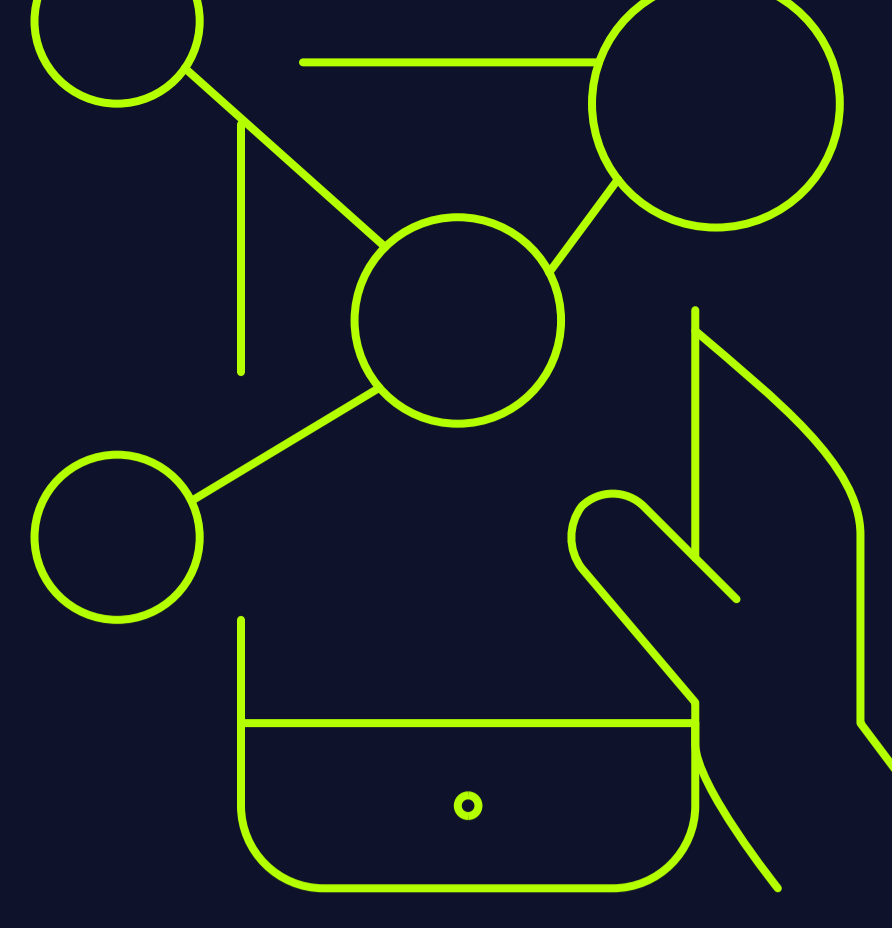


Mastering Sustainability Reporting: Corporate Sustainability Reporting Directive (CSRD)



What is the CSRD?

The Corporate Sustainability Reporting Directive (CSRD) is a new EU legislation that will immediately affect approximately 11,700 firms who previously reported under the NFRD from 2024, eventually covering over 50,000 EU and 10,000 non-EU organizations. With a broader scope than previous climate reporting requirements, the CSRD establishes a comprehensive and standardized framework for reporting non-financial data.

Why is the CSRD important?

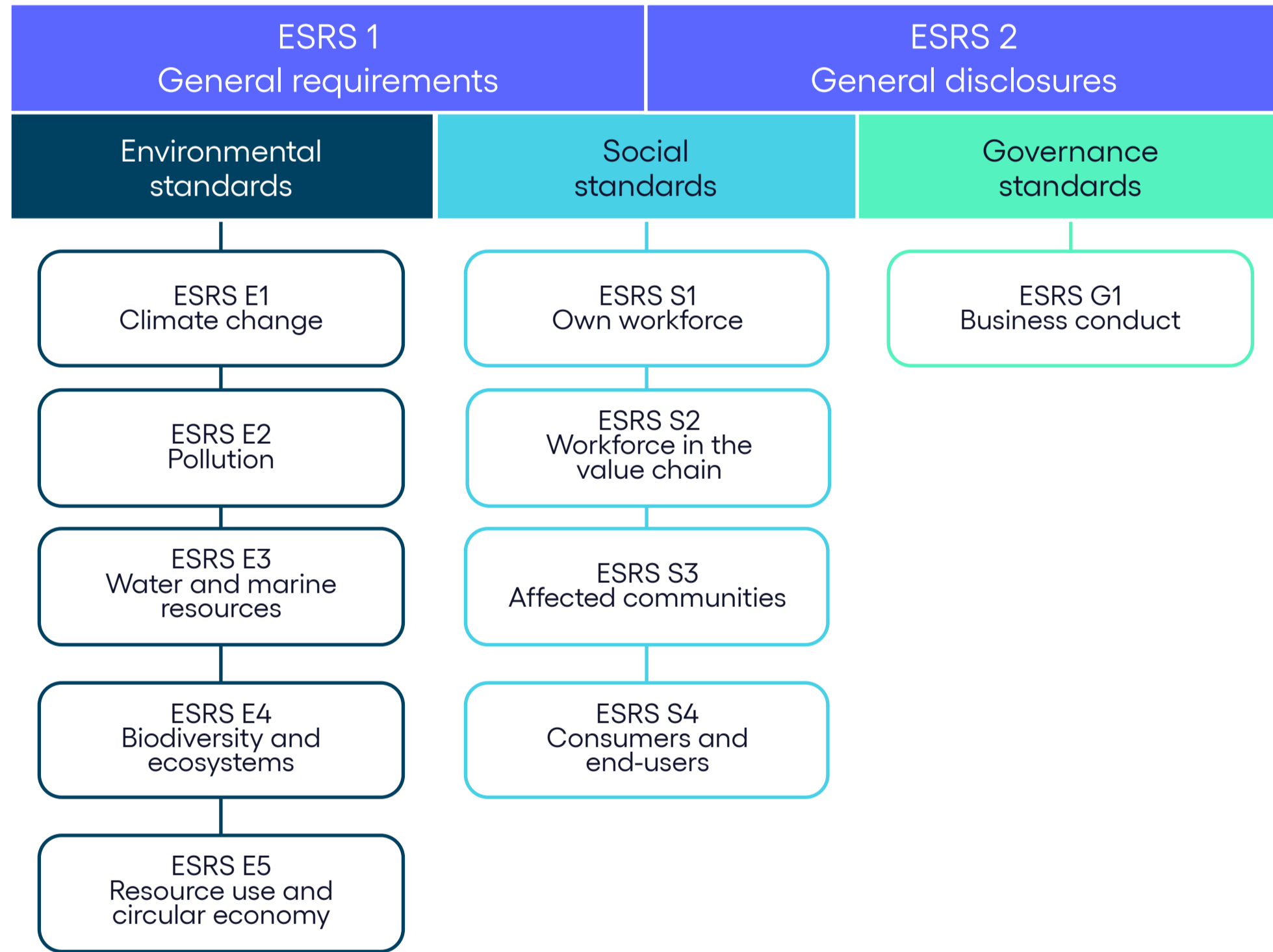
Under the CSRD, firms are mandated to disclose relevant, comparable and reliable sustainability information to:

