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CSRD: What to know about the new way of reporting?

2023/18

» The new rules will make more businesses accountable for their impact on society and will guide them towards an economy that benefits people and the environment. Data about the environmental and societal footprint would be publicly available to anyone interested in this footprint. At the same time, the new extended requirements are tailored to various company sizes and provides them with sufficient transition period to get ready for the new requirements. «

Jozef Síkela
Minister for Industry and Trade (CZ)
Link

CSRD I – WHAT IS IT? WHO IS AFFECTED? NEXT STEPS?

What is the CSRD?

“The Corporate Sustainability Reporting Directive, also CSRD, improves and replaces the current Non-Financial Reporting Directive (NFRD), which applies to approximately 12.000 organizations within the EU region. The NFRD explains the rules on disclosure of non-financial and diversity information for certain large companies- including sustainability reporting.
The new CSRD applies to a drastically larger scope of companies (50.000 companies more than NFRD's) across all sectors. Companies will have to publicly disclose detailed and transparent information on how sustainability issues:

1. Affect their own business (risks and opportunities – outside-in perspective).
2. What impacts they have on both people and the environment (inside-out perspective).”

14 March 2023 – Ecochain
Link

Only every fourth company prepared for sustainability criteria

“According to the study "Europe's Changing Industry," the new EU Corporate Sustainability Reporting Directive (CSRD) is no longer an unknown quantity for a good two-thirds of European industrial companies - even in non-EU countries. But implementing the statutory ESG requirements still poses major problems for around three out of four companies.).”

24 May 2023 – Hannover Messe
Link

NFRD vs. CSRD: Key differences explained

“The EU CSRD builds on the existing NFRD to make reporting more thorough and relevant. The key differences are that CSRD:

- applies to over 49,000 organizations, compared to 11,700 reporting on NFRD
- is a requirement for all publicly-listed companies and those with greater than 250 employees, EUR 40 million+ turnover, or EUR 20 million+ total assets (two of three criteria met), NFRD applies to large public interest entities with over 500 employees
- requires a third-party assurance and external auditing, while it was optional for most businesses under NFRD
- is included in a management report, while NFRD was part of an annual report
- requires a broader scope of reporting, including targets, risk and opportunity management, with a focus on forward planning.”

21 April 2023 – IBM
Link

“[The CSRD will] end greenwashing, strengthen the EU's social market economy and lay the groundwork for sustainability reporting standards at global level.”

EU Parliament press release, November 10th, 2022
Link

Which companies will need to comply with CSRD? And what is the CSRD timeline?

“Within the EU, the standard is far reaching. companies already included under the Non-Financial Reporting Directive (NFRD), large companies, and special interest companies will be affected first, with FY 2024 reports required by 2025. Eventually (between 2026 and 2029), all large* and most listed European companies will also need to comply.
In addition, non-EU companies that generate more than €150 million in revenue (roughly $163 million) within the EU, or with an EU branch generating more than €40 million, will also have to comply by 2029 (reporting on FY 2028).
*For EU companies, the CSRD defines “large” as any company that meets two of the following criteria:

- More than 250 employees
- More than €40 million in net revenue
- More than €20 million in total assets.“

18 April 2023 – Boston College
Link

What are the next steps?

“Here are the next steps and what to expect:

- 2025: Businesses already subject to the NFRD will have to start reporting on the financial year 2024
- 2026: Large undertakings not currently subject to the NFRD will have to start reporting on the financial year 2025
- 2027: Small and medium enterprises and small and non-complex credit institutions and captive insurance undertakings will have to start reporting for the financial year 2026 - with a further possibility of voluntary opt-out until 2028
- 2029: Non-European companies that have branches or subsidiaries will have to start reporting”

2 June 2022 – PlanA
Link

What are in-scope companies required to do?

