Stakeholders now expect businesses to proactively identify and report sustainability impacts, demanding unprecedented levels of detail and accountability.

These expectations go beyond compliance; they reflect a demand for businesses to show a genuine commitment to sustainable business practices and responsible corporate behavior. Companies are expected to not only disclose their material impacts but also show tangible efforts toward mitigating these impacts.

Digital Tagging & Third-Party Verification

The CSRD's requirement to digitally tag sustainability reporting information is a big step forward in enhancing the accessibility and comparability of sustainability data. By requiring companies to prepare both their financial statements and their management reports in XHTML format and tag sustainability information, per the EU's European Single Electronic Format (ESEF) Regulation, the CSRD makes it easy for users to search data. In turn, stakeholders can assess and compare data across different companies, promoting a more transparent and accountable corporate environment.

The directive further requires companies to get an independent third-party auditor to provide limited assurance for their reported sustainability information. This requirement is key to ensuring that the information is accurate and meets disclosure requirements.





Double Materiality & the CSRD: Key Steps for Compliance

Under the CSRD, companies must develop a comprehensive data collection and reporting strategy that includes a double-materiality assessment of their organization and value chain. Beyond meeting regulatory requirements, a strong reporting strategy can also enhance a company's competitive position.

Preparing for compliance will take a lot of time and effort, as businesses must collect and report data from inside and outside their organization. While collecting internal data through existing controls may be straightforward, getting reliable data from suppliers and partners is often the biggest hurdle.

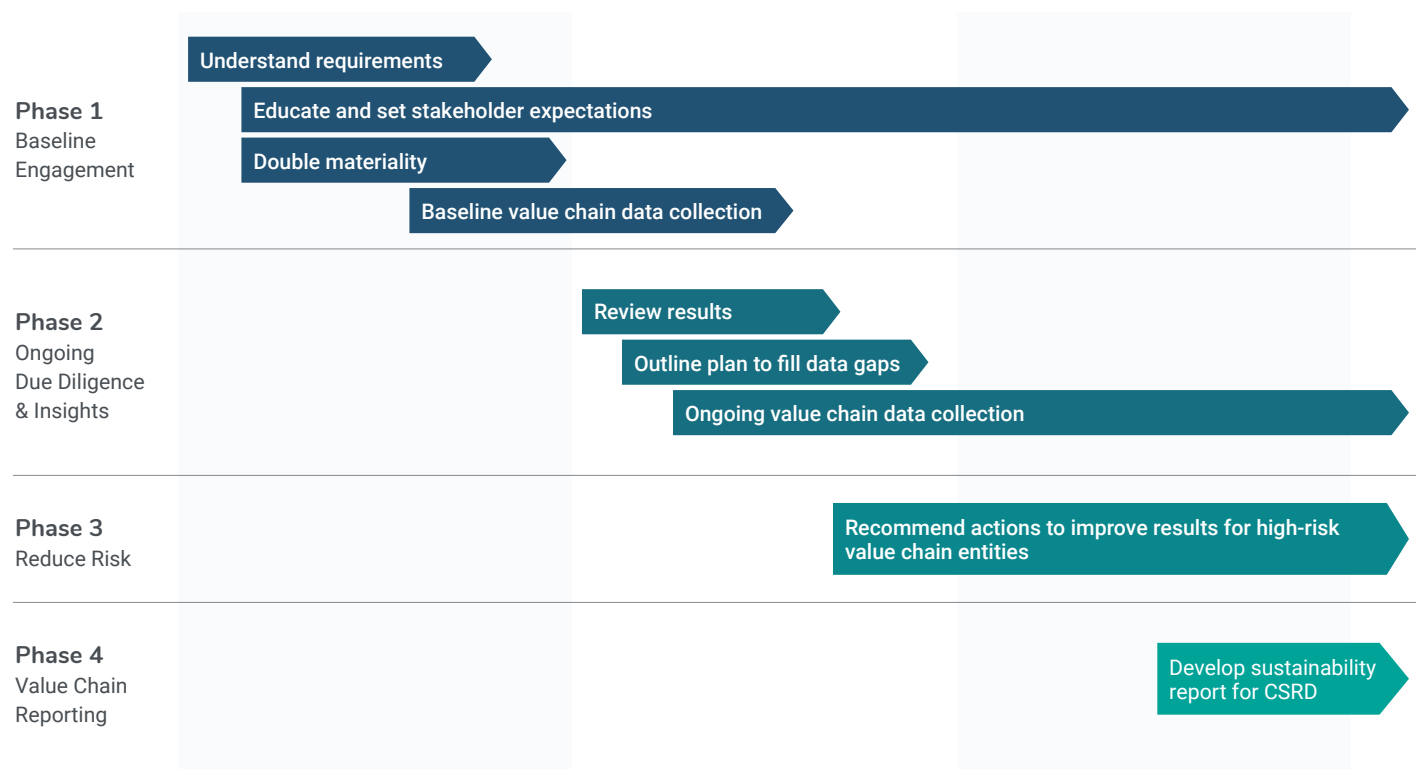


The time it takes will depend on the sophistication of your data collection processes and tools, and the complexity of your value chain, among other factors. That’s why it’s important to start as soon as possible.

