Corporate Sustainablity Reporting Directive

Enterprise Europe Network Training

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Corporate Sustainability Reporting Directive

Scope

- all large companies
- all listed companies (inc. SMEs)
- non-EU companies

Mandatory EU sustainability reporting standards

Assurance (audit) requirement

- Political agreement June 2022
- Publication in OJ December 2022

European Commission

Phased entry into application

- **“NFRD companies”**: FY 2024 (first reports published 2025)
- **Other large companies:** FY 2025 (reports 2026)
- **Listed SMEs:** FY 2026 (reports 2027)
- **Non-EU companies exceeding EU turnover threshold and with branches/subsidiaries in EU**: FY 2028 (reports 2029)

Deadlines for adoption of standards

30 June 2023

- standards to specify information to report according to articles 19a/29a (*cross-cutting standards and standards for all sustainability topics*)

30 June 2024

- sector-specific standards
- standards for listed SMEs

Note

- legal mechanism for adoption of standards remains, even if nothing specified for subsequent years
- obligatory review and possible amendment of every standard every 3 years
- minimum 4 month period between adoption by Commission and entry into force

Timeline for set 1 standards (1 of 1)

EFRAG Project Task Force, and governance reform

May 2022
EFRAG launches public consultation

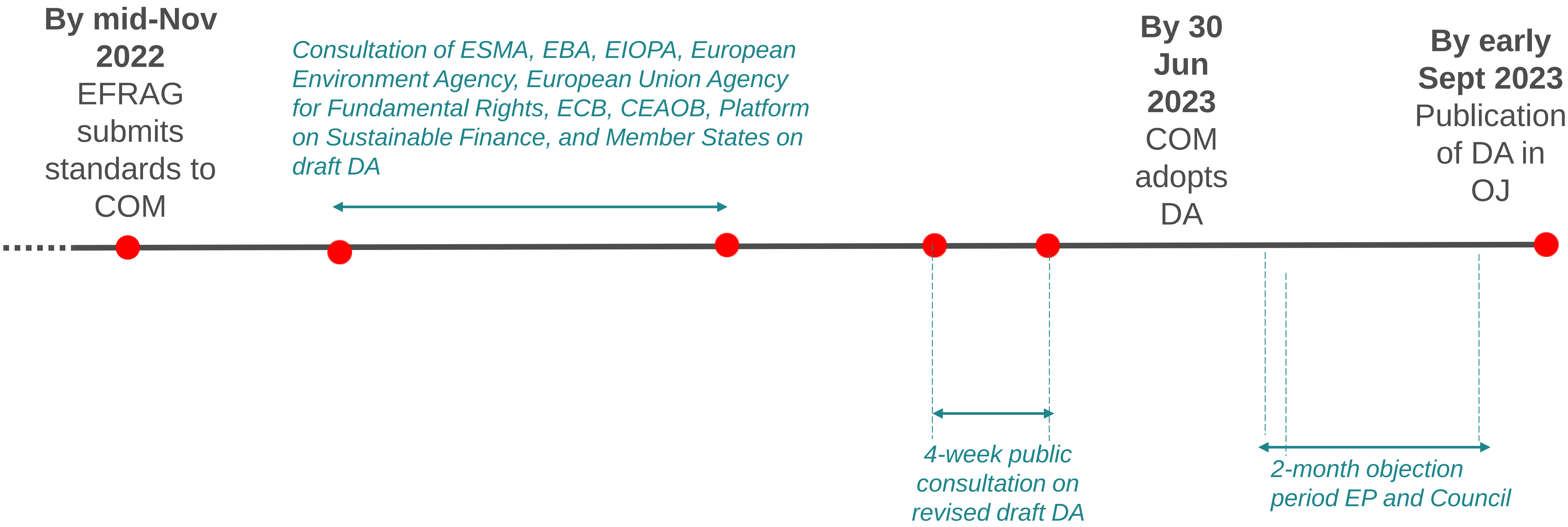
Aug 2022
End of EFRAG public consultation

By mid-Nov 2022
EFRAG submits draft standards to COM

By 30 June 2023
COM adopts DA

- - See next slide - -

Timeline for set 1 standards (2 of 2)



Key elements of ESRS

- Materiality Assessment
- Coherence with existing EU legislation and policy – SFDR, Benchmark regulation etc.
- Value chain and SMEs
- Global alignment (ISSB standards)

SME standards

- Proportionate standards for SMEs.
- EFRAG proposes to develop 2 sets of SME standards;

  1. Mandatory standards for listed SMEs (in CSRD scope)
  2. Voluntary guidelines/standard for non-listed SMEs (not in CSRD scope, but due to value chain reporting for large companies, SMEs will have to provide a certain amount of info)

Proportionality measures for SMEs in ESRS

Value Chain Cap

- ESRS Set 1 shall not specify disclosures that would require undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed pursuant to the standard for listed SMEs

3 year transitional 'comply or explain' provision for VC information

- For the 1st 3 years of reporting, if a large undertaking cannot obtain information from its value chain, then it must state this and explain why.
- ESRS Set 1 – for the 1st 3 years, undertakings may report on value chain using in-house data only.

Sector-specific standards

- Standards for all sectors.
- EFRAG proposes to develop sector-specific standards in 3 batches, for adoption 2024, 2025, 2026.
- Sectors in first batch of standards tbc

EFRAG criteria for sequencing:

1. Maximum of ten sectors for 1st batch, adoption 2024 (current EFRAG capacity).
2. Sectors associated with high sustainability risk/impacts, especially those mentioned in CSRD recital, to be addressed in either 1st or 2nd batch.
3. Prioritise standards where there are already GRI sector standards, to be able to advance fast: Agriculture and Farming, Coal mining, Mining, Oil and Gas (mid to downstream), Oil and Gas (upstream).
4. To guide the selection of the remaining five sectors to be developed in 1st batch: EFRAG used data from EEA, Eurofound, as well as OECD’s identification of sectors with value chains with high human rights risks, and BEUC assessment of the top 5 impact sectors from a consumer perspective.
5. Preference to deal simultaneously with sectors that are connected ‘upstream’ or ‘downstream’ with each other.

Thank you

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European Commission