

A high-angle, blurred photograph of a crowd of people walking across a crosswalk with yellow stripes on a dark asphalt road. The motion blur gives a sense of a busy, active environment. The image is partially overlaid by a large white circle and geometric shapes in orange and yellow.

ehs intelligence



**The impact of
EHS on corporate
sustainability**

Introduction

With new sustainability regulations emerging globally, ESG and sustainability programs are no longer just a nice-to-have — they're a need-to-have.

But exactly what's required, and how much of it does your EHS team already do?

The answer: ***Probably a lot***

Evaluating the gap between the two is about knowing what you need to do and what you're already doing.

Table of contents

1. What's required of sustainability teams? 2
2. What must be reported for compliance? 8
3. Where will the data come from? 12
4. Why does centralization matter? 14
5. Who needs the data and how will they access it? 16
6. Compliance will continue to evolve. 18

1 What's required of sustainability teams?

There are a number of new and evolving rules coming from major regulatory bodies around the world in relation to sustainability reporting.

Three of the most significant sources include the [Corporate Sustainability Reporting Directive \(CSRD\)](#), the [International Financial Reporting Standards' \(IFRS\) Sustainability Disclosure Standards](#) — and the US SEC's (Securities and Exchange Commission's) early [2024 Climate-Related Disclosures](#).

So what do they each mean for companies doing business across these jurisdictions? Let's find out:

CSRD (EU parliament)

The Corporate Sustainability Reporting Directive (CSRD) is an essential facilitator of the European Commission's Green Deal. It offers a standardized framework for ESG reporting that's mandatory for companies in scope.

Which companies does it apply to?

- Those already subject to the Non-Financial Reporting Directive (NFRD)
- Large EU companies (over 250 employees and a net turnover of EUR 40 million)
- Listed small and medium enterprises (SMEs)
- Non-EU companies generating a net turnover of over EUR 150 million in the EU and having at least one subsidiary/branch in the EU



Who's impacted?

- **Each EU country must "transpose" the CSRD into national legislation** by the end of 2024, meaning interpretations in each EU country may be different. However, governments may not dilute the CSRD: they can only strengthen its requirements.*
- **At least 50,000 companies will be in scope**, but that number could be significantly higher, given that businesses outside the EU that trade with or have facilities and/or partners inside the EU will be impacted via **supply chain inheritance** — which requires all partners in the supply chain to comply.
- Non-member states are also starting to implement the CSRD, or models based on it — extending its reach beyond Europe.

*Case in point: France was the first country to transpose the CSRD, including up to 5 years in prison for directors who fail to certify reporting information correctly.



What does it require?

- **Double materiality** is required by the CSRD — meaning companies must report on environmental and social impacts on the business and the impact of the business' operations on the environment and people.
- **Independent, third-party audits** must be used to assure a company's CSRD reporting.
- Elements of the **European Sustainability Reporting Standards (ESRS)**, broken down by ESG topics, are included in the CSRD — making it very prescriptive.

Dates of note

- **6 July 2024:** The original target date for all EU Member States to transpose the CSRD into national law. Several countries didn't meet this deadline, but are expected to transpose before the end of 2024
- **2025:** Applicable companies must report on their first year under the CSRD (2024)
- **2026:** EU small and medium enterprises (SMEs) will need to start CSRD reporting, too
- **2028:** International companies with over EUR 150 million annual revenue within the EU and at least one subsidiary or branch in the EU exceeding certain thresholds will be required to start reporting at a consolidated group level (including non-EU activity)



IFRS Sustainability Disclosure Standards (IFRS S1 & S2)

In 2021, the International Financial Reporting Standards organization established the International Sustainability Standards Board (ISSB) to create globally aligned sustainability disclosure standards that meet the information needs of investors. In 2023 the ISSB released the IFRS Sustainability Disclosure Standards (IFRS S1 & S2).

IFRS S1 focuses on general sustainability disclosures, while IFRS S2 looks at climate disclosures.

Who's impacted?

The IFRS S1 & S2 standards are currently voluntary. However, more than 20 jurisdictions — including Brazil, Nigeria, and Turkey — have intentions to model their own legislation around them, which will make them mandatory in those regions. These countries represent over half the global economy by GDP (and more than half the world's GHG emissions).



How do the ISSB standards differ from CSRD?

- **Single materiality** — not double materiality like in CSRD — is the focus in the ISSB standards: in other words, the risks and opportunities of social and environmental factors on business operations.
- **It's much more likely to be standardized across jurisdictions that adopt it** because of its more limited scope.
- For now, **IFRS S2 has only published climate-specific standards**. It doesn't have as broad a view when it comes to other aspects of ESG... yet!



US SEC's Climate-Related Disclosures

In March 2024, the US Securities and Exchange Commission (SEC) adopted new Climate-Related Disclosures. These rules and regulations require businesses to report on activities related to climate change, such as greenhouse gas emissions.*

Who's impacted?

Every publicly-traded company doing business in the US is affected by the SEC's requirements*, making its reach broad.

Approximately 6,000 to 8,000 US stock exchange-listed companies — plus their supply chain partners who wish to ensure access to these companies as their customers.

What does it require?

Like the ISSB's IFRS standards, these disclosures take a single materiality perspective.

Climate-related risks to a company's integrity and longevity are a major focus.

*Please note: At the time of publication, the SEC's Climate-Related Disclosure rules have been suspended, pending litigation — offering businesses in the US an opportunity to evolve their approach and incorporate both the emerging EU requirements and the final US incarnation of these requirements before they go into effect.

A call for clear and calculable data

Whichever of these directives applies to your business, it's clear that **greater transparency** and **standardized data reporting** is at the core of corporate sustainability.



2. What must be reported for compliance?

What EHS already covers – and what could be missing

Sustainability topics fall under the three pillars of environment, social, and governance (ESG).

Fortunately, there's a significant overlap of these topics with those related to EHS, which companies have been required to comply with for years, which means a good deal of the initial work is already being done throughout your company's EHS programs. These can supply a veritable treasure trove of data to use as the [foundation for ESG reporting](#).

EHS



ESG



Environment

Focused on the impact a business has on the environment along with the risks and opportunities arising from it, including considerations about the company's products, services, value chain, and own operations



Social

Focused on the social impact, risks and opportunities related to the business' multiple stakeholders, considering workers in its own operations and value chains, impacted communities, consumers and end-users



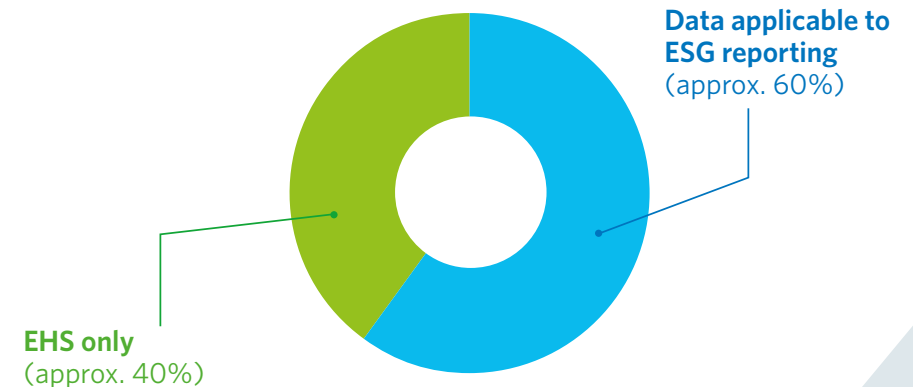
Governance

Focused on the processes of decision-making, reporting, and general running of the business, including ethical behavior and transparency

Many EHS topics can help with some ESG reporting requirements

While there is a huge difference between much of the detail and focus of EHS and ESG, there is also some beneficial convergence. We calculate that around 60% of the EHS metrics companies should already be collecting can be used to help with some ESG reporting requirements.

Current EHS metrics






Look to your EHS compliance information before you start your Corporate Sustainability Reporting: because you already have a huge amount of information already gathered – likely decades-worth of information.”

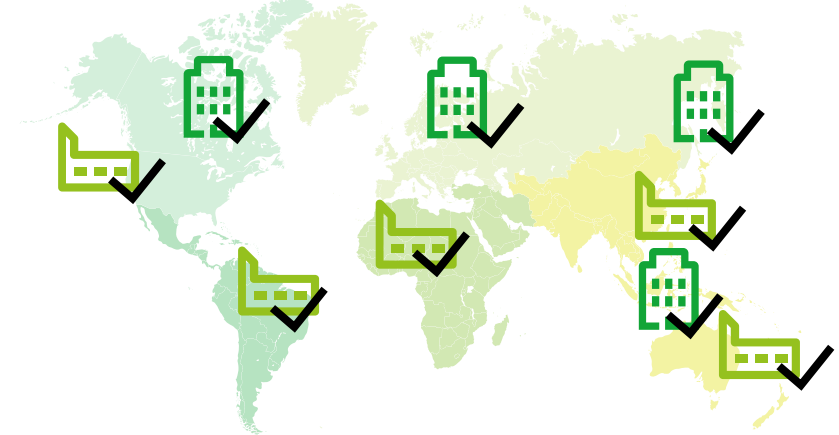
Mary Foley, ESS Senior Director at Enhesa and Forbes Contributor, in [Navigating EHS Risks: Adapting to Regulatory Change](#)

Just a few examples of EHS topics relevant to ESG strategy

 Energy management	 Air pollution	 Water management	
	 Employee representation	 Workplace stress	 Public access to information
 Risk assessment.	 Health and safety management systems	 Fiscal incentives	
	 Responsible persons	 Sustainable products	 Corporate reporting.

How does EHS compliance help companies support their sustainability & ESG strategies?

EHS Compliance at the facility level ...



... Supports the **sustainability and ESG strategy** for the whole organization ...

EHS topics



ESG-only topics, for example

- | | |
|----------------------------|--------------------------------------|
| Board Diversity | Human rights due diligence |
| Biodiversity | Whistleblower protection |
| Strategy | Anti-corruption training |
| Climate transition plan | Engagement with affected communities |
| Policies on animal welfare | |
| Tax transparency | |
| Ecodesign | |

Compliance with EHS requirements, facility-by-facility, provides a strong starting point to inform sustainability goals and strategy throughout an organization. It provides evidence-based information for disclosure to multiple stakeholders.



3. Where will the data come from?

Evaluating your current state

You already have some of the data for sustainability reporting available to you — you just may not know it.

As you can see here, much of the data that's needed exists, but it might be held today within different teams, tools, or process across your company.

Centralizing that data — a requirement of the transparent, highly accessible, and traceable reporting covered by the aforementioned global frameworks — not only helps companies meet these critical requirements for sustainability compliance, it also helps reduce non-financial risks, moving the business along a maturity curve from reactive to interdependent approaches.

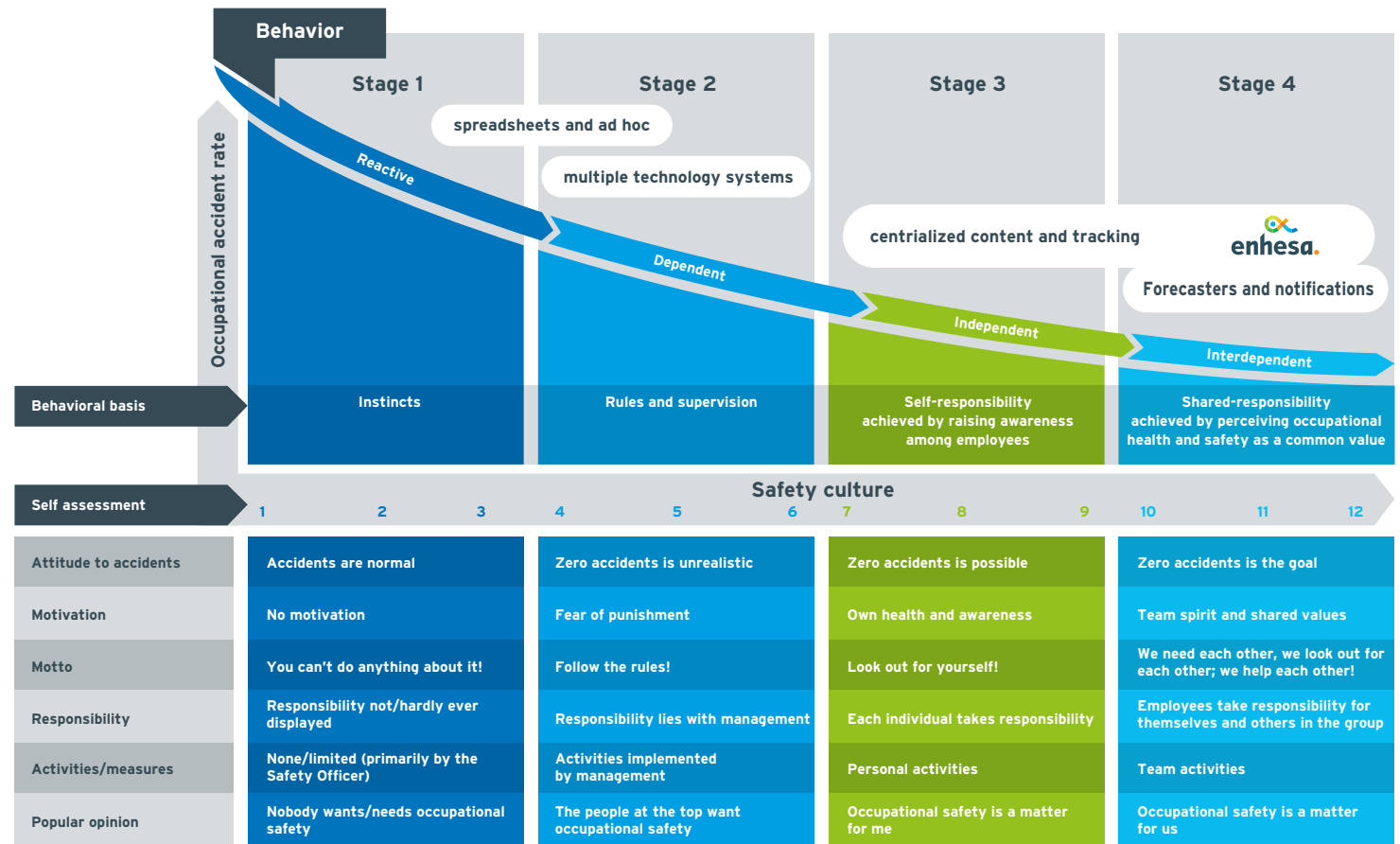
Businesses with a mature EHS program will have centralized and standardized data from all facilities and departments so it can be viewed across the entire operation with ease. But where different facilities or jurisdictions are siloed or working on EHS independently, those metrics risk being lost to the wider view.

Companies should be trying to move up the curve to achieve a level of maturity where data is universally visible and accessible to any and all who may need it — from site managers, to regional leaders, to directors and other stakeholders at the corporate level.

Want to learn more about EHS maturity transformation?

Check out our webinar with special guest expert Anthony Wareham: [Transforming EHS with a risk-based approach](#)

[Watch the recording now](#)



4. Why does centralization matter?

What's the path to get there?

Just like in financial reporting, sustainability reporting requires companies to demonstrate the topics that are important (material) to their business. There are two main types of materiality: financial and impact.

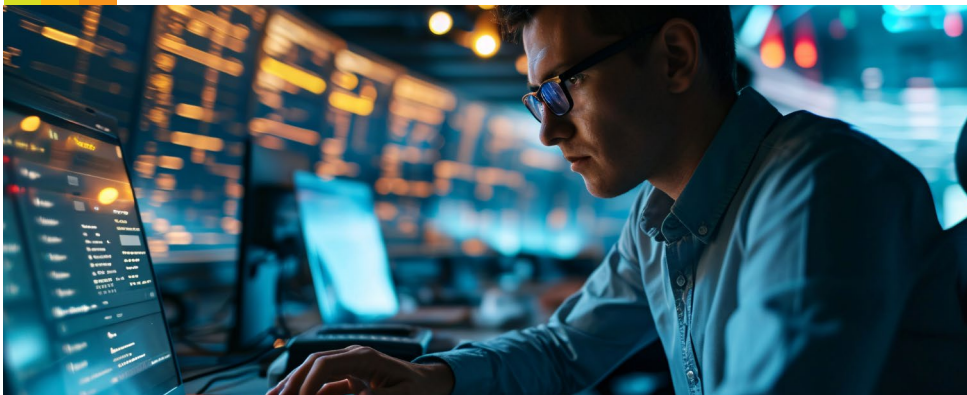
Financial materiality looks inward



Adopted by the IFRS Foundation and the ISSB standards according to the [IFRS Accounting Standards](#), which states that **"information is material if omitting, obscuring, or misstating it could be reasonably expected to influence investor decisions"**. Assessing the impact that the planet and society has on business operations and success.

For example:
What impact does a new climate change legislation have on operations?

Would you need to make changes to processes to accommodate the new legislation?



Impact materiality looks outward



Adopted by GRI, which states that they represent the **"most significant impacts on the economy, environment, and people, including impacts on their human rights"**.

Identifying the impact that the business has on the planet and society.

For example:
What impact does your company's current waste management process have on the environment?

Could operational changes be made to reduce the amount of waste produced or alter how it's handled?

Double materiality is becoming the requisite

The CSRD requires **double materiality** reporting.

Double materiality takes into account both **financial** and **impact** materiality to create a "two-way street" of transparency. It requires businesses to report transparently on how environmental and social factors impact business operations while also identifying and reporting on the impact the business has on the planet and society.

This means businesses should approach both forms of materiality from a holistic perspective, recognizing that financial and impact materiality work in conjunction with one another, not in isolation or against each other.

See how it works in practice

Find out how, with the help of Enhesa, American Axle successfully evolved its EHS and sustainability compliance program for 80 plants in 18 different countries to create a consistent, compliance-driven culture that's nurtured growth and development.

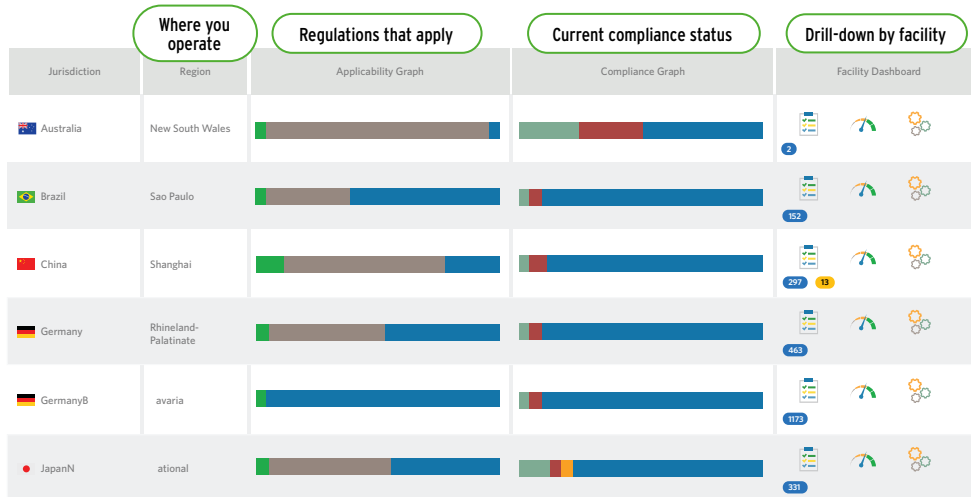
[Listen to the success story](#)



5. Who needs the data and how will they access it?

For any multinational corporation, there's inevitably going to be a number of stakeholders that need to see and understand EHS and ESG data for different reasons. It's therefore imperative that everyone within the organization who requires access has it.

Corporate dashboard reports for all users



Internal Stakeholders:

- EHS, ESG/Sustainability/CSR
- Finance HR, Risk Management
- Legal / Governance, Internal Auditors



External Stakeholders:

- External auditors, regulatory bodies
- Supply chain partners, investors, board members
- Customers, consumers

Quality is key

With the emergence of frameworks such as the CSRD, IFRS, and the SEC's Climate-Related Disclosures, businesses now need to provide **investment-grade data**. This means reliable, traceable, standardized data that can be:

- Trusted by investors and stakeholders
- Used to inform decisions
- Verified by independent auditors
- Used for year-on-year benchmarking and improvement



6. Compliance will continue to evolve.

Change is inevitable – and change in the compliance landscape is no exception.

With the emergence of sustainability and ESG as major influencers for compliance legislation, there's a surge of drastic change that will be implemented in the coming years. Staying ahead of those changes and the risks they pose is the only way for organizations to continue to survive and thrive.

What if you don't?

Public scrutiny, greenwashing accusations, boycotting, fines and shutdowns, stakeholder withdrawal and withdrawn investments — [these are all potential risks](#) that companies face for non-compliance.

Stay ahead with EHS Intelligence

Navigating the fast-changing compliance and sustainability landscapes can be a major challenge for global corporations. With a single trustworthy source of the industry's best regulatory insights and data, Enhesa's solutions can provide clarity and consistency in global regulatory intelligence to keep you ahead of EHS and ESG developments worldwide.

Our solutions give you:

- Standardized EHS regulatory information that translates into verifiable ESG data
- Coverage of essential topics for both compliance and sustainability teams
- The industry's widest reaching view of EHS and sustainability developments



What investors deem a risk today becomes the requirement for reporting tomorrow."

– Mary Foley, Enhesa Expert Services
Strategy Director





For more information

Read our free whitepaper on EHS data for sustainability reporting: [Leverage EHS for sustainability reporting](#)

Watch our free webcast on better compliance management: [Building a business case for compliance](#)

To see Enhesa's solution in action, visit: [Compliance Intelligence](#)

[Find out more](#)

Empowering businesses
to create a more sustainable future.