 <p>Reorient capital flows towards sustainable investment</p>	 <p>Manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues.</p>	 <p>Promote transparency and a long-term view of financial and economic activity.</p>	 <p>Reduce reporting burdens by standardizing formats</p>
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Reporting Process, Format and Requirements:

The CSRD requires detailed reporting on a variety of environmental, social and governance topics. The directive is intended to provide insight into a company's sustainability impacts, risks and opportunities, including its sustainability strategy, targets and progress, and implications for products and services. Organizations should publish within a reasonable period, not exceeding 12 months after the balance sheet date, the duly approved annual financial statements and the management report, in the electronic reporting format, together with the opinion and statement submitted by the statutory auditor or audit firm.

European Sustainability Reporting Standards (ESRS)



Double Materiality: Organizations should consider each materiality – impact and financial – and disclose information material from both perspectives, as well as information that is material from only one perspective. As such:

- Quantitative ESRS metrics are subject to a double materiality assessment, where targets, policies and actions are not.
- 176 quantitative datapoints are mandatory irrespective of materiality, with a further 647 datapoints subject to a materiality assessment.
- ESRS E1 is not subject to a materiality assessment.
- Firms must have a robust materiality approach and must disclose the details of this in their report. EFRAG advises starting with impact materiality since this usually informs financial materiality.

Assurance: Mandatory limited assurance is required from FY2024, potentially shifting to reasonable assurance after 6 years from CSRD adoption. Organizations must ensure, where applicable, a dedicated committee reviews and monitors the independence of the assurance services provider.

Electronic Format: Management reports must be in the electronic format specified in Article 3 of the Commission Delegated Regulation 2019/815. EFRAG has issued the XBRL taxonomy of ESRS for consultation.

Sector-Specific Standards: The adoption of sector-specific standards has been delayed until 30 June 2026, along with standards for SMEs and third-country organisations.

CSRD Reporting Timeline:

Companies falling under the scope of the CSRD will have to report in line with the ESRS (European Sustainability Reporting Standards) developed by EFRAG (European Financial Reporting Advisory Group). While the CSRD stipulates that firms must report, the ESRS provides the framework as to how they should do so. The first wave of companies will have to apply the new rules for the 2024 fiscal year, with the first CSRD reports due to be published in 2025. Subsequent groups will follow in the sequential years. Reports will be subject to limited independent assurance and will require digital tagging.

- January 2024**

CSRD comes into force. Firms already subject to NFRD that meet at least two of the three requirements need to start gathering 2024 data to report in 2025.

 - 500 or more employees
 - 50 M EUR in net turnover
 - 25 M EUR in balance sheet total
- January 2025**

First reporting period for firms under CSRD requirements. Large organizations that meet at least two of the three requirements not currently subject to the NFRD need to start gathering 2025 data to report in 2026.

 - 500 or more employees
 - 50 M EUR in net turnover
 - 25 M EUR in balance sheet total
- January 2026**

Listed SMEs that meet at least two of the three requirements need to start gathering 2026 data to report in 2027*.

 - More than 50 employees
 - More than 10 M EUR net turnover
 - More than 5 M EUR in balance sheet total**
- January 2028**

Third-country organizations which have significant activity in the EU will need to start gathering 2028 data to report in 2029.

 - 150 M EUR in net turnover in the EU
 - Have at least one subsidiary or branch in the EU

*Timelines for SME reporting may be impacted by the provisional deal reached on a directive to postpone the adoption of sector-specific, SME and third-country company standards until 30 June 2026.

**Numbers adjusted to reflect the Commission Delegated Directive amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups