

# EU'S CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

*Navigating  
politics,  
business and  
policymaking*



# WHAT IS THE CSRD

**Corporate Sustainability Reporting Directive entered into force 5 January 2023.** Companies will have to report in line with mandatory EU sustainability reporting standards and alongside an external assurance of sustainability reporting

## *Who will the proposed directive apply to?*

1. All companies listed on the EU regulated markets. SMEs will have until 1 January 2026 to comply
2. “Large undertaking” that is either a EU company or a EU subsidiary of a non-EU company
  - A net turnover of more than €40m
  - Balance sheet assets greater than €20m
  - More than 250 employees
3. Insurance undertakings and credit

institutions

SMEs will start reporting from 1 January 2026. A subsidiary will be exempt if the parent company includes the subsidiary in its report that complies with the CSRD. Listed micro companies and non-listed SMEs fall outside of the scope.

## *What will companies need to do?*

- Companies already subject to the NFRD will need to comply with the amended rules for fiscal years beginning on or after 1 January 2024 (reporting in 2025 on 2024 data)
- Expected 49,000 companies will be required to report in future, with 11,600 at present
- Wall Street Journal reporting estimate 10,000 foreign-HQ companies will likely required to disclose with CSRD
- EC President Ursula von der Leyen announced an initiative to reduce reporting by 25%.

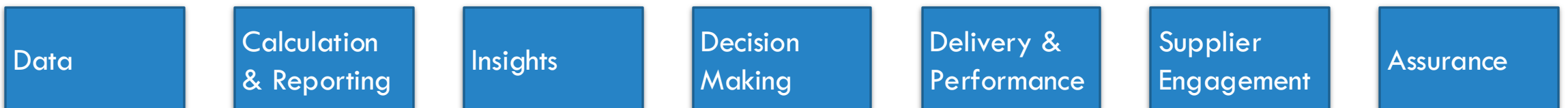
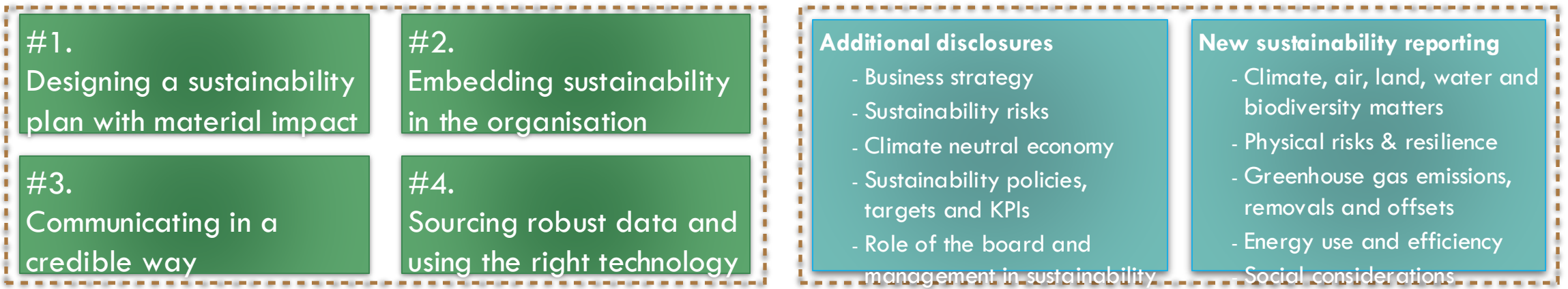
Practical implication remain to be seen

## *Political context and tensions*

- Industry lobbying groups (incl. significant lead from Germany) are consolidating attempts to reduce scope and delay implementation deadlines of CSRD
- Market participants regularly complain that EU apply heavy-handed and prescriptive approach to sustainability regulations while market based standards (i.e. ICMA) may work better
- EU Commissioner McGuinness requested EFRAG to prioritise sector-agnostic and delay sector guidance. 4 weeks consultation from 6 June 2023 EC adopted ESRS as delegated act

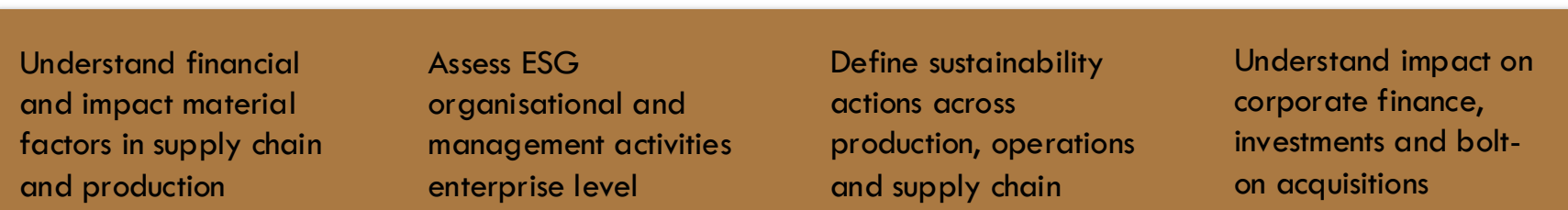
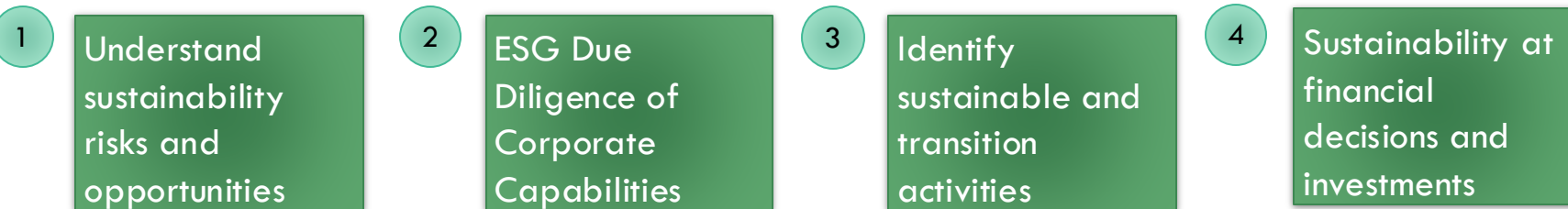
# IMPLICATIONS FOR CORPORATES

CEOs, finance teams and businesses colleagues need to understand what it means for their strategy, financial and investment decisions, products, processes and controls, and assess whether any additional training is required



- Single source of truth of sustainability data at audit quality
- Identify, deliver and track the right sustainability interventions
- Evidence in your products to sell 'net zero' and 'sustainability'

# NEXT STEPS & THINGS TO WATCH



*Client questions we seek to answer at each stage*



**Evolving sustainability standards**

- Transition Plan Taskforce (TPT)
- SEC climate-related disclosures
- UK 2023 Green Strategy
- ISSB standards
- TNFD framework

**Ongoing 2023 developments**

- 1.EU DG FISMA consultations on the first set of ESRS
- 2.ISSB consultations on its standard setting priorities.
- 3.ISSB is expected to finalise and initial sustainability disclosure standards
- 4.EU Commission plans to adopt the first set of final ESRS (sector-agnostic) standards
- 5.IOSCO is expected to release decision on the endorsement of the ISSB standards