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## A “HANDS-ON” GUIDE TO CSRD OBLIGATIONS FOR SMEs

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### Abstract

Large companies must comply with the CSRD obligations for the first time and prepare an NFS in accordance with CSRD/ESRS. Since they are not yet subject to any sustainability reporting obligations under the NFRD & CSR-RUG, in contrast to the companies subject to reporting obligations in 2024, the companies have at most been able to gain experience in the form of voluntary, partly non-standardized disclosures on sustainability issues. This is shown by a non-representative survey conducted during an ESG webinar: The companies that are required to report for the first time are currently burdened with specific questions and problems, such as system-technical adaptation of the IT infrastructure, identification of supporting software, legal uncertainties, coupled with discussions on the scope of the report. In addition, these companies report numerous operational challenges, such as the hurdles of a first-time preparation of the dual materiality analysis including comprehensible documentation, stakeholder involvement, high administrative costs, interface problems, setting up a sustainability structure, scarcity of resources, lack of added value, unmanageable data management and finding the optimal start time (Dr. Dienst & Partner GmbH & Co. KG, 2024). At the same time, the German economy is complaining in the media about stagnation, increasing bureaucracy and declining productivity (Löhr, 2025). This article provides a “hands-on” guide, especially for small and medium-sized companies that will have to deal with this topic for the first time in the foreseeable future.

### Keywords

CSR, CSRD, ESRS, Sustainability reporting, Canvas

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### State of research

The ESG concept is Environmental, Social and Governance and stands for environmental, social and corporate ethical performance. The ESG concept was coined by financial institutions. The United Nations calls on them to integrate sustainability factors into investment decisions (The Global Compact, 2004). ESG criteria are now part of corporate reporting; the status at European and German level is explained in the next section. The Corporate Sustainability Reporting Directive (CSRD) EU 2022/2464 of 14.12.2022 regulates the requirements for the CSR at European level. The CSRD framework directive sets out the criteria and scope for which companies must prepare, review and report on uniform sustainability aspects within a defined timetable (Official Journal of the European Union, 2022). The CSRD Implementation Act has not yet been transposed into national law and adopted as of 31.01.2025. Companies that are already obliged to provide non-financial reporting are to continue to report in accordance with Sections 289b et seq. HGB or, in the Group, in accordance with Sections 315b et seq. HGB. Frameworks such as the ESRS are expressly permitted. The adjustment of the audit requirements is to be divided between the audit of the financial statements and the audit of the sustainability report in Section 316 HGB (Institut der Wirtschaftsprüfer, 2024).

The European Sustainability Reporting Standards (ESRS) EU 2023/2772 were adopted by delegated regulation on 22.12.2023 and the corrigendum on 09.08.2024 (Official Journal of the European Union, 2023; Official Journal of the European Union, 2024). EFRAG prepares the ESRS standards that are used for reporting. The ESRS standards include, for example, the required data quality, the content and scope of reporting and the reporting process, including materiality analysis. Unlike the CSRD, the delegated regulation does not require national implementing legislation by the EU member states and therefore applies directly to the companies concerned (European Commission, 2025a). The requirements set out in the CSRD and the ESRS standard are comparability and reliability of non-financial factors for stakeholders.

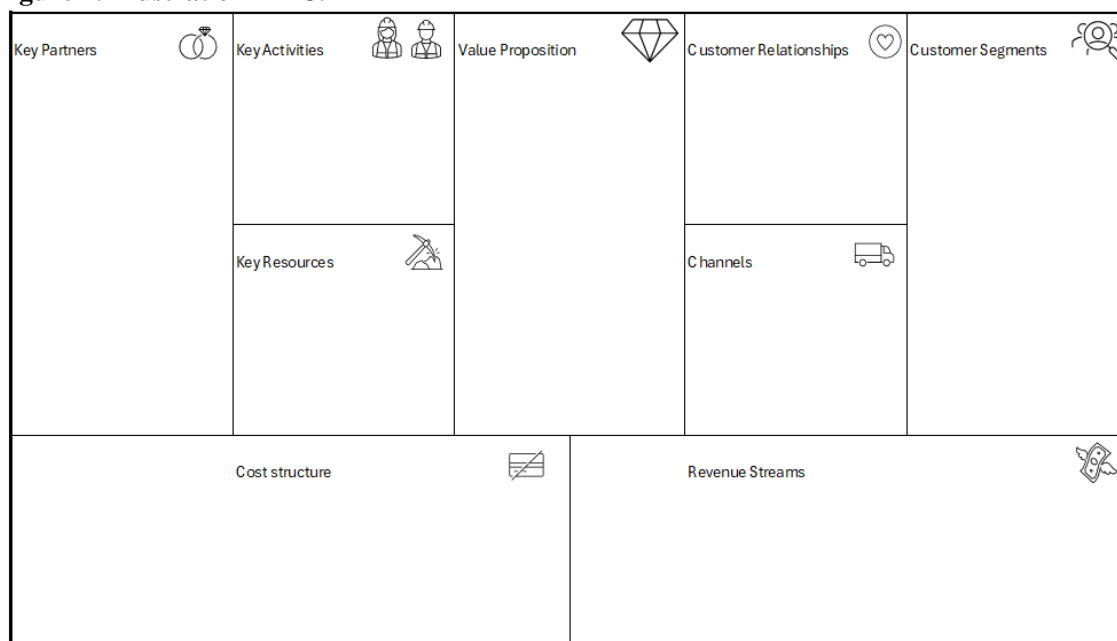
The revision of the CSRD and ESRS is currently being discussed at EU level. At the same time, less comprehensive, voluntary standards (VSME) for SMEs are being developed. What companies lack is a clear model that can clearly visualize relevant dimensions and structure resources before the start of a project.

