Navigating CSRD Compliance: Key Resources and Support Mechanisms for ESG Reporting

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ABSTRACT

With the relatively new corporate sustainability reporting directive (CSRD), there is a large group of companies that need to report on sustainability matters. Most of these companies lack experience in reporting on non-financial topics, like environmental, social, and governance (ESG) topics. This study explores the resources and support mechanisms that these companies rely on for CSRD-mandated ESG reporting. A qualitative study is executed where six companies are interviewed about their experiences with the CSRD disclosure. It reveals that companies use a mix of internal resources, such as, interdisciplinary teams, data management systems, and external resources, like consultants. Stakeholder engagement emerged as a crucial resource for transparent and credible reporting. The findings highlight the complex journey towards CSRD compliance, where companies need to utilize a blend of internal resources and external support for effective sustainability reporting.

Key words: Corporate Sustainability Reporting Directive (CSRD), Environmental, Social and Governance (ESG), Mandatory Disclosure, Stakeholder Engagement, Sustainability Reporting

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INTRODUCTION

The demand for corporate transparency and accountability on sustainability is arguably at an all-time high (Mangla et al., 2018). Environmental, social, and governance (ESG) considerations are now of interest to consumers, investors, and regulators. With climate change and growing public demand for solutions to environmental concerns and social inequities, companies face significant pressure to provide complete and trustworthy disclosure of their sustainability efforts and management practices. However, there is no general consistency and cohesiveness in financial reporting for corporate social responsibility (CSR)—at least for now—a standard that underpins corporate transparency. All of this makes for one of the most complex challenges: meeting stakeholder expectations while carefully manoeuvring in these complex regulatory environments.

Over the previous century, financial reporting has evolved into a remarkably reliable, market-based resource uplifted by an explosion in development and the unparalleled standard-setting work of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). The fundamental goal of these standard-setting bodies is the establishment and improvement of standards in financial reporting that ensure the comparability, consistency, reliability, and usefulness of financial information to all stakeholders (Tschopp & Huefner, 2015). In an offer to achieve a single framework for consistent and understandable financial reporting, Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) have been adopted worldwide. Transparency, accountability, and investor confidence in the financial markets have necessitated this. Compared to financial reporting, although gaining traction, sustainability reporting is still in its developmental stage, because it is a relatively new field. The modern period has seen more and more reports on sustainability and corporate responsibility being submitted. The only obstacle is that the approach has not been consistent enough because there is no standard way of reporting CSR. The Global Reporting Initiative (GRI) has developed standards that serve as more guiding instead of rigid regulation. In this pursuit, businesses have reported on dissimilar metrics, which sometimes complicate efforts to compare or evaluate CSR efforts among stakeholders.

This is where the Corporate Sustainability Reporting Directive (CSRD) is going to be a huge game changer. In doing so, the status of CSR moves corporate reporting on CSR to the same degree of materiality, rigor, and level of assurance as that of financial reporting through the CSRD with full-scope sustainability disclosures. This transforms the triple bottom-line impacts of environmental, social, and economic corporate actions into more useful information that can be reliably used to make decisions concerning all stakeholders. From a business perspective, this is a regulatory issue, but it also offers an opportunity to indeed signal commitments to sustainability and responsible governance.

In business terms, this means that the effect of the CSRD is going to be nothing short of transformational. It means reorganizing reporting structures at the company from scratch to be able to adjust the reporting to the new standards being put in place, which is going to require considerable investments in data collection, analysis, and reporting frameworks. Apart from being an administrative change, it would also be a strategic one in shaping the operations and decisions the companies take. For instance, adhering to the CSRD standards will expand their reach within their supply chains, enabling them to obtain valid sustainability information. This will improve cooperation and collaboration, thereby increasing transparency in business operations going forward.

The CSRD delves deeper into sustainability reporting, giving companies the challenge of enhancing precision and transparency in their ESG practices. More transparency will ensure a better corporate reputation and confidence in the investors because more stakeholders will be comfortable with the data presented, as it becomes more consistent and comparable. On the other hand, companies will find themselves under more inspection than ever, and areas where they are lagging will be put into the spotlight, therefore serving as a constant reminder to continuously improve their sustainability performance. More importantly, firms that are best prepared to redefine themselves within the CSRD can still leverage their sustainability credentials within the market. Recent consumers and investors are inclined to favour those companies committed to ESG tenets (Pedersen et al., 2021). Moreover, only companies that adhere to the CSRD can differentiate and access investment funds that place a key premium on sustainability.

