

Corporate Sustainability Reporting Directive (CSRD)



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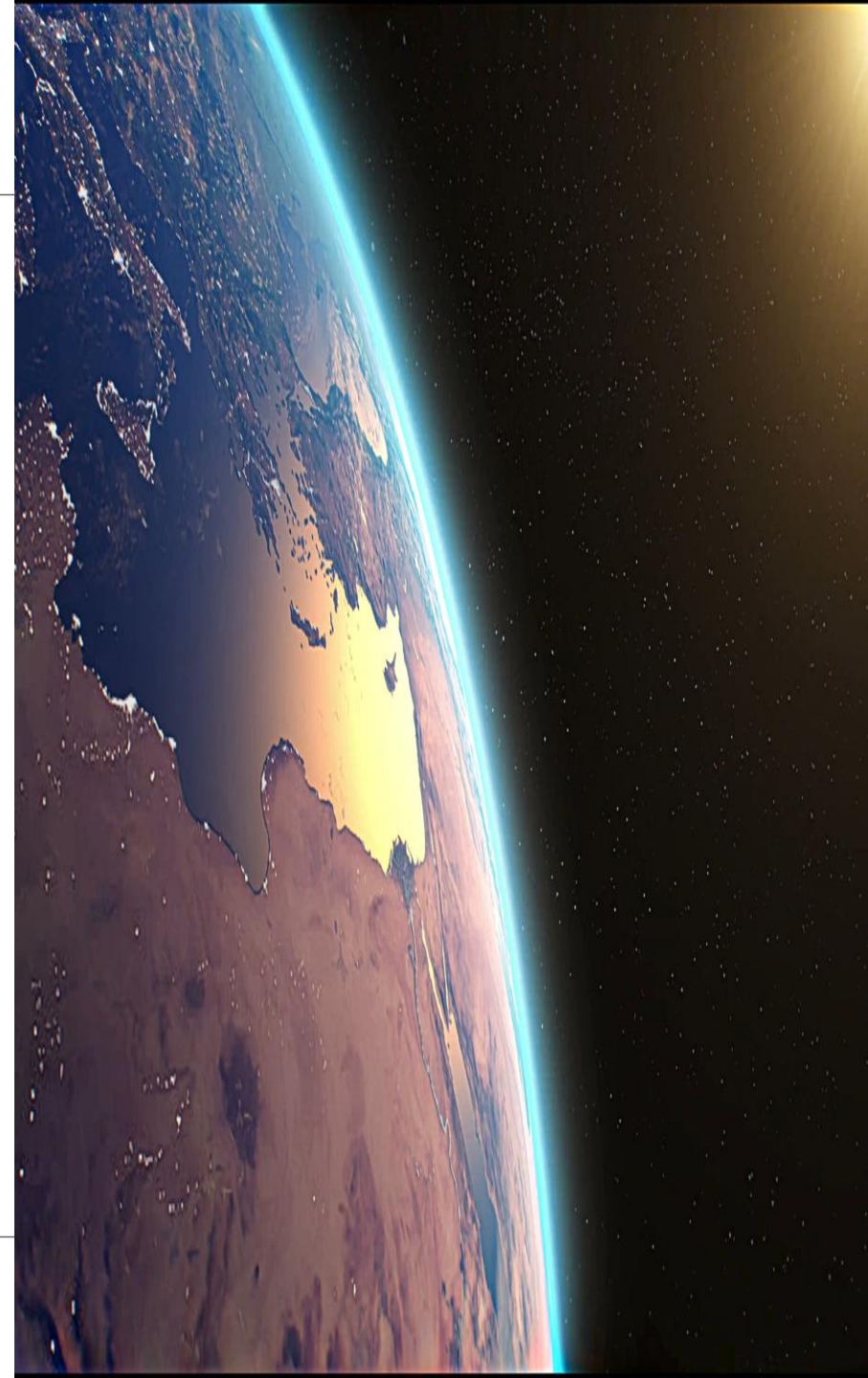
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The European Green Deal



