The CSRD: A Significant Shift Toward Transparent Sustainability Reporting

What is it?

The Corporate Sustainability Reporting Directive (CSRD) is a regulation by the European Union (EU) that requires companies to provide detailed information on their environmental, social, and governance (ESG) performance. It is part of the EU's broader effort to promote sustainable business practices and enhance transparency in corporate reporting on sustainability.

Who does it apply to?

- Reporting year 2024: large (>500 employees) EU public interest entities.
- Reporting year 2025: large EU companies (at least two out of the following criteria: >250 employees (FTE), >€50 million revenue, >€25 million total assets)
- Reporting year 2026: other listed companies with an exception for micro entities
- Reporting year 2028: Non-EU companies with activities in the EU above a €150 million

Relevant links

- CSRD:
  - EUR-Lex - C(2023)5303 - EN - EUR-Lex (europa.eu)
- ESRS:
  - EUR-Lex - C(2023)5303 - EN - EUR-Lex (europa.eu)
- FAQ CSRD:
  - Frequently asked questions on the implementation of the EU corporate sustainability reporting rules (europa.eu)

Key features

- NFRD: The CSRD is the successor to the Non-Financial Reporting Directive (NFRD). The CSRD significantly broadens the scope and applies to a larger number of companies.
- Detailed reporting requirements: Companies are required to report on a wide range of sustainability issues, including environmental protection, social responsibility, treatment of employees, respect for human rights, anti-corruption measures, and diversity on boards of directors. The reporting requirements are outlined in the European Sustainability Reporting Standards (ESRS).
- Double materiality assessment: Companies must evaluate the impact of environmental, social, and governance (ESG) factors from two distinct perspectives: financial materiality and impact materiality.
  - Financial materiality assesses how sustainability risks and opportunities (e.g., climate change, resource scarcity, social trends) might impact financial performance, value creation, and long-term viability.
  - Impact materiality examines how the company's activities affect the environment, society, and broader stakeholders.
- Limited assurance: Companies are required to obtain limited assurance for their sustainability reports. Limited assurance means that the report is reviewed by an independent third party to verify that it is free from material misstatements, though it is less rigorous than a full audit.
- Digital reporting: Companies are required to report in a digital, machine-readable format, enabling easier access to and analysis of sustainability data across the EU.

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