

NEWSLETTER

EUROPEAN SUSTAINABILITY DIRECTIVE

The current Non-Financial Reporting Directive (NFRD) will soon be replaced by the Corporate Sustainability Reporting Directive (CSRD). It will apply progressively from 1st January 2024 onwards.

AIM OF THIS NEW DIRECTIVE

The European Union wishes to strengthen and specify its requirements for corporate sustainability reporting. Companies will have to publish detailed information on their risks, opportunities and material impacts in relation to social, environmental and governance topics.

MAIN CHANGES

1- Enlargement of the scope of application

A greater number of companies are affected by the Directive:

- **Large company exceeding** at least that meet two of the following criteria:
 - > 250 employees;
 - > €20 million annual accounts;
 - > 40 million euros turnover.
- **Small and medium-sized enterprise (SME) listed on the stock exchange** (excluding micro-enterprise).
- **Non-European company** with turnover of more than €150 million on the EU market. The same applies to the subsidiaries of these groups, which will have to communicate on their parent company's CSR approach.

By expanding this scope, almost 50,000 European companies will be affected.



2- Standardisation of reporting standards

The **12 new** European Sustainability reporting standards, known as "**ESRS**" facilitate the framework, harmonisation, transparency and comparison of publications. They cover **three themes: environmental, social and governance**.

3- Integration of "double materiality" principle

- **Financial materiality** of sustainability issues on the company's financial performance.
- **The materiality** of the company's **impact** on its economic, social, and natural environment.

These impacts, risks and opportunities must be included in the company's sustainability reporting. In short, the double materiality analysis is the starting point for the reporting required by the Sustainability Directive.

4- Publication

A section of the management report will be dedicated to the subject.

5- Digital format

The annual report will be published in a single European electronic format, xHTML.

6- Mandatory verification of information by an internal auditor or an independent third-party body (to be chosen by the Member State) to guarantee accuracy.

SANCTIONS

Possible sanctions have not been specified. Nevertheless, they must be effective, proportionate and dissuasive. This leaves a wide range of possibilities.



WHEN SHOULD YOU DRAW UP YOUR COMPANY'S NON-FINANCIAL REPORTING?

	CSRD from 2024 onwards		
	Submission	Exercise date	Reporting date
Large company with > 500 employees that meet 1 of the 2 criteria: Annual accounts > €20M Turnover > €40M	✓	2024	2025
Company with > 250 employees that meet 1 of the 2 criteria: Annual accounts > €20M Turnover > €40M	✓	2025	2026
Listed SME that meet at least 2 of the 3 criteria: Employees > 50 Annual accounts > €4M Turnover > €8M Credit institution small and non-complex Captive insurance company	✓	2026	2027
Non-European company Turnover > €150M on the EU market over the last 2 years At least one subsidiary in the EU generating a turnover > €150M and meeting the criteria of a large company	✓	2028	2029