The Directive (EU) 2022/2464

CSRD – Corporate Sustainability Reporting Directive



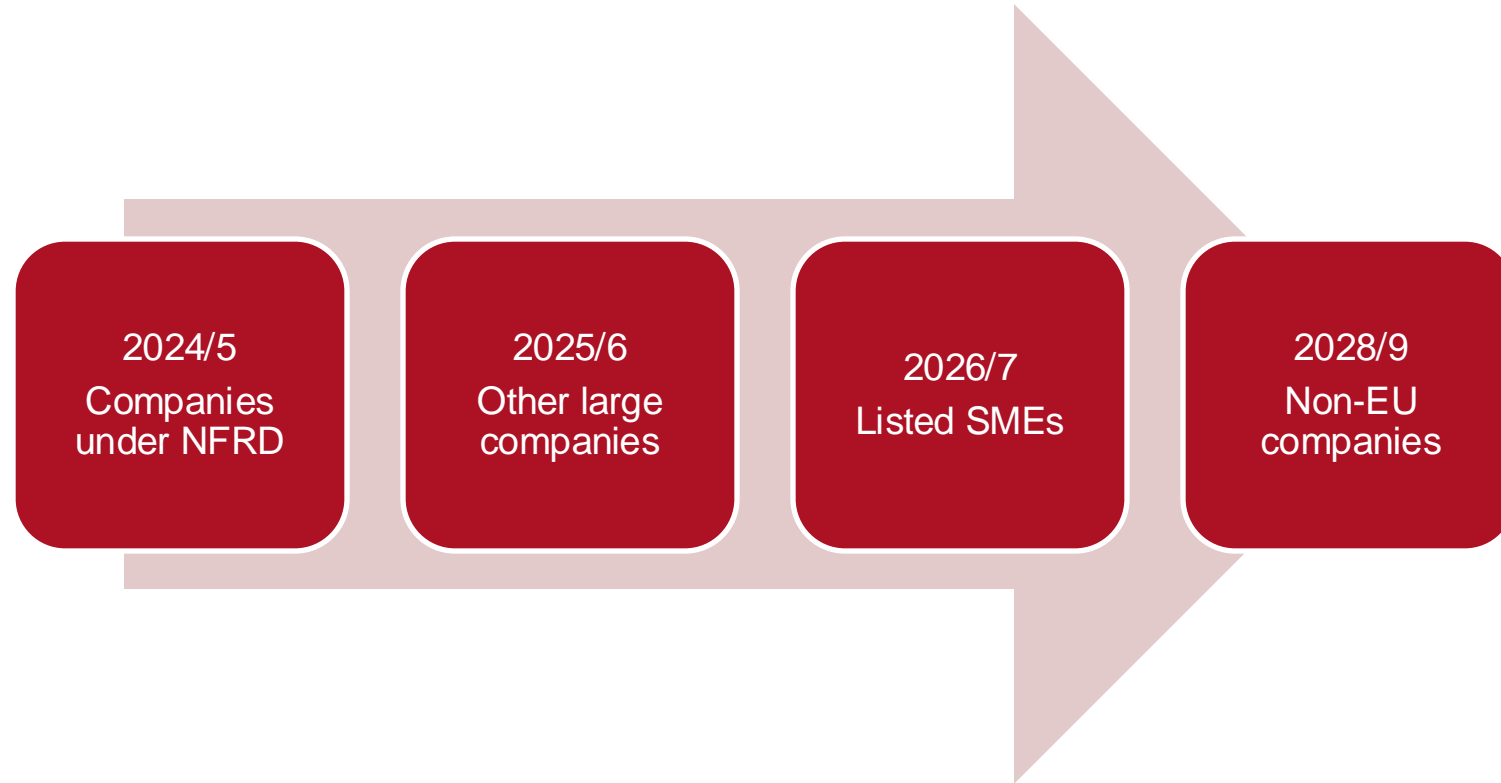
What is it?

- Successor of the Non-Financial Reporting Directive (NFRD)
- Expands sustainability disclosure requirements, in scope and content
- Implementation date for EU Member States: **6 July 2024**
- Integrated in accounting laws
- Sustainability report, part of the annual Board report to shareholders
- Independently audited

CSRD vs. NFRD

- Wider **subjective** scope
- Wider **objective** scope: from the declaration of non-financial information to information related to sustainability
- Different **disclosure** timing: obligatory in the annual financial statement
- Certificate of compliance
- Sanctions

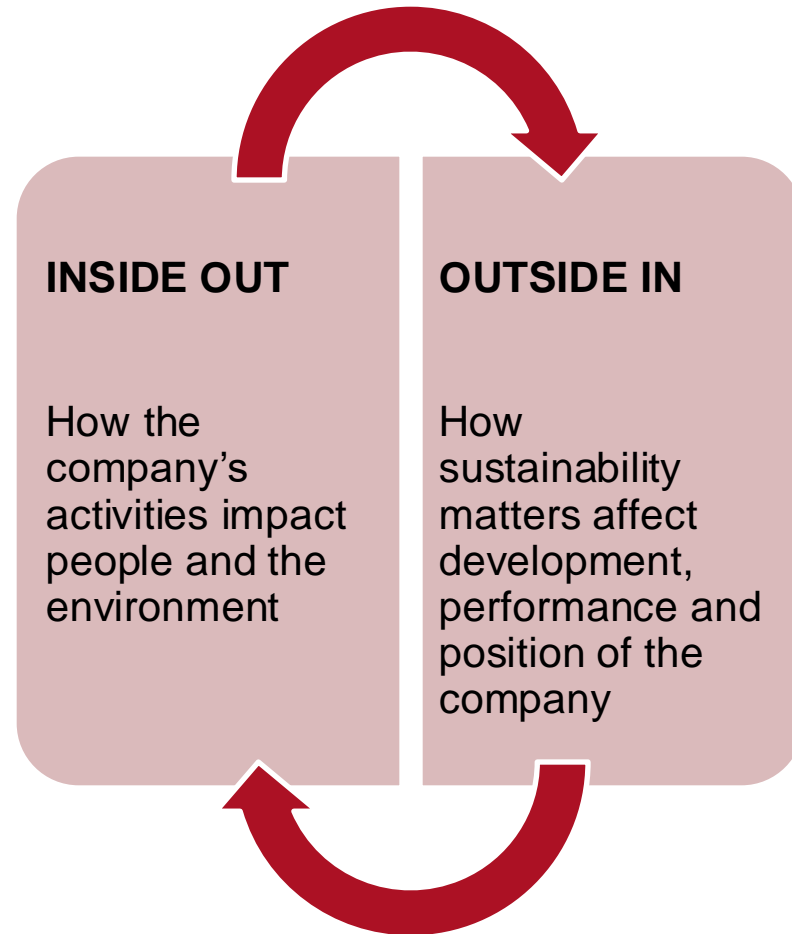
Timeline of application



The game changer: audits!

- “Assurance”
- Limited assurance engagement
 - Negative
 - “No elements have been identified to conclude that the subject matter is materially misstated”
 - Fewer tests / less work
- Reasonable assurance engagement
 - Positive
 - Opinion on compliance based on previously defined criteria
 - Extensive procedures / internal controls / testing
- Reasonable assurance standards to be developed by 2028
- “Progressive development of the assurance market for sustainability information”
- “Key sustainability partner”

Double materiality



The reporting requirement

- The requirement to disclose in an **annual sustainability report**:
 - information necessary to **understand the company's impact on sustainability issues**, plus
 - information necessary to **understand how sustainability issues affect business and financial performance**.
- The list of information to be provided **varies** for large companies and small & medium-sized companies

The content of the report

Large Companies must include:

- The **business model and strategy**, indicating resilience to risks related to sustainability
- **Targets** related to sustainability issues identified by the company, including gas emission reduction targets for at least 2030 and 2050
- The **role of the board, management and supervisory bodies** in sustainability issues
- The existence of **sustainability incentive systems**
- The **due diligence** procedures applied by the company in relation to sustainability issues
- The main actual or potential **negative impacts** related to the company's activities, as well as any actions taken to prevent or mitigate them, along with related outcomes
- The main **risks** for the company related to sustainability issues
- Relevant indicators for reporting the above information

The content of the report

Small & medium sized companies must include:



a brief description of the **company's business model and strategy**



a description of the company's **policies** in relation to sustainability issues



the company's major actual or potential **negative impacts** related to sustainability issues and any actions taken to identify, monitor, prevent or mitigate or remedy these impacts



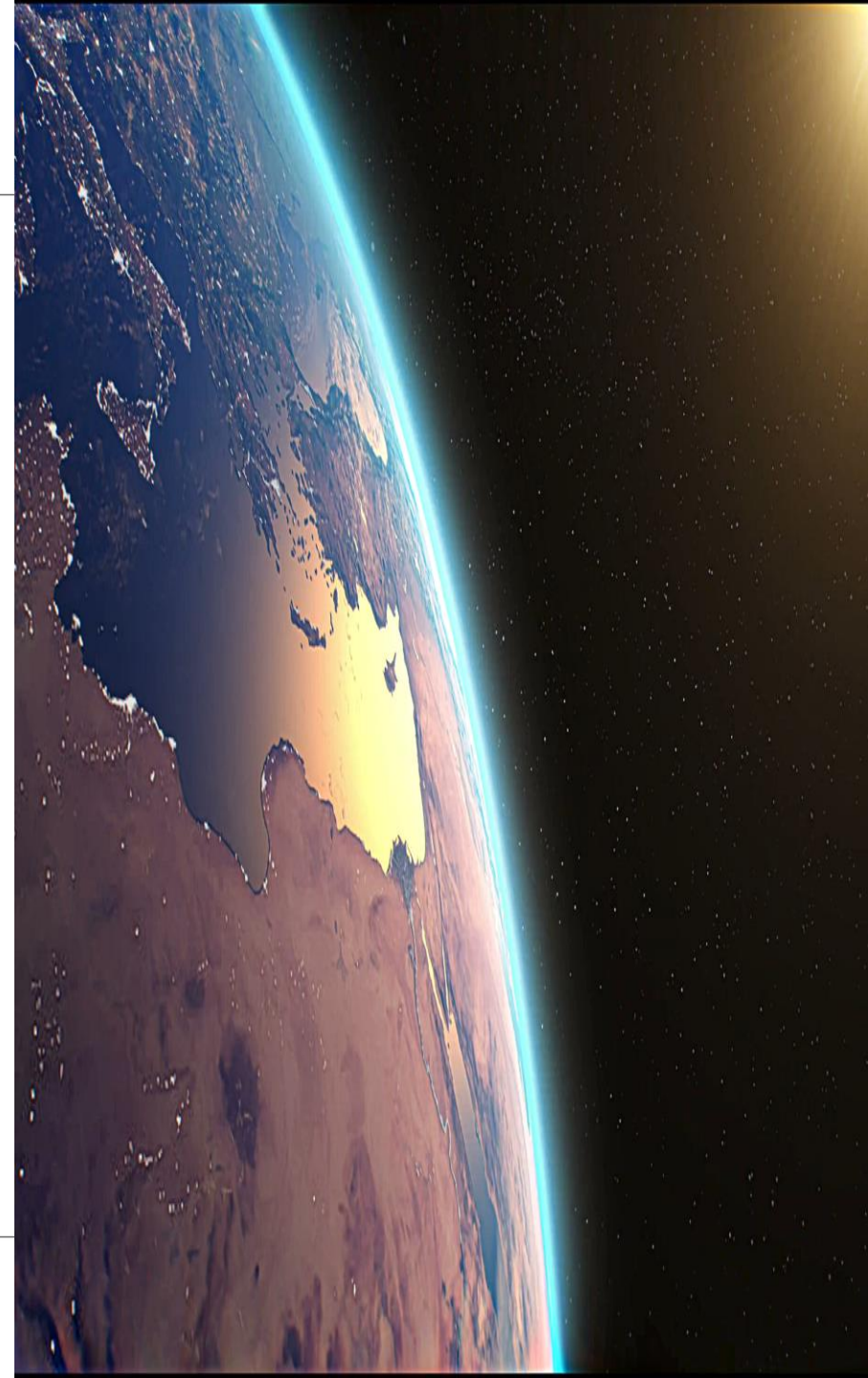
main **risks** for the company related to sustainability and how the company manages these risks



relevant indicators for reporting the above information

Delegated regulation 2023/2772

ESRS: Sustainability Reporting Principles

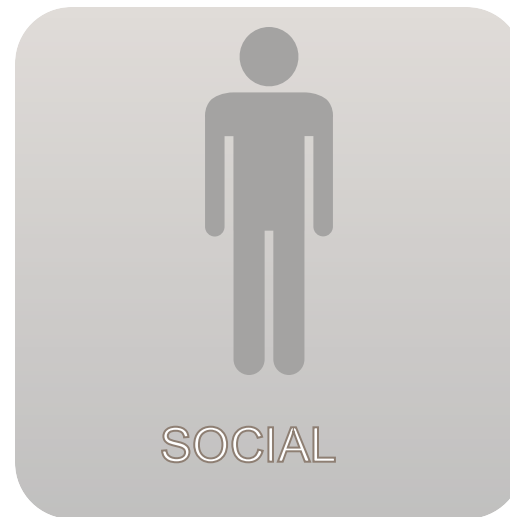


How to comply with the CSRD in practice

- The European Sustainability Reporting Standards – ESRS – provide disclosure requirements that companies need to meet to comply with the CSRD
- Provide a standardised approach to sustainability reporting
- Different sets of ESRS to be used by the different companies in the CSRD's scope

Thematic principles

Companies will be required to report information on the following matters:



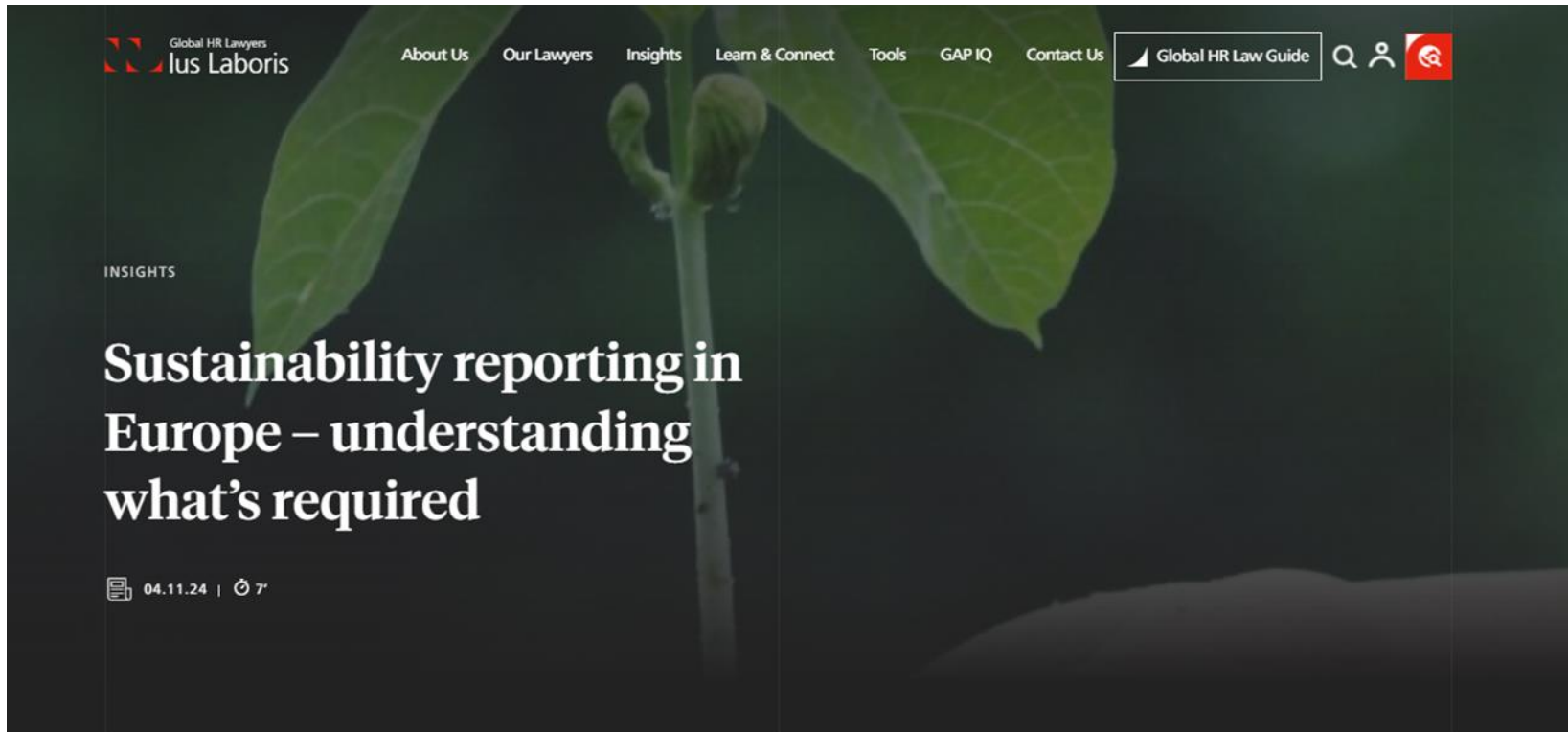
E – Environmental

- Climate change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Resource use and circular economy - waste



S – Social: own workforce and value chain workforce





The Corporate Sustainability Reporting Directive (CSRD) requires certain large companies to draft an annual sustainability report covering information on environmental, social and governance (ESG) – and the rules are coming on stream in four stages between 2024 and 2028. That may sound some time ahead, but for many businesses, now is the time to make sure you know what's coming.