In other words, the CSRD not only revolutionizes the landscape for companies, but also drives the necessity of reporting on sustainability issues and the aspiration to elevate CSR reporting to a level of standardization and reliability comparable to that of financial reporting. The comparison underlines how financial reporting has come a long way and provides a solid basis for how much further reporting related to CSR might go, mainly if underpinned by regulations such as the CSRD. This directive focuses on business compliance challenges and strategic growth opportunities, emphasizing how a stronger reputation and innovative business practices can enhance competitiveness in current and future sustainable markets. As a result, CSRD will enter the business area where it can foster even more transparent, accountable, sustainable, and ultimately realistic businesses. This is also relevant for sustainable entrepreneurs, because if companies struggle to comply with the regulations, sustainable entrepreneurs can offer their knowledge the help these companies towards sustainability. This study aims to investigate the key resources and support mechanisms that companies rely on with the CSRD-mandated ESG reporting. This will be a more practical approach, and therefore aims to bridge the gap between theory and practice. Therefore, the following research question will be answered: What are the key resources and support mechanisms companies are relying on for CSRD-mandated ESG reporting, and how do companies utilize these resources and support mechanisms?

The paper is structured as follows. The following section summarizes existing literature on sustainability reporting and the resources and support mechanisms involved. The second section describes the methods used in the study. The third section presents the results of the study. The final section concludes the paper with a discussion and conclusion of the study.

LITERATURE REVIEW

History of ESG research

There is a growing number of ESG publications, this is a result of a growing awareness of and interest in sustainable development practices by academics, practitioners, and policymakers (Singh et al., 2023). The increased importance of ESG issues is expected to impact sustainable practices in businesses and organizations, with a long-term improvement in environmental, social, and governance topics. The growth in ESG research indicates an understanding of the interconnectedness of the environment, social, and governance factors in making different decisions. The depth of ESG research catalyses industry transformation with companies increasingly incorporating sustainability considerations into their business strategies. This switch to 'sustainable business models' will raise competitiveness, reputation, and stakeholder trust. In general, the increase in publications articles on ESG signals the emerging changes in the business environment. It allows for shaping the agenda on the directions of future research in the environmental, social, and governance fields (Singh et al., 2023).

Effects of mandatory reporting

Mion and Adaui (2019) conducted a study to investigate the impact of mandatory nonfinancial disclosure (NFD) on sustainability reporting quality (SRQ) in Italian and German companies. The analysis focused on the effects of Directive 2014/95/EU implemented in both countries. Here are some key points on how mandatory nonfinancial disclosure affects the quality of sustainability reporting: First, the study's findings indicated that the quality of sustainability reporting increased after Italy and Germany implemented the law on mandatory NFD. This suggests that the obligatoriness of NFD positively influences SRQ. Second, the law appeared to reduce the differences in SRQ between Italian and German companies before the introduction of mandatory NFD. This indicates that mandatory disclosure requirements can lead to more standardized and comparable sustainability reporting practices across countries (Ottenstein et al., 2022). Third, the regulations in mandatory disclosure encourage companies to follow the ESG reporting requirements determined by regulatory bodies. Non-compliance with the requirements can lead to penalties or reputational harm. So, the firms are encouraged to stick to the reporting standards (Ioannou & Serafeim, 2017). Fourth, the impact of mandatory NFD on reporting quality may be positive, but the literature is divided. However, compared to voluntary reporting, where some studies say that voluntary reporting does not improve SRQ, including the risks associated with voluntariness in reporting harmful elements of social and environmental performance (Archel et al., 2008), mandatory reporting might be the preferred option. So, the requirements for mandatory non-financial disclosure might improve the quality of sustainability reporting regarding transparency, comparability, and accountability in corporate reporting practices.

Use of internal resources

A lot of the resources that companies have internally available can be used for the sustainability reporting process. These include human resources, financial resources, internal management, physical resources, and informational resources.

Human resources are the people, skills, knowledge, and capabilities embodied in an organization. An organization depends on human resources to trigger innovation, productivity, and performance (Herremans et al., 2016). Engaged people are motivated, productive, and committed to working for an organization to help achieve its goals. Human resource strategies, such as employee recognition programs, mechanisms for feedback, and work-life balance policies, in turn, create a positive working environment and increase employee engagement (Herremans et al., 2016). Companies depend on the skills of their employees to activate the sustainability drive and report at the same time. Training and capacity-building programs can be conducted to improve the employees' skills in terms of which a company must report on their sustainability efforts (Dissanayake et al., 2019).

When it comes to financial resources, there is limited research done on financial resources themselves, but indirectly these financial resources are used to invest in the other resources mentioned, like human, physical, and informational resources. As mentioned by Herremans et al. (2016), companies must have the financial resources to stay in business, keep financing growth opportunities, and meet obligations.

