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Corporate Sustainability Reporting Directive (CSRD)

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EU adopts new obligations for companies to report sustainability information

Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards

Update

The EU has adopted new rules on reporting sustainability information, extending the number of companies that will be required to report, and elaborating on the information that must be reported. The rules apply for the 2024 financial year for large public interest companies (with over 500 employees) that were already subject to non-financial reporting in 2023. These companies must produce reports according to the new rules for the first time in 2025.

In July 2023 the Commission adopted European Sustainability Reporting Standards to help companies to manage and communicate their sustainability performance. These standards are now published in Regulation 2023/2772.

In August 2024, the Commission published a Frequently Asked Questions document to clarify aspects of the rules.

In February 2025, the European Commission published a proposal to change certain parts of the Corporate Sustainability Reporting Directive, reducing the number of companies that must report under the CSRD, limiting the information that large companies may request from smaller companies and delaying by 2 years the implementation of certain reporting requirements. See Review of Corporate Sustainability Reporting Directive (CSRD).

What is changing?

The revised rules:

(a) **Apply to more companies**. Previously only large companies that are listed on the stock market were obliged to report sustainability information. Under the new rules, sustainability information will be required from:

- all large EU companies (including those that are not listed on the stock market)
- EU small and medium-sized (but not micro) companies (SMEs) that are listed on the stock market
- non-EU companies that are listed and have significant activity in the EU (a turnover of more than €150 million and a subsidiary in the EU).

(b) **Are more explicit about the content of reporting**. Companies must include a dedicated section on sustainability in their annual management reports, setting out the impact of the company's operations on its development, performance, and position. The specific information that must be presented by companies is set out in Regulation 2023/2772. The standards aim to ensure that all companies provide reliable and consistent data which allows stakeholders to compare their sustainability performance.

The European Sustainability Reporting Standards require businesses to report on both their impacts on people and the environment (external); and how these impacts create financial risks and opportunities for the company (internal). This is known as "double materiality".

(c) **Are more detailed regarding climate goals**. Companies will be required to disclose any plans to ensure that their businesses are compatible with the transition to a sustainable economy, and the objectives of limiting global warming to 1.5°C and achieving climate neutrality by 2050. This will include a description of time-bound targets related to sustainability including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, and progress made towards meeting those targets.

(d) **Are far-reaching in scope**. The sustainability reporting standards establish the information companies must disclose on:

- environmental factors, e.g. climate change mitigation and adaptation, water and marine resources, pollution
- social and human rights, e.g. equal treatment, working conditions, respect for human rights including labour rights
- governance factors, e.g. control and risk management systems, business ethics, lobbying activities.

Why?

The existing rules on corporate sustainability reporting (Directive 2013/34/EU) establish principles for larger listed companies to report sustainability information on an annual basis. Improved information on sustainability is considered to be important for investors who need to understand the risks and opportunities related to sustainability, and also for civil society organisations looking to hold companies accountable for their behaviour.

The existing rules are considered to be inadequate, failing to provide investors and stakeholders with the information they require, and limited to a small group of companies. The amendments to these rules also intend to harmonise reporting, making comparison between companies easier.

Timeline

The new rules will apply from:

- 1 January 2024 for large EU public interest companies (with over 500 employees) that were already subject to non-financial reporting in 2023, with reports produced according to the new rules due in 2025.
- 1 January 2025 for large companies (EU and non-EU) that are not public interest companies, currently not subject to non-financial reporting, with reports due in 2026.
- 1 January 2026 for listed EU SMEs and other in-scope companies, with reports due in 2027; SMEs can opt out until 2028.

What are the major implications for exporting countries?

Most operators in low- and middle-income countries will not fall within the scope of this Directive (i.e. have a turnover of more than €150 million and an EU subsidiary).

Indirect impacts on exporters in non-EU countries

- European importers are likely to need information from their suppliers to meet the requirements of both this new corporate sustainability reporting Directive, and the corporate sustainability due diligence Directive.
- Companies upstream in the supply chain, particularly SMEs, may be affected by the additional costs of reporting, especially if the new requirements differ from existing international standards (SMEunited 2021; Civil society alliance 2022; ERT 2021; AmCham EU 2022).
- During the process of drafting the European Sustainability Reporting Standards, concerns were raised about their complexity (ECOS 2022; EFRAG 2022).

Resources

AmCham EU (2022) Consultation response: Draft European Sustainability Reporting Standards. American Chamber of Commerce to the European Union.

Civil society alliance (2022) In defence of EU standards for corporate sustainability reporting, 24 October.

ECOS (2022) Sustainability Reporting Standards: Will they nail it or fail it? Environmental Coalition on Standards.

EFRAG (2022) Sustainability Reporting Standards Interim Draft.

ERT (2021) Joint Open Letter on the Future of Sustainability Reporting. European Round Table for Industry.

European Commission: Corporate sustainability reporting.

SMEunited (2021) SMEunited publishes first assessment of the Corporate Sustainability Reporting Directive.

Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities (Audit Regulation)

Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (Audit Directive)

Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (Accounting Directive)

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (Transparency Directive)

Sources

Directive (EU) 2022/2464 as regards corporate sustainability reporting

Commission Delegated Regulation (EU) 2023/2772 as regards sustainability reporting standards

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