This will help you visualize and track progress:

Value Chain Engagement Is Complex

Timelines Dependent on Business Scope & Requirements



Education & Implementation of Sustainability Topics

A major aspect of CSRD preparation involves expanding corporate sustainability ownership to include teams such as legal, finance, quality, procurement, and auditing. Education must extend to the value chain, ensuring suppliers and partners are aligned with the company's goals and understand the need for compliance. This will require external experts and the careful selection of a vendor that has the right experience and capabilities to lead supplier education efforts.

Establishing Proactive CSRD Compliance

To follow CSRD rules, companies must first understand the ESRS and other internationally recognized standards like those created by the Global Reporting Initiative (GRI). These guidelines help businesses stay transparent and meet legal requirements. Companies also need to watch for updates on how the CSRD is applied in different countries and any extra rules for international businesses.

But the ESRS aren't set in stone. The European Financial Reporting Advisory Group (EFRAG) updates them and new changes are coming under the Omnibus Simplification Package. To stay compliant, companies should proactively monitor the ESRS for changes.

Aligning Efforts

The CSRD serves as a catalyst, encouraging manufacturers to initiate or expand their sustainability initiatives. It's crucial that businesses gather and disclose the required data, addressing a broad range of reporting obligations — not just those stipulated by the CSRD. This comprehensive approach is key to preserving market access and satisfying stakeholder expectations.

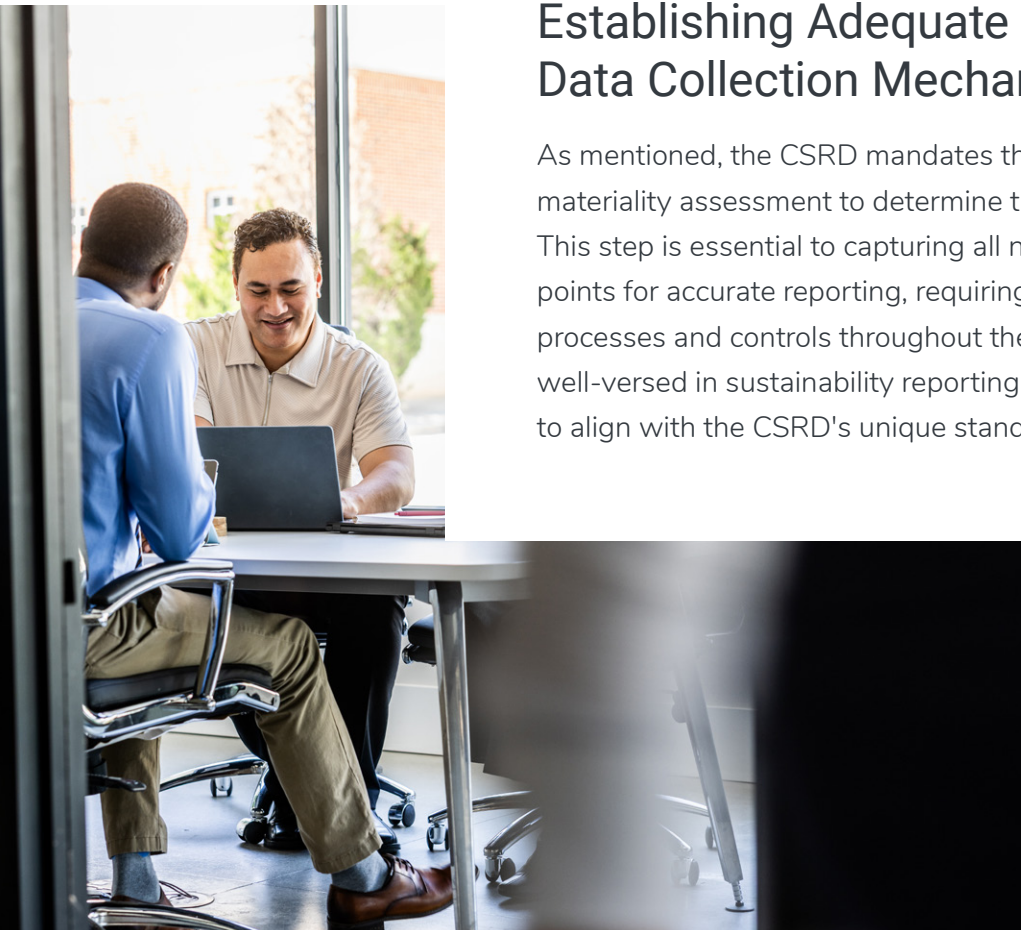


Expect More Sustainability Data Requests

Companies that may not be required to report in the first or second wave should anticipate receiving an increased volume of sustainability-related due diligence questionnaires from EU entities and other stakeholders that are in the early waves of reporting requirements. These questionnaires will probe deeper into sustainability areas linked directly or indirectly to the company's business relationships, spanning both upstream and downstream channels.