Physical resources refer to the physical assets that companies require while in business, such as facilities, equipment, inventory, and infrastructure. Such resources are the source of production and service (Herremans et al., 2016). There is an increased focus by companies on sustainability matters regarding physical resources, such as saving energy, waste minimization, and general environmental effects. Sustainable resource management helps companies minimize their ecological footprint and operate sustainably (Herremans et al., 2016).

Data, information systems, and knowledge are all types of informational resources. Companies use these resources to make informed decisions, analyse performance, and remain competitive in the market (Herremans et al., 2016). Companies use informational resources to collect, analyse, and report data about their ESG performance. The sustainability reporting frameworks by the Global Reporting Initiative (GRI) and other frameworks require organizations to disclose the relevant sustainability information to stakeholders (Herremans et al., 2016), and this is also the case for CSRD. The companies rely on informational resources to guide them in establishing and measuring key performance indicators (KPIs) and other metrics of performance in sustainability (Dissanayake et al., 2019). A company can assess how far it has come in pursuing sustainability goals, measure improvements, and report on accountability to stakeholders (Herremans et al., 2016). Information systems help a company collect, store, and analyse data on sustainability metrics.

Internal management practices are essential in the collection and analysis of data regarding sustainability performance. A company can also create specific departments or teams to take responsibility for sustainability reporting and measurement of performance. An organizational culture that is strong at incorporating sustainability and transparency could support reporting on sustainability. In essence, a firm with a solid orientation towards sustainability may incorporate sustainability into its reporting practices (Dissanayake et al., 2019).

Importance of stakeholder engagement

Mandatory disclosure can enhance communication and stakeholder engagement. Offering a high level of information given by the companies to stakeholders on ESG matters is a high level of disclosure, which creates trust for companies' actions and for stakeholder concerns (Ioannou & Serafeim, 2017). High-level of disclosure is preferred in the current corporate environment, where the call for accountability and transparency in corporate sustainability reporting is at its highest.

This can apply to relations with customers, suppliers, investors, communities, and regulatory agencies. According to Herremans et al. (2016), these actors matter toward transparency. Such relations are essential in terms of collaboration, trust-building, and long-term sustainability. Effective stakeholder engagement by such stakeholders helps companies communicate their sustainability efforts, capture valuable feedback, and respond to potentially raised concerns. Informational resources are the fundamental building blocks of stakeholder engagement regarding sustainability. The companies use the information and data to provide feedback and respond to stakeholders' concerns about adopting sustainable practices. Transparent communication and engagement underlie the building of trust and credibility with stakeholders (Herremans et al., 2016). Such transparency is associated not only with sharing data but also with responding to feedback from the stakeholders so that the company's resources are enhanced.

Therefore, stakeholder engagement in organizations is likely to have a great impact on sustainability reporting in several ways (Manetti, 2011). It also allows the collection of several views and responses by involving stakeholders, which somewhat makes the sustainability reports more credible and transparent. Organizational inclusion of many stakeholders' views provides a more balanced and credible evidence regarding its sustainability performance (Manetti, 2011). Essentially, stakeholder engagement helps identify and prioritize material sustainability issues that matter to stakeholders and businesses. This ensures that the reporting is on notable issues that are important to stakeholders and reflect their core concerns (Manetti, 2011). Eventually, the improved decision-making will take in a wide range of views and interests. Such a broad-ranged approach allows the companies to arrive at informed decisions in the process, resulting in more sustainable business behaviours reflecting the stakeholders' interests and sustainability goals (Bellantuono et al., 2016; Manetti, 2011). Thus, stakeholder engagement would provide a platform in which areas of opportunity and risk with regard to sustainability issues can be identified. When companies respond to the concerns of stakeholders, the quality of information, and thereby, the overall quality of reporting, will improve. This suggests that by involving the stakeholders, a company can avoid risks and be in a potential position to 'grasp' opportunities arising out of response to the concerns raised by stakeholders. In turn, the overall reporting quality of companies' sustainability will improve (Manetti, 2011). Involving stakeholders shows that the companies are accountable and transparent in their efforts towards sustainability. Such commitment is how organizations are said to be handling the concerns and expectations of the stakeholders, which in return would enhance the organizations' commitment toward responsible business practices (Manetti, 2011). These stakeholders are increasingly expecting companies to be transparent about their ESG practices, thus pushing organizations to disclose more information in their sustainability reports to keep pace with these expectations (Xiao & Shailer, 2022). Such pressure for transparency and accountability drives companies to report comprehensively about their sustainability performance, reflecting their commitment to responsible and sustainable business practices.

While most sustainability approaches try to achieve a balance around its economic, social, and environmental dimensions, stakeholder theory goes a step further to focus on the interconnection of these dimensions with stakeholder relationships. The value creation aspect of stakeholder theory is that it needs to surpass financial interests to take care of all stakeholders that are involved in or impacted by the business (Schaltegger et al., 2019). This approach highlights the importance of considering the contributions of different stakeholders in sustainability programs.

Stakeholder engagement is thus crucial to improving the quality and credibility of the sustainability reports (Manetti, 2011). Using relational and informational resources allows companies to enhance their decision-making skills, risk management, accountability, and transparency through collaboration with stakeholders. Therefore, companies must involve their stakeholders continuously, leading to more transparency and accountability in translating their sustainability reporting into actual action.

METHODS

Study design

Using a qualitative research design, this study investigated the tactics and difficulties, by standards, that large businesses experienced in getting ready for CSRD reporting for the fiscal year 2025. This study is especially fitting for qualitative research since it provides a comprehensive view of the experiences and viewpoints of the participants. The selection of qualitative techniques is in keeping with the criteria set out by well-known frameworks, like the ones presented by Malterud (2001), which highlight the significance of rich, comprehensive data for comprehending complicated phenomena. A cross-sectional design works better than a longitudinal design considering the study's duration. Cross-sectional designs are a sensible option for exploratory investigations since they are efficient with both time and resources (Spector, 2019).

Setting and subjects

The study is conducted in collaboration with the practice firm. The practice company has formed an internal sustainability team. Together we decided that this issue is relevant and corresponds to the expectations of both parties. The study involved six large companies located in the northern region of the Netherlands. According to the European Commission, large companies are defined as those meeting at least two of the following criteria: a turnover of more than €50 million, a balance sheet total of more than €25 million, and more than 250 employees (PricewaterhouseCoopers, n.d.). These companies were chosen because they are required to report on CSRD, providing valuable insights into the preparation processes and challenges encountered.

The northern Netherlands was chosen as the geographic focus due to the contacts with the practice company and personal network of the researcher. The practice company serves four of these companies as clients, and I have contacted two of them through my personal network.

Participant	Function	Company
Participant 1	Finance director	Construction/foundation company
Participant 2	Sustainability program manager	Public transport company
Participant 3	Financial controller	Automotive company
Participant 4	Purchasing agent and head quality, labour, and environment	Wholesaler of fruit and vegetables
Participant 5	Financial controller	Wholesaler of food products
Participant 6	CSR-officer	Breeding, production and marketing of seed potatoes

Data collection

Each interview lasted approximately 25 minutes and was guided by an interview protocol that included questions about the companies' CSRD preparation processes, the role of external help, and the perceived challenges and benefits of such assistance. To ensure data collection accuracy, all interviews were audio-recorded with the participants' consent. The recordings were then transcribed to facilitate detailed analysis.

The data was collected using semi-structured interviews, because this is common in qualitative research and provides a balance between guided questions and the flexibility to explore emergent themes (Wilson, 2014). The interviews were conducted either offline in person or online via Teams, depending on the participants' preferences and availability. This is guided by the interview protocol provided with questions on the process of company preparation for CSRD, external help, and difficulties and benefits perceived in the process. The consent of the participants ensured the recording of all interviews. After this, the tapes were transcribed to get a more detailed analysis through coding.

Data analysis

The transcribed interviews were analysed thematically, this is in line with the approach of Braun and Clarke (2006), which can be described as a helpful way of identifying, analysing, and reporting patterns within the data. The rationale for choosing thematic analysis is its flexibility and ease of categorizing data.

Data analysis involved the following steps in ATLAS.ti: reading and re-reading the transcripts to become familiar with the data. Data was identified using systematic coding, which identified quotations that were helpful to the research questions. The coding processes were done manually to be constantly engaged with the data. Groups of potential themes were then formed, depending on their similarity and relevance to the research objectives. The themes were examined for coherence, and internal reviewing and refining were done to finalize them in terms of whether they belonged together and whether there was a clear and obvious distinction between them. This meant that clear definitions of themes were provided, followed by naming the themes to capture the essence of what they are about. The final stage was the construction of a narrative for how the themes would answer the research question.

The main objective of the research was to understand factors that influenced the company's decision-making processes mandated under the CSRD and how this applied to ESG reporting. However, as the study proceeded, the interviews showed a primary focus on the resources and support mechanisms that the companies were using to become compliant. This turn of the research has adjusted the research question: What are the key resources and support mechanisms companies are relying on for CSRD-mandated ESG reporting, and how do companies utilize these resources and support mechanisms?

Ethical approval

The ethical norms of the University of Groningen are followed in the process of conducting the interviews and collecting the data. These ethical norms are in place to provide confidentiality to the participants that are included in the study and to ensure that their values are respected.

Prior to conducting the interviews, all subjects are given an information sheet and informed consent. During this process, the participants were informed about the goals, methods, and possible risks of the study. The participants received guarantees that their involvement in the study was entirely voluntary and that they could leave at any moment without facing any consequences. The study was carried out in accordance with best practices in qualitative research ethics, respecting the rights of every participant, thanks to ethical considerations and approvals.

RESULTS

Companies' progress towards sustainability reporting

While all companies recognize the importance of the directive and have initiated steps towards compliance, they are at different stages of their journey. Four participants are still in the planning and early implementation phases, focusing on defining metrics and setting up systems. The other two participants have established more organized structures to drive their sustainability initiatives. This variation highlights the diverse challenges and strategies companies face as they navigate the complexities of CSRD compliance. One of the primary challenges highlighted by the interviewees is the extensive effort required to manage and implement ESG reporting under the CSRD. Several participants underscored the complexity and time-consuming nature of the process.

The interview with participant 1 provides insight into the early awareness and ongoing efforts of a company long committed to sustainability: *"I saw the CSRD coming at us for a long time. We are a company that has been involved in sustainability for a long time"*. Despite this early awareness, participant 1 acknowledges that the company is still in the beginning phase of its CSRD journey: *"No, because we are not that far yet. We are really in the initial phase"*. This indicates a foundational understanding and initial planning, but significant work remains to be done to fully comply with the directive. Similarly, participant 2 from another company describes a structured yet ongoing process: *"We finalized our material themes in December and have been working since January to find the right metrics. We are still defining clear definitions, checking if we have all goals, a baseline year, policies, data source systems, and data ownership"*. This detailed approach reflects a thorough and disciplined process, emphasizing the complexity and precise planning required to meet CSRD standards. Participant 5 notes that his company has made some initial steps but is still in the early stages: *"We have already taken some steps, but it is really still in the beginning stage".* This statement is consistent with the broader theme of early-phase activities, indicating awareness and initial actions, but a long journey ahead. On the other hand, the company of participant 6 appears more organized, with established governance structures to support sustainability efforts: *"We have organized ourselves well. We have a steering committee on sustainability and several working groups actively working on making our business more sustainable".* This proactive organizational framework demonstrates a more advanced stage of preparation, suggesting that some companies are ahead in structuring their efforts to meet CSRD requirements. The readiness and maturity level of each company influence the type of information and the quality of data they can provide, which in turn affects the overall findings and conclusions drawn from the study.

Data Availability

Data availability and data collection are two of the most important resources for setting up the sustainability report. A company can report on a wide range of data points under the CSRD framework. The companies are aware that data collection is a critical concern; four participants mentioned it is critical for the reporting, and two participants see it as a challenge to gather the right information needed for the reporting. Participant 2 highlighted the challenge of gathering and verifying data across different systems, which often provide inconsistent information:

"And, that sometimes seems very simple, right? Number of FTE. But yes, if you ask 3 people within the company about it, you will get 3 different answers about what our number of FTEs is, because

one gets it from that system, and the other from that system, which has not been updated. Yes, and that is part of it with these people and that is not part of it with those people. So, it can take you 3 or 4 weeks to come up with a clear definition of such a data point, identify the right source system, and so on."

Participant 6 also recognized data collection as one of the most challenging aspects within their organization, despite having substantial data available for key material points:

"He (Financial controller) also says data collection is one of the most difficult things within our organization. There really is quite a challenge there, with the working groups that are now in place, there is already quite a bit of data available. So, there is already a lot of data on the important points that we find material, so that makes a difference."

This highlights a recurring issue where the diverse nature of data sources complicates the process of ensuring accuracy and completeness.

External Help

The reliance on external help is a common strategy among the companies preparing for CSRD reporting. This trend was consistently observed in the companies interviewed, all of which acknowledged the necessity of external assistance in their CSRD reporting efforts. Notably, five participants mentioned that they are hiring some form of consultant to streamline the process. Companies view the use of consultants in CSRD reporting preparation as a crucial yet expensive measure. Participant 2 underscored the significant costs associated with hiring a consulting firm to provide necessary support: *“Yes, look at hiring a consulting firm, that is of course a major expense.”* This highlights a common challenge faced by companies: the balance between the need for expert guidance and the substantial costs involved. In addition to hiring consultants, some companies are leveraging collaborations with external partners to navigate the CSRD reporting process. Two participants highlighted their collaborations with industry associations and even competitors: *“In the field of CSRD, but also in the field of sustainability, we seek out our counter partners, our competitors.”* The external perspective and technical knowledge that consultants bring can significantly enhance the quality and accuracy of CSRD reporting. Given the complexity and evolving nature of CSRD requirements, many companies find it wise to invest in external consulting services to ensure compliance and avoid potential pitfalls.

