



A formula for **CSRD** success

From double materiality to climate transition plan and reporting



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INTRODUCTION

Transforming obligations into impact

The Corporate Sustainability Reporting Directive (CSRD) and the accompanying European Sustainability Reporting Standards (ESRS) represent the most comprehensive sustainability reporting requirements to date and are more than a major compliance undertaking. Among other measures, the CSRD creates a holistic framework for decarbonization, complete with instructions, metrics examples and timelines.

The National Bureau of Economic Research estimates that just **1° C of warming** would lower the world GDP by a stunning 12%. In this context, prioritizing CSRD requirements related to climate change (ESRS E1) will not only help companies meet comprehensive

reporting obligations. Their commitment to the global climate agenda also represents the new competitive advantage: an opportunity to impress customers, investors and industry partners.

No matter the current status of your sustainability strategy and reporting, the time to prepare and optimize is now. While many teams lack the capacity to align against requirements today, expert consultants and agile software can quickly bridge these gaps. This eBook breaks down the pathway to developing a strong CSRD reporting program— and using the obligations to tackle the most challenging issue in sustainability.

CHAPTER ONE

Start with a double materiality assessment

The [double materiality assessment](#) (DMA) is the first step in a company's CSRD readiness journey. It aims to identify material sustainability topics for the report by evaluating them from two perspectives: impact and financial materiality. This comprehensive approach helps better align sustainability with business goals and forms the foundation for the corporate sustainability strategy and reporting.

A proven process for determining materiality

To understand the impacts, risks, and opportunities related to a company's activities and upstream and downstream business relationship, the DMA process should include the following steps, with expert validation and analysis woven throughout the journey.



1. Contextualize

DMA's begin with a baseline assessment of an organization's context. This is an overview of their activities, areas of operation, business relationships, value chain, sustainability challenges, stakeholder mapping, cost structure, dependencies on natural and social resources, revenue streams and existing regulatory frameworks. The aim is to define a preliminary list of impacts, risks and opportunities (IROs).



2. Identify

The second step is centered around identifying the effects of the two types of materiality. Companies should use stakeholder input, such as surveys, workshops, and interviews, along with fact-based analysis to capture a more balanced picture of impacts, risks and opportunities. This process also helps expand, refine and improve the list of identified IROs.



3. Assess

After identifying the organization's impact and financial effects, the next step is to translate the findings into a score at the IRO level, based on their scale, scope, likelihood, financial magnitude and time horizon.



4. Prioritize

Once businesses have calculated their DMA scores, they should put this critical data to work. This involves aligning the findings with the defined thresholds to determine the relevance of the IROs associated with the sustainability matters the organization needs to focus on and report.

CHAPTER ONE

This type of in-depth analysis comes with significant challenges, including balancing qualitative and quantitative approaches, collecting data from across different stakeholders and complex value chains and breaking down organizational silos for cross-departmental collaboration. With all results subject to third-party audit, it's crucial to find a way past these obstacles and establish a thorough, proven process for gaining accurate, insightful results.

The path forward may seem cloudy at first, but some methods streamline double materiality assessment challenges and fast-track actionable insights, including:

- Leveraging a structured approach and expert collaborations
- Integrating value chain data through centralized technology
- Fostering stakeholder engagement to gather comprehensive insights
- Starting CSRD gap analysis early, during the DMA process
- Making use of a phase-in approach

Like other sustainability matters under CSRD, climate change is subject to double materiality. Organizations that determine climate change to be non-material based on their assessment must provide a clear rationale for this conclusion in their disclosures.

CHAPTER TWO

Bridge the gap between DMA and ESRS content

In the broad context of CSRD, when a company concludes that a sustainability matter is material, it needs to disclose the information according to the corresponding topical standard. The ESRS standards cover a wide range of environmental, social and governance (ESG) issues, including biodiversity, pollution, social and governance topics such as human rights and business conduct.

Expert consulting can be essential to bring accuracy, efficiency and strategy to the process, supporting organizations as they develop topical standards programs through the following:



Developing roadmaps and processes to meet targets for the identified material topics.



Understanding, interpreting and preparing required data points.



Demonstrating progress toward performance improvements within the specific sustainability topic.

CHAPTER TWO

The ESRS E1: Climate Change presents a particular challenge at this stage. It is the most complex program for organizations to manage, requiring the development of a quantified decarbonization strategy—a comprehensive climate transition plan.



CHAPTER THREE

Develop a climate transition plan

A [climate transition plan](#) is one of the unique features of the CSRD requirements. The ESRS E1: Climate Change translates the scientific concept of decarbonization into an actionable disclosure standard and provides a step-by-step process on what businesses should include in the transition plan. A credible plan should build around the broad phases of analysis, strategy and operations and include the following steps:

STEP 1

Calculate baseline greenhouse gas (GHG) inventory (ESRS E1-5 and E1-6)

Develop an annual measure of emissions from supply chain transportation, product uses and disposal and more. The CSRD requires companies to follow the Greenhouse Gas Protocol, which includes estimating direct Scope 1 emissions and indirect Scope 2 and 3 emissions. Streamline this by implementing a software-based method of carbon accounting.