“The CSRD will require in-scope companies to disclose information on 'sustainability matters' that affect the company, as well as the impacts of the company on sustainability matters (the so-called 'double materiality' principle). In particular, the CSRD will require management reports to include information on:

- the resilience of the company's business model and strategy to sustainability risks;
- plans ensuring compatibility with the 1.5°C global warming target under the Paris Agreement and with targets under Regulation (EU) 2021/1119 (European Climate Law) regarding climate neutrality by 2050 and exposure to coal, oil and gas related activities;
- time-bound sustainability targets, progress and processes; and
- principal risks to the company related to its "dependencies" on sustainability matters, including actions taken to manage these risks.”

16 December 2022 – White and Case
Link

CSRD II – ESRS, GOALS & OUTLOOK

What are ESRS, and how do they relate to required CSRD disclosures?

“ESRS are European Sustainability Reporting Standards. All in-scope companies will need to structure their reports around these twelve standards. The first two (ESRS 1 and ESRS 2) are general or “cross-cutting” standards. The other ten apply to specific ESG (environmental, social, and governance) sub-topics, as follows:

ENVIRONMENTAL PILLAR

- Climate change (ESRS E1) – Policies related to climate change mitigation and adaptation; actions and resources in relation to climate change policies; energy consumption and mix; gross scopes 1, 2, and 3 and total GHG emissions, GHG removals and GHG mitigation projects; internal carbon pricing; etc.
- Pollution (ESRS E2)– Policies related to pollution; pollution of air, water, and soil; substances of concern; potential financial effects from pollution-related impacts; etc.
- Water and marine resources (ESRS E3) – Policies related to water and marine resources, water consumption; etc.
- Biodiversity and ecosystems (ESRS E4) – Policies, targets, actions, and resources related to biodiversity and ecosystems; etc.
- Resource use and the circular economy (ESRS E5) – Targets related to resource use (inflows and outflows); waste; impact, risk, and opportunity management; etc.

SOCIAL PILLAR

- Own workforce (ESRS S1) – Remuneration; social security; working hours; health and safety; sanitation; training and development; diversity; etc.
- Workers in the value chain (ESRS S2) – Working conditions; equal opportunities/non-discrimination; forced labor; child labor; adequate housing; etc.
- Affected communities (ESRS S3) – Economic, social, and cultural rights; civil and political rights; particular rights of indigenous communities; etc.
- Consumers and end users (ESRS S4) – Privacy; freedom of expression; responsible marketing practices; etc.

GOVERNANCE PILLAR

- Business conduct (ESRS G1) – Corporate culture and business conduct policies; management of relationships with suppliers; prevention and detection of corruption or bribery; political influence and lobbying activities; etc."

18 April 2023 – Boston College
Link

Quick summary of the Goals of the CSRD:

“Ensure (especially) investors, consumers, policymakers, civil society organizations, and other stakeholders are provided with all financial and non-financial data they need to assess companies’ societal and environmental impacts.
Help companies (SMEs) become more attractive to investors and other stakeholders through better disclosure requirements.
Provide more accessible, in-depth, and verifiable non-financial data to investors that will allow for improved informed (ESG) decision-making.“

14 March 2023 – Ecoschain
Link

Outlook

“The Commission will adopt the ESRS as delegated acts by the end of June 2023. This will make the standards mandatory for reporting. Accordingly, the new obligations will apply from the 2024 financial year at the earliest, meaning the first reports under the new directive will be published in 2025.
The outlook is clear: Climate action and transparent reporting on corresponding measures will become mandatory for companies. In addition, the new directive will advance climate action, promote trust, and create a positive incentive for all companies to take responsibility. As one of several legislative initiatives, the CSRD provides both more clarity and more recognition of companies' commitment to climate action.“

May 2023 – ClimatePartner
Link

More information can be found in our newest
CSRD - Whitepaper

Our lighthouse ESG offering headed by our MD: Capital market driven ESG Assessment

Marc Zinkel regularly performs ESG assessments with a particular focus on financing/ refinancing, incl. taxonomy, regulatory and rating scenarios, maturity assessment and ESG target picture as well as measures roadmap.
Contact Marc

Our very own expert for Sustainability and Climate Risk (SCR®)

Our Program Manager Julia Grote is a certified Financial Risk Manager (FRM®), expert for Sustainability and Climate Risk (SCR®).
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