### Business model canvas

A business model (BM) provides a platform for measuring, monitoring and analyzing company performance and improves the planning, changing and implementation of corporate strategy (Gebert, 2023, pp. 81-84). There are numerous definitions of BM, for example Drucker defined a business model in 1994 as a set of assumptions about a company in relation to customers, values and the environment (Drucker, 1994, pp. 95-104).

The Business Model Canvas (BMC) is used to describe, visualize, evaluate and change business models. Osterwald & Pigneur describe the BMC: “A business model describes the rationale of how an organization creates, delivers, and captures value” (2011, p. 14). It is divided into nine building blocks: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and the Cost Structure. It can be applied at any time and in all phases of a company, i.e. during start-up, growth or establishment (Bogott et al., 2017, pp. 111-119). The BMC can also be used for an entire company, individual divisions or products and serves to visualize the business model in communication with internal and external shareholders and stakeholders. Figure 1 below shows the BMC according to Osterwalder & Pigneur:

**Figure 1: Illustration BMC.**



*Source: Osterwalder & Pigneur, 2011, p. 44, own illustration.*

BMCs are also further developed using business model innovations, here in relation to sustainability: Ritala et al. develop nine sustainable business model archetypes based on corporate

publications of the S&P 500 in the years 2005-2014 (2018). Further developments of the BMC are the Triple Layer Business Model Canvas (TLBMC) and the Sustainable Business Model Canvas (SBMC). The SBMC adds two more fields to the nine fields: eco-social costs and eco-social benefits (Vienna University of Economics and Business (WU), 2025). The TLBMC combines the economic perspective of the BMC with the triple bottom line approach of Elkington (1997) by implementing three levels. The top level is the nine-field platform shown above, which is extended by two levels with nine fields each: the Social Stakeholder and the Environmental Life Cycle levels. This tool can be used to display very in-depth analyses that can be used horizontally - per level - and can also be evaluated vertically - per field (Joyce & Paquin, 2016). The TLBMC tool appears too extensive in the context of this thesis with three levels of nine fields each.

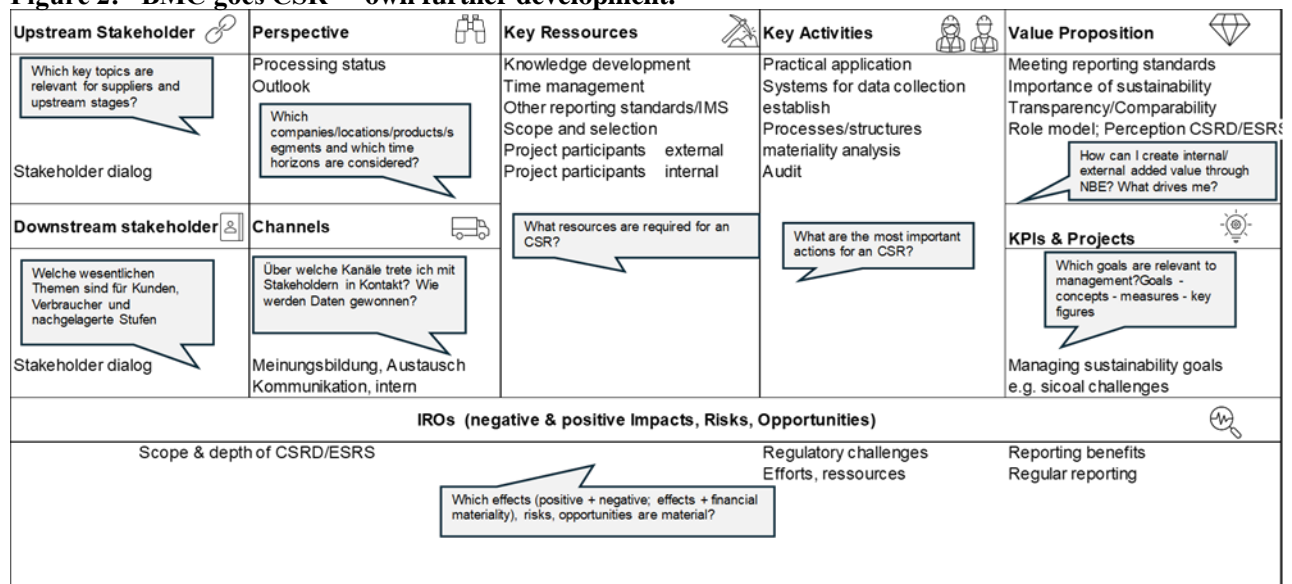
Compared to SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), BMC forces the user to carry out a specific and comprehensive analysis through the nine fields. SWOT analysis was developed at the Harvard Business School in the 1960s and, with its 4-field matrix, is much more comprehensive (Alberti, 2011, p. 13, 39). It considers internal, company-related and external, environmental factors and is also not appropriate for the scope of the work. Therefore, BMC appears to be adequate for a complex topic such as the CSR.