STEP 2

Identify carbon reduction potentials (ESRS E1-1, E1-3)

Identify carbon hotspots in operations and value chain, then analyze ways to reduce direct and indirect emissions like Scope 3.1, purchased goods and services — reducing fuel consumption or switching to renewable energy — and quantify the financial implications.

STEP 3

Develop a transition plan including decarbonization scenarios (ESRS E1-1, E13, E1-4)

After consolidating decarbonization measures, companies then set GHG emissions reductions targets and map a decarbonization plan to help them reach their climate goals. These targets must result from an analysis of their entire business model and value chain, demonstrating contributions toward limiting global warming to 1.5° C.

STEP 4

Transform the business strategy (ESRS E1-1, E1-2, E1-9)

Long-term success hinges on harmonizing overall strategy and financial planning with the climate transition plan. Specifically, this step involves assessing risks and opportunities, screening the product and service portfolio and estimating carbon abatement costs and integrating them into business goals.

STEP 5

Implement the new climate strategy (ESRS E1)

A plan is nothing more than a bright idea until you bring it to life. Companies should then implement their new climate strategy across different products and departments. This includes defining internal carbon pricing, implementing eco-friendly product design and engaging suppliers.

STEP 6

Monitor progress (ESRS E1)

Organizations must track progress towards the established goals and monitor emissions impacts to see how well the actions have contributed to decarbonization, allowing them to amplify effective tactics and tweak ineffective ones.

CHAPTER THREE

When a company has a clear, measurable plan for achieving their climate objectives, they generate trust and credibility with investors, customers and employees. Reporting on their progress transparently not only satisfies CSRD's reporting standards — it brings initiatives like the Paris Agreement and net-zero targets one step closer to becoming reality.





CHAPTER FOUR

Prepare the CSRD report

At this final phase, businesses must take concrete steps to set the foundation for ongoing sustainability reporting. Companies should have already fulfilled the requirements and established a structured program around all relevant topical standards. The focus now shifts to operationalizing the reporting process and embedding it within the organizational framework.

To succeed, companies should prioritize the following actions:

- **Define resource allocation and responsibilities:** Assign clear roles and allocate resources to ensure continuous and effective reporting.
- **Establish internal governance structure:** Adapt the reporting governance framework to meet ESRS 2 requirements and integrate sustainability due diligence processes.
- **Develop a data collection approach:** Create a functional data analysis process, including setting up a systematic approach and governance for data collection across internal stakeholders and the value chain.

These steps lay the foundation for meeting CSRD requirements and achieving high-quality reporting, but their implementation can be challenging. Partnering with external experts, such as [Sphera Sustainability Consultants](#), can help companies reduce the reporting burden. With vast resources and years of experience, consulting experts can provide vital support by reviewing reports based on ESRS requirements, enhancing accuracy, and offering practical guidance tailored to the organization's needs.

CHAPTER FIVE

Accelerate action through digital transformation

Digitization is transforming business processes — and regulatory reporting is no exception. The CSRD requires companies to make disclosures in an electronic, machine-readable format. Businesses subject to the CSRD must also comply with the [European Single Electronic Format](#) (ESEF) by disclosing reports in the XHTML format.

Given these technical complexities, using forms-based approaches, non-reporting software and outsourced report production cannot ensure data consistency, efficiency and accuracy. Instead, businesses need a scalable, specialized software solution with the embedded capabilities to [accelerate and streamline XHTML reporting and XBRL tagging](#). For example, the [SpheraCloud Corporate Sustainability Software](#) incorporates digital templates and combines readable HTML files with the systematic machine-readable XBRL data, making it easier for teams to create accurate, timely reports.





CONCLUSION

Start preparing now to gain a competitive advantage

Corporate sustainability is evolving. The CSRD sets a new standard for sustainability and climate action — and a big challenge for sustainability leaders. But it also represents a strategic business opportunity. By creating accountability and transparency in their sustainability agenda, companies can turn CSRD reporting obligations into opportunities to attract talent and capital, boost cost-savings and gain a competitive advantage in a crowded marketplace.

Sphera helps companies prepare for CSRD compliance, making planning, program development, analytics and reporting seamless.

The [Sphera Sustainability Consulting](#) team leverages deep methodological and sector-specific knowledge to help organizations with double materiality and gap assessments, EU Taxonomy guidance, the implementation of ESRS E1 and other topical standards and reporting in line with CSRD requirements. The result? Sustainability teams remove complexity and frustration from the process and open up new ways to lead the way to a green tomorrow.

With the addition of the purpose-built [SpheraCloud Corporate Sustainability Software](#), businesses gain the centralized tool they need to meet electronic reporting

CONCLUSION

requirements, collect and manage data efficiently, identify emissions hotspots, model scenarios and track progress towards set goals.

Strategic partnerships play a crucial role in the journey towards business resilience. By leaning on Sphera's winning combination of centralized technology and expert consulting in the rush to meet CSRD deadlines, companies can drive systemic change towards a more sustainable business model and future.

[Talk to a Sphera expert to get started.](#)



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About Sphera

Sphera is the leading provider of Enterprise Sustainability Management (ESM) performance and risk management software, data and consulting services focusing on Environment, Health, Safety & Sustainability (EHS&S), Operational Risk Management (ORM), Product Stewardship and Supply Chain Transparency.

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