

# Europe's Green Transition in the Textile Sector – New Reporting Requirements and Standards: The Corporate Sustainability Reporting Directive (CSRD)

23 October 2023

This online seminar is the second one of a 6-month seminar series co-organized between Partnership for Sustainable Textiles (PST) and the Green Button. Three seminars of the series are also in co-organization with GIZ FABRIC. Each seminar will focus on a topic that is part of the EU textile strategy.

The Corporate Sustainability Reporting Directive (CSRD) is situated within the context of the EU Green Deal, requiring companies in the textile sector for companies fall into scope to report on a wide area of topics including supply chain transparency and compliance with environmental standards. There is a shift from financial reporting to sustainability reporting with companies allocating focus, resources, and processes towards sustainability metrics, aiming to make the textile sector more competitive.

The three invited panel members share their insightful thoughts on what CSRD is about, what its scope and how to implement it to best prepare for it (see more biographical information in the invitation).



## Marlen Vesper-Gräske

A Principal Associate at Freshfields Bruckhaus Deringer (Hamburg/Berlin), specializes in ESG, compliance, corporate governance, and internal investigations. With extensive international experience, she advises clients on corporate, ESG/human rights, and criminal compliance matters.



## Chantal Gräff

Senior Consultant at Stakeholder Reporting, a leading sustainability consultancy part of Mazars. With a background in Fashion Management and Sustainability Management, she has led projects in corporate communications and sustainability management for companies including Zalando, Hermès, and Munich Fabric Start.



## Gerhard Grimm

Gerhard has almost 7 years of experience in C&A's Sustainability team, currently serving as the Lead Transparency & Reporting. With a background in global procurement of apparel, he leads the annual sustainability reporting efforts.

The online seminar comprised a lengthy panel discussion, followed by Q&A.

Marlen provides a clear overview of how CSRD is interlinked with financial reporting and legislative developments:

- The financial reporting is evolving by shifting towards increasingly integrated with sustainability reporting.
- CSRD established more stringent and comprehensive sustainability reporting obligations for large companies located in the EU and laid out the basis for the data-driven EU sustainable finance agenda.
- While legislation is evolving, adoption and applicability in companies are pending, awaiting acceptance by the European Council and further clarification under national laws.

Marlen also shares her view on the challenges and strategies to cope with the challenges.

- One of the challenges triggered by CSRD is making sustainability reporting digestible. It is possible for companies to start with double materiality assessments and identify the scope and potential impact across different countries.
- Complying with CSRD requires expertise from across the business, solid governance, and cross-functional core groups to align with CSRD objectives.
- CSRD requires businesses to make decisions based on double material reality, not just look at the impact of sustainability on business and financial reporting but also the impact of business models and operations on environmental and social matters.
- It is crucial to build capacity within organizations, along with collaboration for data access and exploration, particularly in understanding supply chain transparency and compliance with environmental standards.

Chantal provides a comprehensive overview of the current dynamics of CSRD within the textile industry:

- The increasing pressure from stakeholders and regulations requires transparency and compliance, particularly in social aspects of the supply chain.
- There is a need for more concrete sustainability strategies, processes, and data within the industry despite sustainability projects and initiatives.

Though the complexity of CSRD may be overwhelming, Chantal shares insightful thoughts on opportunities and challenges:

- Companies with different sizes need to differentiate considerations and strategies for compliance with CSRD. Large companies have processes and strategies in place but need to close gaps and transform existing information and data to comply with ESR standards. Medium-sized or smaller companies need to input significant effort into building sustainability know-how into their teams and setting up reporting processes.
- It's important to take the complexity of CSRD as a starting point and become aware of sustainability performance and set goals.
- It's easier in the long term if companies start earlier in preparing CSRD. Companies can take it as an opportunity to get support from management in capacity building and know-how development for successful implementation, along with focusing on consumer communication.
- It's very important for suppliers to collaborate on aligning understanding, collaboration, and preparation in the early stage as suppliers are impacted if they produce for companies within CSRD scope.

Gerhard reflects on C&A's past reporting practices and the preparation process for the new reporting scheme under CSRD, providing an insightful reference of challenges and opportunities:

- C&A will be in scope as of the Financial Year 2025, despite being a non-listed company.
- The Challenges include making reporting digestible, conducting double materiality assessments, identifying the scope and potential impact across different countries, and managing expertise from various business departments.
- CSRD allows for comparability between reports, helping companies to level the playing field and strengthen sustainability strategy.
- CSRD preparation brings stakeholders together, embedding a sustainability strategy stronger within the company and fostering a common understanding of goals.

Gerhard's sharing of C&A's practical approach to CSRD preparation provides insights on what to prepare:

- It's essential to break down the reporting process into manageable steps and foster solid governance to get management on board.
- It's important to establish a cross-functional core group and ensure alignment on CSRD objectives and capacity building within the organization.
- Accessing data requires time and strong collaboration. Data exploration is needed to understand gaps and insights in the data situation.

In conclusion, panelists agree:

- It's critical to break down the reporting process into manageable steps and foster solid governance.
- It is essential to start early preparation and have top management support in capacity building and know-how development for successful implementation.
- It's very much needed to establish a cross-functional core group within the company and establish collaboration in the supply chain to ensure stronger data reporting and foster a common understanding of goals.

To learn more, watch the [recording of the Seminar](#). The slides presented in this seminar are attached below. For more online seminars on similar topics, check out the [Asian Dialogues Series](#).

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