### Further development “BMC goes CSR”

The primary aim is to identify issues and problem areas that need to be strategically developed. Compulsion and bureaucracy overwhelm companies, especially in the first year, while long-term benefits and opportunities will arise in subsequent years. The actual benefits behind the CSR are only realized when it is used as a target system for continuous improvement. A further developed business model canvas can help with this.

The Business Model Canvas (BMC) and its illustration are presented in the next section. CSR Tools has developed a “Materiality Model Canvas” (MMC) business model based on the BMC (CSR Tools, 2025). It comprises 12 fields and CSRD/DMA-relevant topics, but the knowledge gained could not be fully incorporated. The BMC and the MMC therefore serve as inspiration for the further development of “BMC goes CSR”. The template for filling in as well as two versions filled in at different stages can be found in the appendix. The template with guiding questions is intended to serve as a completion aid. The tool is intended to address relevant issues and serve as a visualization tool.

**Figure 2: “BMC goes CSR” - own further development.**



*Source: Based on BMC by Osterwalder and Pigneur, 2011, p. 44; MMC by CSR Tools, 2025, own further development and presentation as “BMC goes CSR”.*

As with the BMC, the plan is printed out as large as possible, painted or projected onto the wall and key points are assigned to the respective field on sticky notes. Each category is provided with

questions that can be posed for the respective field. A continuous bottom column is provided for the “IROs” (Impacts, Risks and Opportunities). The background to this is that the IROs can be assessed according to different aspects, e.g. positive and negative, the financial materiality as well as the materiality of the impact. The field of IROs should be large, as a study by the DRSC of 34 DAX companies shows, 31 of the 34 companies identify between 12 and 86 material sustainability topics based on ESRS 1 AR 16. All 34 companies state ESRS E1 and S1, and 33 companies state G1 as material topic-specific ESRSs. Companies that report on eight or more topic-specific ESRSs observe almost all ESRSs, but always ESRS E1, E2, E5, S1, S2 and G1 (Deutsches Rechnungslegungs Standards Committee e.V., 2024a). An initial study from July 2024 of 20 first-mover companies shows that four material topic standards represent a realistic minimum, while an average of seven topic standards are reported (Pressentin, 2024). EFRAG provides guidance on the materiality analysis, which describes the process flow and answers FAQs (EFRAG, 2024). Material stakeholders are identified and categorized according to their position in the supply chain into “upstream stakeholders”, the upstream value chain, and “downstream stakeholders”, the downstream supply chain such as retailers, customers and consumers. The subdivision is intended to focus on key stakeholders and their issues, which may be different for upstream than for downstream processes. At MMC, one field is entitled “Products and services”, which is now called “Perspective”. The “Perspective” section opens broader possibilities such as reference to companies, divisions, locations or individual products. This field also allows a time component to be included. It makes sense to record the point in time at which the model is created. All possible points in time are conceivable, such as at the start of the project, in the middle of the sustainability reporting phase or even after completion of the report, when objectives need to be (further) developed. The “Channels” field is retained in line with the BMC and is intended to represent the communication channels with the stakeholders. Obtaining information from stakeholders such as banks, NGOs, customers or suppliers requires time and good planning; banks and NGOs are currently very busy in this regard. For customers and suppliers, a combination with other topics of discussion is worthwhile. The greatest benefit of the CSR is described as the management of relevant sustainability goals, which is why there is a field for “KPIs & Projects”, which are essential for sustainable corporate governance. Relevant control variables and KPIs are combined in one field, as a certain redundancy between the fields is evident. The “KPIs & Projects” can either only be listed or expanded with targets, concepts, measures and key figures. “Key Resources”, “Key Activities” and “Value Proposition” are also taken from the BMC. “Key resources” mainly refer to internal company resources that are crucial to the success of the project. Key resources for the initial reporting are internal knowledge development, selection and scope of internal and external project participants and time management. The cross-functionality of the topic must be considered, i.e. numerous line functions are involved, some interviewees from large companies mention over 100 project participants. If external consultants are to be brought in for the initial reporting, it is essential to compare offers. It is essential to look for pragmatic consultants, but internal knowledge building is a priority and essential. Reporting for subsequent years and the development of a sustainability management system can be carried out internally. Important resources in the form of data sources are experiences from other reporting standards and IMS.

The “Key Activities” are relevant for the progress of the CSR process. The most important actions are noted here, e.g. with diagrams that visualize progress. In accordance with ESRS 2023/2772, the CSR process is planned as follows and is roughly divided into five steps:

- Performance of materiality analysis
- Data collection and aggregation
- Formulation of the sustainability report
- Review and validation
- Publication and communication

Upstream and downstream tasks can also be noted here, depending on the time perspective. Values, motivators and drivers can be named in the “value proposition” field. The question is how a company would like to position itself in relation to CSR: Herzog analyzes entrepreneurs' attitudes towards CSRD using 36 explorative interviews and 96 qualitative surveys via online interviews. Four types can be analyzed and delineated with independent perspectives: the pioneers (15%), the routiners (30%), the beginners (35%) and the skeptics (20%). A change in value is an intangible company value that develops over the years and is not included in these calculations. The decisive factor is how the management positions itself on sustainable issues and which values are practiced in the company. Whether the CSR can

act as an initiator for a change in values is largely dependent on the corporate culture and requires further scientific research. A few years ago, today's pioneers were still newcomers to sustainable corporate orientation. This process takes several years and requires investment. Only when a sustainability management system has been developed can sustainable activities be managed and implemented, and only then can evidence of this be provided. He describes companies that anchor ambitious goals in their corporate strategies and make so-called “lighthouse projects” visible as pioneers (Hinrichs, 2023, p.225-230).

Some application tips that proved useful to the companies surveyed:

- One independent tool/system for SMEs is sufficient
- The first year has not yet set the standard. If there are gaps and errors, you should coordinate with the auditors and work on optimizations for the next reporting years
- The CEO and the CFO should work hand in hand; the CFO is more involved because the CSR is part of the management report and risk management is also integrated into it
- Support from project sponsor(s) in top management make decisive use of communication tools such as “tone from the top” to communicate the importance of the CSR to project participants and specialist departments (top-down approach). Install escalation mechanisms and use them, e.g. in the event of delays in data collection
- The complexity of the company continues in the reporting.

### Conclusion and outlook

The biggest advantage is that information, processes and structures are established through the preparation of reports, which can be used for internal management and strategy development. This enables the company to develop sustainable business models and position itself in a resilient and future-proof manner. The CSRD/ESRS is “a back-to-back approach” to a management system, which represents the greatest long-term benefit.

Regardless of previous experience in non-financial reporting or the individual processing status of the CSR according to CSRD/ESRS, the value framework and corporate culture play the decisive role. More companies are needed that clearly focus their guiding principles on “sustainability”. Those that describe themselves as pioneers or trailblazers of sustainability, cultivate a sustainable corporate orientation and see the CSR more as a product of what they achieve.

EU Commission President Ursula von der Leyen published in November 2024 as part of the Budapest Declaration on strengthening European competition that the CSRD, the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Taxonomy are to be consolidated into an “omnibus regulation” (Maier, 2024). Redundancies and overlapping reporting obligations are to be reduced, while the core content of the regulations is to be retained (Deutsches Rechnungslegungs Standards Committee e.V., 2024b). On 29.01.2025, the EU Commission published the “Competitiveness Compass for the EU”, with the aim of reducing the reporting and administrative burden by at least 25% for all companies and at least 35% for SMEs (European Commission, 2025b, p. 17). By integrating the various sets of rules into a consolidated regulation, priorities can be set, and overlap-free regulations can be found. A swift implementation of the project and bold streamlining in a consolidated regulation would create clarity for users and auditors and facilitate a targeted, strategic and sustainable orientation. For companies, a reduction in effort and an overlap-free reporting concept is necessary and desirable - also in terms of improving Germany's competitiveness and performance. It remains to be seen whether this will be implemented and how successful it will be.

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