S – Social: value chain / affected communities reporting

- Value chain: workers engaged in the full range of activities, resources and relationships. It includes companies (or suppliers) upstream and downstream from the company:
 - those in the company's operations, such as human resources
 - those along its supply, marketing and distribution channels, such as materials, service sourcing, product and service sale and delivery
 - the financing, geographical, geopolitical and regulatory environments in which the company operates
- Affected communities:
 - Communities' economic, social and cultural, civil and politic rights. Rights of indigenous people
- Consumers and end users:
 - Health and safety, non-discrimination, access to information, privacy, freedom of expression...



G – Governance

- The company's business ethics and culture, including whistleblower protection, corruption and bribery, and animal welfare
- The administrative board, management and control organisations: their composition and diversity; the roles they play in oversight; skills and abilities on sustainability issues
- The management and quality of relationships with clients, service providers and the communities affected by the company's activities, including payment practices, particularly with regard to delays in payments to small and medium-sized companies



Two important novelties in reporting

- Information should be **forward-looking**:
 - Short / medium / long-term horizon

- Information should **cover the entire value chain**:
 - Customers of products and services and supply chain

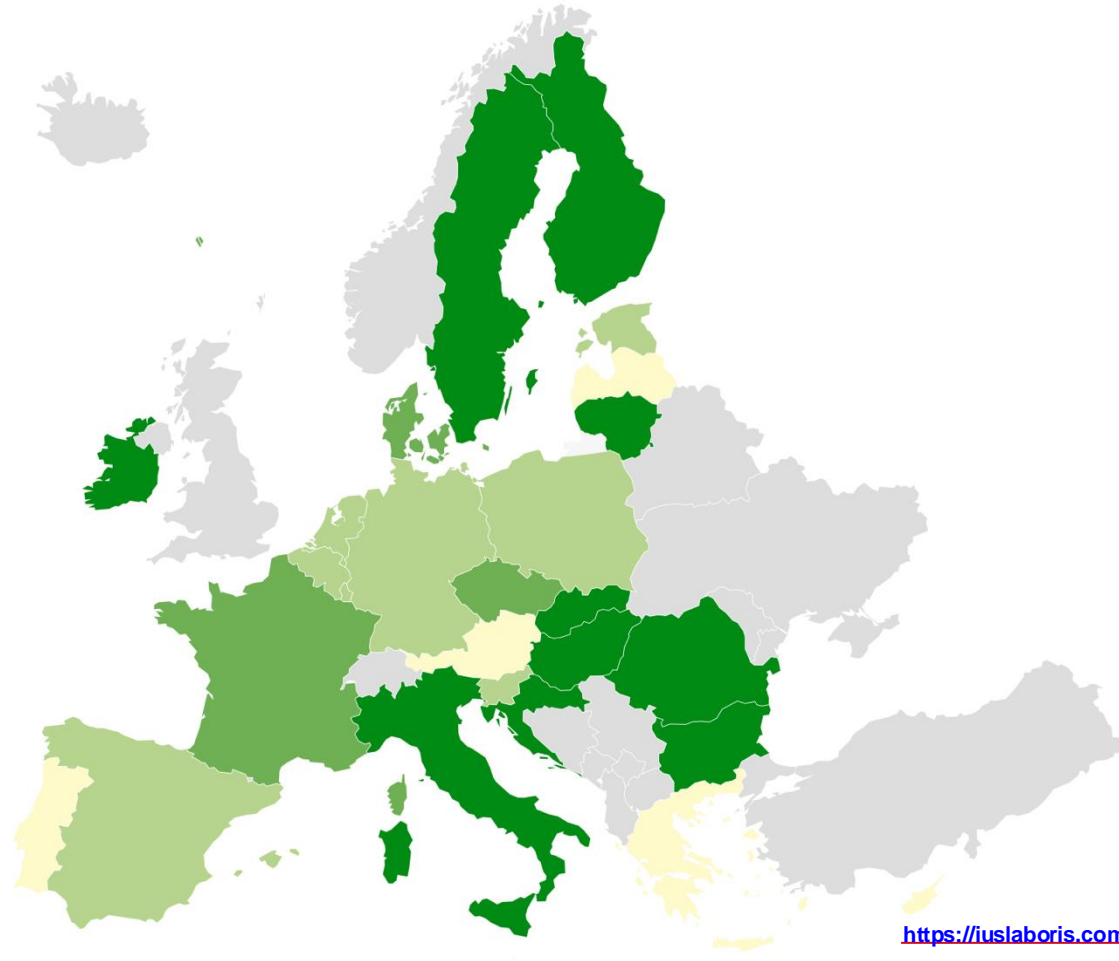
 - If information is not available:
 - Efforts made to obtain the necessary information about value chain
 - Reasons why not all of the necessary information could be obtained
 - Plans to obtain the necessary information in the future

Sanctions

- Penalties for non-compliance will be built into accounting laws in local jurisdictions so may differ from one country to the other
- Penalties could include financial fines and criminal sanctions
- In some jurisdictions, there could be joint and several liability of directors of a company
- Non-compliance will invite questions from auditors in the first instance

EU CSRD: Which countries have implemented?

