Corporate Sustainability Reporting Directive

At a Glance Guide (October 2023)

Matheson

Obligations

The Corporate Sustainability Reporting Directive ("**CSRD**") is an EU directive that requires in-scope companies to report extensive sustainability information in a dedicated section of their annual reports.

CSRD can require publication / reporting of sustainability information about in-scope companies across all three ESG areas. Reporting will require a limited assurance audit at the outset, but it is expected that the EU will in time require a full reasonable assurance audit.

Reporting under CSRD must be performed in accordance with the European Sustainability Reporting Standards ("**ESRS**"), which include standards concerning climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy, own workforce, workers in the value chain, affected communities, consumers and end-users and business conduct.

The information to be reported is determined by a double materiality assessment to be undertaken by each in-scope company in line with the ESRS.

CSRD must be transposed into the national laws of each EU member state; there is some scope for variance, but it is expected that the requirements will be largely harmonised across the EU.

Timeline

Adoption:

- EU Member States must transpose CSRD into national law by 6 July 2024. Irish transposing legislation is expected to be published by the end of 2023.
- The European Financial Reporting Advisory Group ("**EFRAG**") developed, sector-agnostic ESRS which were adopted by the Commission on 31 July 2023.
- EFRAG is expected to recommence working on sector specific ESRS. The timeline for publication of these has not yet been announced.

Reporting for companies to begin in four stages:

Entities	Commencement of reporting obligations
Large[1] public interest entities (ie, companies with EU-listed securities and EU-regulated credit institutions and insurance undertakings) or public interest entities that are **parent undertakings of a large group**,[2] in each case with more than 500 employees (including on a consolidated group basis).	Reporting in 2025 in respect of financial years commencing on or after 1 January 2024
All other **large undertakings or parent undertakings of a large group** (whether listed or not).	Reporting in 2026 in respect of financial years commencing on or after 1 January 2025
SME public interest entities (but not micro-undertakings), as well as certain captive insurance and reinsurance undertakings.	Reporting in 2027 in respect of financial years commencing on or after 1 January 2026, with some opt-outs until 2028.
Subsidiaries (either (i) large or (ii) SMEs that are public interest entities) of non-EU parent companies, where the non-EU parent company generates on a consolidated basis at least €150m turnover in the EU.	Reporting in 2029 in respect of financial years commencing on or after 1 January 2028. **This report must include sustainability information in respect of the non-EU parent company and its world-wide group.**
Branches of non-EU companies that generate turnover of €40m and the non-EU company generates on a consolidated basis at least €150m turnover in the EU.	

Next Steps

Preparing for CSRD is a considerable compliance effort, involving stakeholders from across the business, requiring input from legal and other external advisors, starting with a global scoping / applicability analysis.

We are generally advising a 12-18 month lead in time for CSRD readiness projects for businesses with significant operations across multiple jurisdictions. Auditable systems and controls need to be established before the reporting financial year begins.

1. An entity is "large" if it meets two of the following three criteria: (i) turnover in excess of €40m; (ii) balance sheet total in excess of €20m; and / or (iii) more than 250 employees. In September 2023, the EU Commission proposed increasing the turnover threshold from €40m to €50m and the balance sheet total threshold from €20m to €25m. As this is just a proposal, businesses should proceed with their scoping exercise based on the existing thresholds, but keeping the possible future changes in mind.
2. An entity is a "parent undertaking of a large group" if it meets the same criteria for a "large" entity, but on a consolidated basis including all its subsidiary undertakings in the consolidation (not just its EU subsidiaries).

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For further information, please visit Matheson's ESG Advisory Group.