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Navigating CSRD: What It Means for Travel Managers in 2024 and Beyond

Before CSRD: Growing trend towards green data

Over the past few decades, there has been a noticeable shift in how businesses approach environmental and social responsibility.

This journey began back in 1989 when large multinational corporations decided to publish reports on their environmental impacts. In 1997, the establishment of Global Reporting Initiative (GRI), an organization that provides standards for sustainability reporting, further propelled the movement towards corporate accountability in environmental practices. Since the introduction of GRI in 1997, various new sustainability reporting frameworks have emerged, both in US and Europe, such as the Dow

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Jones Sustainability Index (DJSI) in 1999, the Carbon Disclosure Project (CDP) in 2000, the Task Force on Climate-related Financial Disclosure (TCFD) in 2015. However, sustainability reporting was still a voluntary endeavor.

In Europe, there was a leap towards sustainability reporting in 2014 when the European Union introduced the Non-Financial Reporting Directive (NFRD), the first legally binding obligation mandating some companies to disclose non-financial information, including environmental and social considerations.

Beginning of the CSRD Era

Further, on 21st April 2021, EU proposed a significant amendment to NFRD known as the ***Corporate Sustainability Reporting Directive (CSRD)*** as a part of the European Green Deal's goal to cut greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.

> "With the introduction of CSRD, more firms will be bound to report more data in a more detailed and digital format."

Implemented on 5th January 2023, CSRD is a directive that requires companies to report on the social and environmental performance of the activities across their value chain. With the introduction of CSRD, more firms will be bound to report more data in a more detailed and digital format. As CSRD is the only reporting directive mandating the disclosure of Scope 3 emissions (which includes emissions from business travel), it will significantly impact the travel managers and buyers.

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What makes CSRD specifically different from NFRD?

Figure 1 below offers a comparative analysis of the Non-Financial Reporting Directive (NFRD) and the CSRD. It outlines the scope, coverage, reporting requirements, delivery formats, and implementation timelines of each directive, emphasizing the differences introduced by the CSRD.