Internal resources

Effective preparation for CSRD reporting relies heavily on the mobilization and utilization of internal resources. The interviews revealed that companies invest considerable time, personnel, and financial resources to meet these requirements. Participants' quotations provided insight into how these resources are allocated and the strategies used to ensure compliance.

Participant 1, highlighted the importance of both internal and external resources, emphasizing the significant time and financial investment required: *"Time and hiring. Yes, look, we hire, so to speak, that interim and we hire that agency that guides us and our own time."* This reflects a dual approach, in which internal efforts are supplemented with external expertise, indicating a substantial commitment of internal time and effort. Participant 4, elaborated on the collaborative internal efforts, detailing the formation of a dedicated team comprising members from various departments:

"Look, what we are going to do is just make sure that we mention the fact that we are hiring parties to help us with this, which says that we are investing time and money in it. We are also putting together a team here that will do this, someone from finance, someone from KAM, someone from our HR department, someone from data, and someone from purchasing. Then we will work with a team to ensure that we organize this."

Participant 5, also stressed the importance of an interdisciplinary team, emphasizing the inclusion of diverse roles to cover all aspects of the reporting process:

"Well, we have a team there for internal strength. We have someone from all facets there. There is someone from quality, someone from human resources, me, someone from management, and someone from commerce, so it is a fairly broad team. We are all going to tackle this together."

This comprehensive approach involves pooling expertise from finance, quality management, human resources, data management, and procurement to collectively put knowledge and expertise together.

Stakeholder engagement

Stakeholders play a significant role in the preparation and execution of CSRD reporting. The interviews revealed that engaging stakeholders is crucial for obtaining relevant insights, aligning sustainability goals, and ensuring extensive reporting. The quotations from participants illustrate the diverse ways in which stakeholders influence and contribute to the CSRD process.

Participant 1 described their stakeholder analysis process, which involved engaging with clients and suppliers through interviews to assess materiality:

"We conducted a stakeholder analysis by speaking with a number of clients and suppliers through interviews. We then weighed and balanced this information and put it into some kind of Excel setup with various weightings. And yes, that resulted in the double materiality."

This approach emphasises the importance of stakeholder input in determining what issues are relevant to both the company and its stakeholders. Not only external stakeholders are important for the CSRD process, but also communicating with internal stakeholders:

"Yes, they are super important, and you have to involve them at various stages of the process. Engaging your stakeholders on time is also very important. It's mainly about the company, so also communicate internally what you are doing and why you are doing it, which is, of course, very challenging when you have so many employees."

Participant 3 also mentioned the communication with internal stakeholders:

“And among the personnel, you notice more involvement, also because we ask the project group to get input from the staff, like, 'Hey guys, do you have any ideas or suggestions?' and you get some nice responses."

This indicates that employee engagement can enhance sustainability initiatives and contribute valuable ideas. Participant 5 framed an even bigger picture of why stakeholders are important for businesses and why you should be careful with your stakeholders in the CSRD process:

"Well, I think they are very important because without stakeholders, we have no business. So yes, without customers, we have no sales, without suppliers, we have no products, so these stakeholders are very important to us."

Utilization of resources and support mechanisms

The path to compliance with the CSRD requires strategic and efficient utilization of various resources and support mechanisms. This part delves into how these resources are utilized to meet the CSRD requirements.

Internal resource mobilization

To achieve CSRD compliance, companies are primarily utilizing their internal resources, mostly to form knowledgeable teams. Participant 4 emphasized the importance of an interdisciplinary approach: *"We are forming a team that includes members from finance, KAM (quality, labour, and environment), human resources, data management, and procurement."* By integrating diverse parts of the company, companies can cover all aspects of ESG reporting comprehensively. The allocation of substantial internal time and financial resources is a common strategy. Participant 1 highlighted their approach: *"We dedicate significant internal time and, at the same time, are hiring external agencies for guidance."* This dual investment ensures that internal teams are equipped with the necessary support and expertise to navigate the complex requirements of the CSRD. Interdepartmental collaboration is crucial. Participant 5 described their strategy: *"Our internal team includes representatives from quality, HR, management, and commerce. Together, we tackle the reporting requirements."* This broad involvement ensures that all relevant perspectives are considered, improving the overall quality and accuracy of the reporting process.