■ No draft yet ■ Draft law ■ Partially implemented ■ Final legislation



<https://iuslaboris.com/insights/eu-csrd-which-countries-have-implemented/>

Final legislation

SWEDEN

- 1 **July 2024** implementation into national legislation entered in force.
- New rules are **not fully aligned** with the CSRD as they will be applied to the financial year starting after 01 June 2024.
- Companies will have to **gradually apply** the new sustainability reporting requirements, depending on their size the legislative changes will follow different timelines.
- Non-compliance can result in **individual board members' liability** for damages as an inadequate sustainability report is considered an accounting offense.

Final legislation

FINLAND

- Provisions related to the CSRD entered into force on the **31st of December 2023**.
- No separate Sustainability Reporting Act → Different Act and Decrees (Accounting and Auditing Acts).
- Finland decided to **widen** the scope of the application.
- **Annual report** must be available to the public, free of charge on the company's website.
- **Financial Supervisory Authority**.
- **Liability**: Board of the company and managing director → Administrative sanctions will be effective enough?

Final legislation

▶ CROATIA

- **27 July 2024** implementation into national legislation.
- Sustainability reporting will commence in 2025 for the financial year 2024.

▶ ROMANIA

- Legislation implementing the directive is in place.

▶ BULGARIA

- Transposition into national law with adoption of changes to Accounting Act and Independent Financial Audit Act.
- Proposed changes do **not** envision much deviation from the CSRD.

Final legislation

▸ HUNGARY

- CSRD was transposed into the 2000/C Hungarian Accounting Act, effective from the **1st January 2024**.
- The detailed rules of ESG reporting entered into force in August 2024.

▸ SLOVAKIA

- On **1 June 2024**, legislation implementing the directive became effective.

▸ IRELAND

- **6 July 2024**, implementation into national legislation

▸ LITHUANIA

- **1 July 2024** the implementing law entered into force
- 16 other laws were amended as part of the implementation.

Partially implemented

FRANCE

- France has implemented the Corporate Sustainability Reporting Directive (CSRD) with the **ordinance n. 2023-11425**, making it the **first EU country** to do so.
- The new regulations will apply to large companies and listed SMEs, effective from 2025, with reporting standards to ensure comparability and transparency.
- Companies must now adhere to detailed ESG (Environmental, Social, and Governance) reporting using European Sustainability Reporting Standards (ESRS), following a **double materiality approach**.
- **French authorities are empowered to issue injunctions for non-compliance**, enforcing stricter standards on transparency and accountability in order to align with EU sustainability objectives.

The ordinance also **updates** the French Commercial Code, emphasizing double materiality, transparency, and accountability.

Haute Autorité de l'Audit

Statutory auditor

Independent third party bodies and
sustainability information auditors

Partially implemented

▸ CZECH REPUBLIC

Opted for a phased-in transposition process in **two stages** corresponding to the implementation timeframe under the CSRD:

- 1) **Consolidation Package** (1 January 2024).
- 2) **Extension** of the reporting obligations **to the remaining groups of companies**, applicable from 2026 for the 2025 financial year (intergovernmental stage).

▸ DENMARK

- **1 June 2024**, legislation implementing the directive became effective.
- **Other provisions** from the CSRD: Companies subject to the Danish legislation, commercial foundations, auditors, easier requirements for small and medium-sized companies, size limits for accounting classes.

Draft law

▶ BELGIUM

- The process of transposing the CSRD into Belgian legislation is **currently underway**.
- No legislation has been passed, but a draft bill is in process.

▶ NETHERLANDS

- Both draft implementation decision and a draft bill are in an **early stage of the legislative process**.
- In anticipation of the CSRD coming into effect in domestic law, the **Dutch AFM** has published **further guidance** regarding its expectations on companies to comply.
- ***Ten waypoints for CSRD – Double Materiality*** guidance on 4 July 2024, sets out its expectations and best practices for companies to approach the double materiality assessment under the CSRD.
- The draft bill does not provide for any substantive deviations from the CSRD requirements.