Establishing Adequate Data Collection Mechanisms

As mentioned, the CSRD mandates that companies undertake a double-materiality assessment to determine the relevant IROs for their business. This step is essential to capturing all necessary sustainability topics and data points for accurate reporting, requiring companies to adapt their reporting processes and controls throughout the value chain. Even for organizations well-versed in sustainability reporting, additional efforts will likely be needed to align with the CSRD's unique standards.



Turning CSRD Risks Into Opportunities

While much of this guide has focused on the risks associated with non-compliance, it's equally important to recognize the substantial benefits that come with compliance. These advantages not only mitigate risks but also contribute significantly to the overall value and growth of a company.

Enhanced Transparency & Accountability

Complying with the CSRD markedly improves the transparency and accountability of a company's sustainability efforts. By systematically reporting on both financial and non-financial factors, companies can offer stakeholders a clear view of their sustainability practices, goals, and progress. This openness fosters trust and strengthens relationships with customers, investors, and the community at large.

Improved Insights & Performance

The process of collecting, analyzing, and reporting sustainability data encourages companies to take a closer look at their operations and potential risks. This can uncover areas for improvement and innovation, leading to enhanced operational efficiency and performance in sustainability initiatives.



Attracting Capital & Stakeholder Engagement

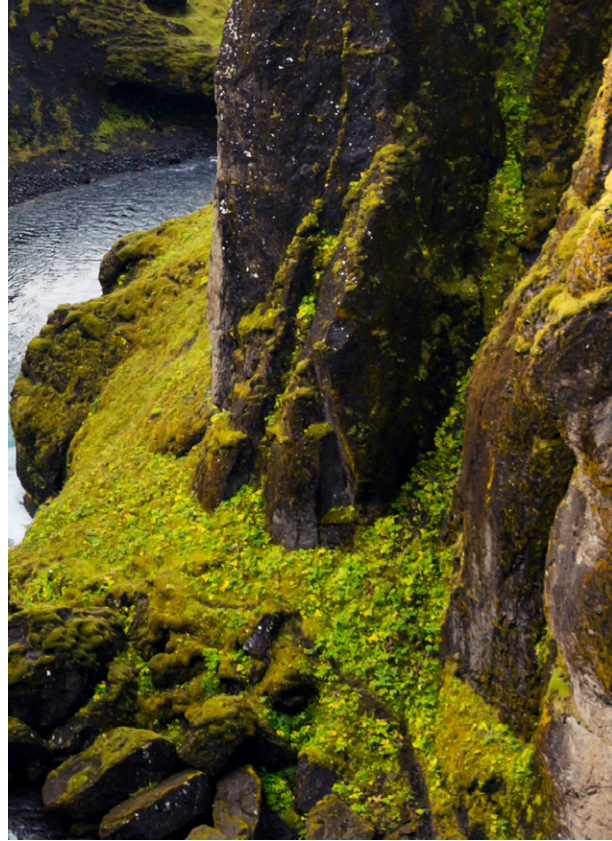
Investors are increasingly prioritizing sustainability in their investment decisions. CSRD compliance ensures that companies can attract capital by providing the detailed non-financial information that investors are looking for.

Competitive Advantage

CSRD compliance isn't just about avoiding penalties; it's an opportunity for you to lead. Companies that act early and invest in transparent, credible sustainability reporting will strengthen customer trust, increase brand value, and stand out in a crowded market.

Alignment With Regulations & Standards

The CSRD is aligned with other key regulations and standards, such as the Global Reporting Initiative (GRI) and the International Financial Reporting Standards (IFRS). Compliance with the CSRD positions companies favorably to meet other regulatory requirements and standards.





Start Today & Stay Ahead Tomorrow

CSRD compliance demands more than ticking boxes. It requires strategic planning, cross-functional collaboration, and the right tools to manage complex data across your value chain. Waiting only increases the risk of missed deadlines, reputational damage, and costly remediation efforts.

The companies that start early will not only avoid risks, but also turn compliance into a catalyst for growth.

Assent can help you get there faster. Our AI-powered supply chain sustainability management platform is purpose built to simplify CSRD reporting and drive meaningful, measurable impact.

[Book a demo](#) today and see how Assent can help you lead with confidence under CSRD requirements.





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