External expertise and collaboration

Given the complexities of CSRD compliance, the utilization of external support is helpful to gather the right information. Many companies are hiring consultants to provide specialized knowledge and guidance. Participant 2 underscored the necessity of this external assistance despite the associated costs: *"Consultancy services are expensive, but their expertise is critical."* Consultants offer deep insights into regulatory requirements and best practices, which can streamline the compliance process. In addition to consultants, companies are engaging in industry collaborations. Participant 2 mentioned partnering with industry associations and even competitors: *"We collaborate with our peers in the industry to share insights and strategies."* These collaborations allow companies to benefit from shared experiences and so they can collectively tackle problems, improving their overall approach to ESG reporting.

Efficient data management

Effective data management is central to CSRD compliance. There are many challenges in collecting and verifying data from various sources for companies. Participant 2 expressed these difficulties: *"It can take weeks to standardize a data point and ensure its accuracy."* In response, some of these companies are investing in advanced data management systems for easy and effective data collection and reporting. Participant 6 added this and underlined the importance of these systems: *"Despite having substantial data, ensuring its accuracy remains challenging. Data management processes are essential."* The utilization of such extensive data management systems by firms further grants them validation of their data concerning ESG integrity and quality.

Engaging Stakeholders

Stakeholder engagement is also a very crucial part of CSRD compliance. Companies have to seek the opinion of both their internal and external stakeholders to design their sustainability projects to meet those expectations. Participant 1 stated: *"We conduct interviews with clients and suppliers to assess material issues."* By selecting material issues with stakeholder engagement, the company is assured that its sustainability efforts will be relevant and focused. Participant 3 mentioned the following: *"We seek input from our staff to enhance our sustainability initiatives."* The engagement of employees enhances the reporting process and contributes to creating a culture of sustainability within the organization. Participant 5 added to importance of stakeholders: *"Without stakeholders, we have no business. Their input is critical to our sustainability efforts."*

This point highly illustrates the importance of stakeholder utilization in the company's ESG reporting and sustainability approaches.

In summary, companies are using a mix of internal and external resources, data management systems, and stakeholder engagement to comply with reporting requirements mandated under the CSRD. Suitable utilization of these resources and support mechanisms, therefore, must be in place for the process to be in line with the CSRD requirements.

DISCUSSION

This study aimed to identify the key resources and support mechanisms that companies rely on for CSRD-mandated ESG reporting, as well as how these resources and mechanisms are utilized. From the results it can be concluded that, despite varying initial responses from the participants on the new CSRD disclosure, all participants in the study recognized the importance of the new CSRD disclosure and its regulations. The participants are in different stages of how well they are prepared for the reporting; four companies are in the planning and early implementation phases, and two companies have established more organized structures. Based on the data provided by the participants, companies heavily rely on a mix of internal and external resources and support mechanisms. The companies rely on internal resources and support mechanisms, such as interdisciplinary teams, data management systems, and financial resources, and external resources and support mechanisms such as consultants and industry collaboration. Stakeholder engagement, both internal and external, is also a critical component for all participants when preparing for the CSRD mandated ESG-reporting. The companies utilize these resources and support mechanisms to set up a reliable sustainability reporting basis to build upon and execute material themes for their ESG-reporting.

The results of this study show several important correlations and patterns. First, there is a clear correlation between the stage of CSRD compliance of company maturity of the internal structures and processes. Companies that have created well-established governance structures, such as sustainability committees and interdisciplinary working groups, are better prepared for the CSRD implementation. This finding suggests that organizational readiness and internal capacity are significant factors in the effectiveness of CSRD implementation.

Second, the study shows a correlation between the use of external consultants and the perceived complexity of CSRD compliance. All companies hired external experts to fill the gaps in knowledge and streamline the reporting process, despite additional costs. This reliance on external support underscores the complex nature of ESG reporting and correlates with the challenges mentioned by the participants of the study. In existing research there is limited discussion between the relationship of sustainability reporting complexities and the external help of consultants or other forms of advice.

The results support the theory that stakeholder engagement is a critical factor for successful sustainability reporting. Engaging stakeholders not only helps companies identify material themes, but also enhances the credibility and transparency of the reporting process. Involving stakeholders in the reporting process also connects to the stakeholder theory (Schaltegger et al., 2019) because of how important stakeholders are in the business environment, which automatically implies that stakeholders should be of great importance to the reporting process. In terms of unexpected results, the significant challenge of data availability and management stood out. Despite having experience in data management systems, companies struggle to ensure data accuracy and consistency, highlighting an area that requires further attention and improvement.

The results of this study have several significant implications. Firstly, they support existing research on the importance of organizational readiness and stakeholder engagement in sustainability reporting. The study provides new insights into the practical aspects of CSRD compliance by highlighting the vital role of interdisciplinary teams and structures in internal processes. It emphasises the need for companies to invest in internal capacities and external expertise to go through the complexities of sustainability reporting.