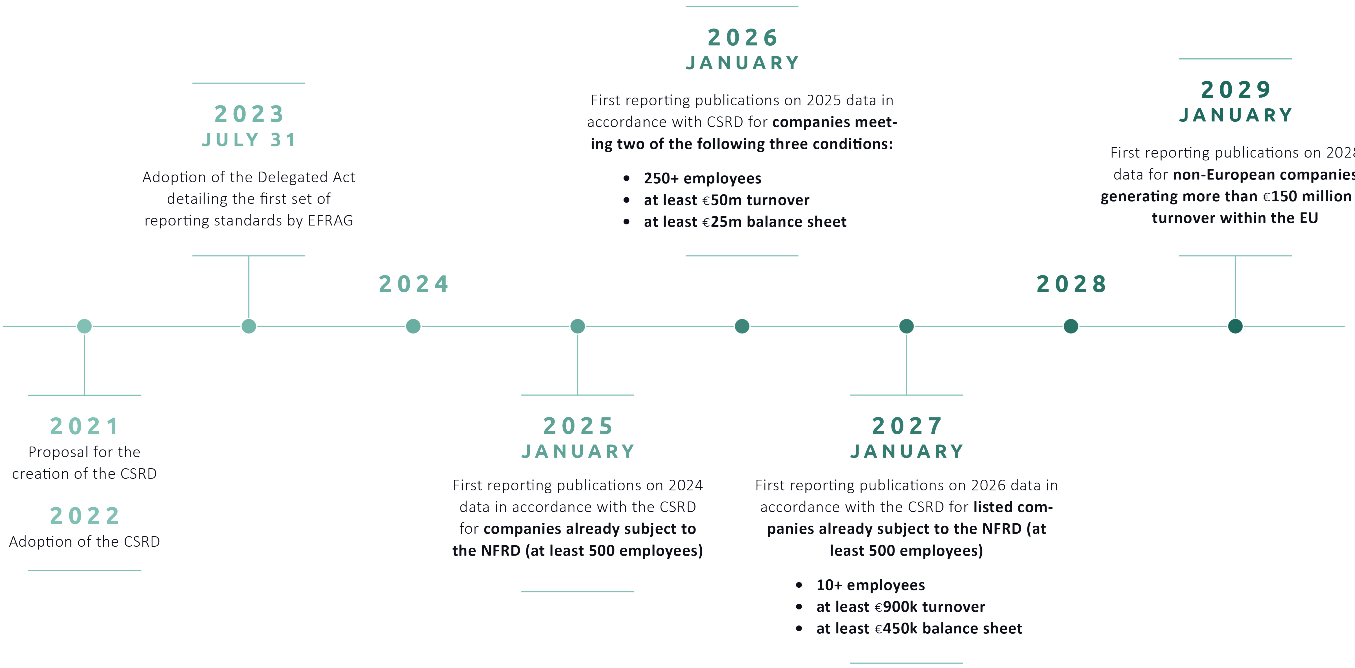
Figure 1: NFRD vs CSRD features

	Non-Financial Reporting Directive (NFRD)	Corporate Sustainability Reporting Directive (CSRD)	What's new with CSRD
Which companies are covered?	• Companies with over 500 employees • Considered "public interest entities" by national law: - Listed companies - Banks - Insurance companies	• Large companies meeting at least two of the following criteria: - 250+ employees - €40+ million in net turnover - €20+ million in total assets • Listed Small and Medium-Sized Enterprises (SMEs), from 2027 except very small companies, with less than 10 employees, less than €700K in turnover, or less than € 350K in assets • Non-EU companies with a turnover of over €150 million euro in the EU-EU subsidiaries or branches • Companies with securities (stocks or bonds) listed on an EU regulated market	CSRD has a wider scope and coverage of enterprises than NFRD as it is also applicable to non- listed companies and SMEs
How many companies does it apply to?	11,700	Around 50,000	CSRD additionally impacts 38,000 more companies compared to NFRD
What needs to be reported?	• Information on: - Environmental protection - Social responsibility, treatment of employees Respect for human rights - Anti-corruption and bribery - Diversity on company boards (age, gender, education, professional background) • Policies • Outcomes of policies • Risks • KPIs	• Additional information on: - Sustainability risks - Companies' impact on society and the environment - Progress on targets - Social, intellectual, and human capital - Scope 3 emissions • Reporting should be in line with the EU taxonomy regulation and the Sustainable Finance Disclosure Regulation (SFDR) • Reporting must include a third-party reasonable assurance audit	CSRD requires more detailed reporting with additional information on sustainability risks, reporting of scope 3 emissions etc. Further, compared to NFRD, CSRD reporting should be audited by a third party
How should the report be delivered?	• Included in your company's Annual Report • Online, in PDF format • Sustainability information can be disclosed separately, with a reference to the financial report and management report	• Included in your company's Management Report • Delivered in XHTML electronic format	The reporting format has changed under the CSRD as the reports now need to be delivered in the XHTML electronic format unlike a pdf format as in case of NFRD
When will regulations apply?	Has applied since 2018	• From January 1st, 2024 for large public-interest companies (over 500 employees) already subject to the NFRD with reports due in 2025 • From January 1st, 2025 for large companies that are not presently covered by the NFRD, with reports due in 2026 • From January 1st, 2026 for listed SMEs, with reports due in 2027 - SMEs can opt-out until 2028	CSRD will be applied in a phased manner depending on the size of the companies while NFRD has been applied since 2018

When will CSRD be implemented?

Figure 2 is a brief overview of the CSRD timeline, from its proposal in 2021 to future reporting requirements, illustrating key milestones and phased implementation details.

Figure 2: CSRD implementation timeline



How can Travel Managers prepare for CSRD rollout?

Scope 3 emissions (including business travel emissions) are now mandatory to be reported to ensure compliance with CSRD. As a result, travel managers and buyers are expected to contribute accurate travel data, and hence they need to be well-prepared.

The next course of actions can be divided into two major phases: **Build and Execute**

Phase 1: Build

- **Assess current situation:** Evaluate data availability from various suppliers and sources, map current travel data flows to determine if the available data can provide CO2 information, and identify any potential gaps and leakage.

- **Make tradeoffs:** Make tradeoffs and settle on target sources to be utilized for data processing and create a prototype.
- **Validate:** Validate the prototype by having a discussion with the CSR team and possibly with the 3rd parties (auditors).
- **Establish a process:** Post the validation, establish a data collection and calculation process to ensure consistent and accurate reporting.

Phase 2: Execute

- **Analyze:** Conduct a thorough analysis of the collected data and build the reports.
- **Verify and Publish:** Verify the reports and share it with the CSR department to be published in a digital format.

As improving sustainability performance is an ongoing journey, companies should conduct a detailed assessment of the reports to set targets, implement corrective action plans and focus on continuous improvements to contribute to the overall company sustainability goals.

However, in doing so, they might encounter certain challenges, stemming from external factors like inaccurate, inconsistent, and incomplete data due to lack of standardized norms, reliable tools, and the influence of trends like bleisure (blending business and leisure travel).

To address these challenges, companies should collaborate with suppliers to enhance data quality and improve reporting accuracy by adopting advanced data reporting tools and conducting regular audits.

Fostering Sustainability through CSRD

The Corporate Sustainability Reporting Directive (CSRD) marks the beginning of a new era for sustainability reporting in Europe, introducing significant changes that will shape the future of corporate transparency and accountability.

All told, the CSRD directive brings four major changes:

1. Inclusion of more firms under its scope
2. Requirement for more detailed reporting
3. Reporting in a digital format
4. Necessity for third-party audits

However, as with any major disruption, these changes come with their own set of challenges. This is particularly evident in the debate in the US, where the SEC's initial proposition to include Scope 3 emissions in the reporting sparked discussions amongst all stakeholders (legislators, investors, environmentalists, and the business community). This eventually, in March 2024, led to the decision to postpone the inclusion of Scope 3 emissions from reporting requirements for the time being.

Indeed, the quest for green data is still an open story!

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