Draft law

▶ POLAND

- The draft act implementing the CSRD into Polish law was published in **mid-April 2024**.
- The draft bill does not provide for any substantive deviations from the CSRD requirements.

▶ SLOVENIA

- A draft bill transposing the CSRD requirements was introduced and the first reading in parliament took place in **June 2024**. No further indication as to when this may be adopted.
- The draft bill does not provide for any substantive deviations from the CSRD requirements.

Draft law

▸ ESTONIA

- The draft law transposing the CSRD was published on **23 February 2024** and is currently waiting for approval from parliament.
- Meanwhile, the Ministry of Climate has launched a website containing information on all aspects of sustainability reporting.
- The draft law does not provide for any substantive deviations from the CSRD requirements.

Draft law

▶ GERMANY

- On 24 July, 2024, the **German government adopted a draft** to implement the Corporate Sustainability Reporting Directive (CSRD), **but is not yet legally effective**.
- The draft will be discussed in parliament, with a focus on timely finalization to meet EU compliance deadlines.

▶ SPAIN

- On **29 October, 2024**, the Spanish Council of Ministers approved the transposition of two European directives that standardize the framework for reporting and verifying sustainability information by companies (Corporate Sustainability Information Law). The text will be sent to the General Courts.
- Although the CSRD addresses **issues already contemplated** in existing legislation on non-financial information and diversity.
- **Draft bill** that will regulate the corporate reporting framework on environmental, social, and governance issues.
- 26 September, the European Commission informed Spain and 16 other Member States that it had **opened an infringement procedure** because of delays in transposing into national law.

No draft

▾ AUSTRIA

- **No draft yet.**
- Austria's ESG framework is extensive, covering environmental protection, employee rights, anti-discrimination, and governance compliance.
- The existing non-financial reporting obligations apply to large, capital market-oriented firms, with standards like GRI and UN Global Compact recommended.
- Since 2017, around 100 companies have reported, but the new directive will expand this to about 2,000 firms, reflecting the growing importance of sustainability in Austrian corporate regulations.

No draft

▶ GREECE

- The government **has not yet released** any draft legislation to transpose the CSRD into local law, and no indication as to timing has yet been provided.
- However, it is understood that the relevant committee **has submitted a draft** to the Ministry but there is no further indication as to the timing of the transposition.

▶ LATVIA

- Latvia has introduced a draft law transposing the CSRD requirements, which is currently at **parliamentary review stage**.
- The draft law does not provide for any substantive deviations from the CSRD requirements.

No draft

✦ LUXEMBURG

- On **29 March 2024** the Minister of Justice introduces the Luxembourg legislation transposing the CSRD before the Luxembourg parliament.
- No current indication as to when the final version of the draft bill may be adopted.
- The State Council (Conseil d'État) and the Institute of Statutory Auditors published their opinions, marking a mandatory step in the Luxembourg legislative process.

✦ MALTA

- The government has not yet released any draft legislation to transpose the CSRD into local law.
- The Malta Financial Services Authority (MFSA) are expected to launch a public consultation, however no indication as to timing has yet been provided.

No draft

▶ PORTUGAL

- The government has not yet released any draft legislation to transpose the CSRD into local law, and no indication as to timing has yet been provided.

▶ CYPRUS

- The government introduced a draft bill in **March 2024**, which would introduce CSRD-related amendments to the Cypriot Companies Law.
- It is unclear when the draft bill will be brought into law.
- The draft bill does not provide for any substantive deviations from the CSRD requirements.

Italy

D.lgs. 6 settembre 2024, n. 125

- 1) Extension of the **subjective scope** of reporting obligations —→ It will occur gradually, based on the type of companies targeted, following a specifically defined roadmap.
- 2) Obligation to prepare (individual and/or consolidated) **sustainability reporting** according to common standards.
- 3) Obligation to submit sustainability reporting to **appropriate oversight** (Ministry of Economy and Finance - Department of General Accounting of the State; Italian Securities and Exchange Commission - CONSOB).

In-house perspective

Where does this sit within the organisation?

Collecting the data

Data privacy considerations

Defining disability

Duty to make reasonable adjustments

Defining employee, contingent workers and non-employee

Disclosing positive action policies

Family leave entitlement

Overlap with pay gap



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INSIGHTS

Sustainability reporting in Europe – understanding what's required

📄 04.11.24 | ⌚ 7'

<https://iuslaboris.com/insights/csr/>



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