The practical implications of these results would interest companies preparing for CSRD compliance. The research suggests that companies should spend more on building internal governance structures and data management systems and engaging with internal and external stakeholders. Not only do these strategies help CSRD compliance, but they also improve the overall quality and transparency of the sustainability reports.

These findings suggest that policymakers should establish robust frameworks and clear guidelines that result in compliance with the CSRD. In this way, the reports are likely to become more transparent and comparable with the implementation of consistent and standardized data collection and reporting practices across all industries. Policies that encourage stakeholder participation may be a driver toward a more holistic, credible sustainability discourse that supports accountable business practices and the achievement of sustainable development goals. Additionally, the study displays the criticality of industries' collaborations with one another. Alongside peer companies, using collective knowledge, companies will be able to make the ESG reporting processes better and surmount widespread issues.

This study has limitations that should be considered. The sample size is relatively small, and the companies included are at different stages of CSRD compliance, which may limit the generalizability of the findings. Additionally, the study focuses primarily on companies in the north of the Netherlands and in a limited range of industries, which may not fully capture the diversity of strategies and resources across different regions and sectors. Despite the limitations, the findings contribute to the existing body of knowledge and offer a foundation for further research in the field of sustainability reporting.

CONCLUSION

The central aim of this study was to identify the key resources and support mechanisms that companies rely on for CSRD-mandated ESG reporting and how these resources and support mechanisms are utilized. Based on the findings, it is clear that companies use a mix of internal and external resources and support mechanisms to prepare for CSRD compliance. Internal resources include interdisciplinary teams, data management systems, and financial resources. External resources and support mechanisms are related to hiring consultants for knowledge and collaborations with industry partners. As expected from the theory, stakeholder engagement came up as a critical component for companies when preparing for CSRD compliance. Stakeholders contribute to sustainability reporting by enhancing credibility, transparency and the overall quality of the reports.

The research process consisted of a detailed examination of companies that are in various stages of CSRD compliance. The research approach was to carry out semi-structured interviews with, by standards, large companies to gather qualitative insights into the resources and support mechanisms that they rely on. It was expected from the theory that these companies would rely on a set of internal and external resources and support mechanisms; in practice, this was true. Although every company has different preferences, the common thread was the same. After analysing the interviews, I can conclude that companies with well-established governance and interdisciplinary teams are found to be more prepared for CSRD compliance. Conversely, all companies turned to external consultants for assistance with the CSRD process, so that is not related to the internal readiness of the companies. Reflecting on the research process, this method allowed for uncovering the practical realities and the specific challenges these companies face towards CSRD compliance.

The finding aligned fairly well with existing research, although the reliance on external help in sustainability reporting is not yet a much-discussed topic in research.

Based on the insights gained, there are several recommendations for future research. Future studies should explore the long-term effects of mandatory reporting. Understanding how companies' sustainability practices evolve over time in response to mandatory reporting requirements can provide deeper insights into the effectiveness of such regulations. Additionally, future studies should investigate a broader range of regions to offer a more global perspective on CSRD compliance and the resources and support mechanisms used. This can reveal different strategies and reliance on resources and support mechanisms. Furthermore, future studies should consider a larger and more diverse sample to validate the findings of this study and provide a broader perspective on the factors influencing CSRD compliance. Including companies from a wider range of industries and other regions can help uncover industry-specific insights.

This study contributes new knowledge to the field of sustainability reporting by providing a detailed set of resources and support mechanisms companies rely on for CSRD compliance. The study gives insight into the practical steps companies are taking to meet the requirements and highlights the critical role of stakeholder engagement in enhancing the transparency and credibility of sustainability reporting, similar to stakeholder theory (Schaltegger et al., 2019). The findings challenge the assumption that internal resources alone are sufficient for effective CSRD compliance, describing the significant role external consultants play in supporting companies in their CSRD process. Existing research has often focused on more theoretical aspects of sustainability reporting, but this study shows insights into real-world strategies, resources and support mechanisms employed by companies. This more empirically focussed contribution helps bridge the gap between theory and practice, offering meaningful guidance for practitioners in this field.

In conclusion, the journey toward CSRD compliance is a complex process for companies, requiring a strategic blend of internal capabilities and external support. Companies that invest in solid governance structures, interdisciplinary teams, and stakeholder engagement are better equipped to meet the requirements of the CSRD. The study stresses the importance of these elements and provides a foundation for future research to build upon, ultimately contributing to a deeper understanding of the dynamics of sustainability reporting and compliance.

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