

New EU sustainability regulations

What is the CSRD?

The Corporate Sustainability Reporting Directive (CSRD) is the much-anticipated update to the existing Non-Financial Reporting Directive which, in 2014, created reporting and transparency obligations on sustainability matters for a number of European companies, outlined below.

The CSRD widens the scope of companies subject to mandatory sustainability reporting obligations, and aims to improve the quality of reported sustainability information by imposing the mandatory use of European Sustainability Reporting Standards and mandatory audit of sustainability reports produced in compliance with the CSRD.

What has been announced?

On 22 June 2022, The European Council and Parliament, following a long period of political negotiation, reached an agreement on a slightly revised version of the initial CSRD proposal made by the European Commission in April 2021 (a link to our 2021 publication can be found below in the [How can I learn more?](#) section). Here are the links to the recent [Parliament](#) and [Council](#) press releases.

The final text has yet to be made public within a few days or weeks, and particular attention will need to be paid to the detail of the final provisions. Here are the highlights you need to know about today.

All initial key features of the CSRD proposal are confirmed:

Mandatory Sustainability Reporting according to the ESRS (European Sustainability Reporting Standards), to be prepared by EFRAG and adopted by the European Commission.

Mandatory audit in all EU Member States, in limited assurance first, then reasonable assurance in a second step (6 years after CSRD enters into force).

- Companies included in the **initial scope** are:
 - Public Interest Entities (PIEs).
 - Large entities that meet at least two of the following criteria:
 - > 250 employees;
 - €40M turnover;
 - €20M balance sheet.
 - Listed small and medium entities (SMEs) with the exception of micro enterprises comprising less than 10 employees.
 - Unlisted SMEs (i.e., entities that do not meet the above thresholds) are not in scope of the CSRD and not subject to sustainability reporting obligations. However, by being part of the value chain of larger entities subject to such obligations, they will indirectly be required to provide the sustainability information needed by these larger entities.
 - As a consequence, the CSRD encourages unlisted SMEs to publish sustainability information on a voluntary basis, using the SME specific standards designed for the use of listed SMEs subject to mandatory reporting.



A few key points on aspects that have been introduced:

Listed SMEs will have the **option to opt out** until 2028.

Non-EU companies with at least one branch or subsidiary in the EU and generating at least €150M net turnover in the EU are now subject to the same mandatory reporting obligations as in-scope EU companies.

ESRS adoption calendar:

- **June 2023** for sector-agnostic standards covering all ESG aspects (applying to all companies regardless of the sector(s) they operate in).
- **June 2024** for sector-specific standards (applying only to companies operating in a given sector) and SME-specific standards.

Phased-in implementation date:

- **2024** (reports published in 2025) for PIEs or large entities **already in the scope of NFRD**.
- **2025** (reports in 2026) for entities not already within the scope of NFRD (basically the >250 employee companies).
- **2026** (reports in 2027) for listed SMEs (between 10 and 250 employees).

Sustainability audits can be performed either by the **statutory auditor or an independent reviewer**:

- Member States can allow other independent reviewers (non-audit firms) to perform sustainability audits as long as they comply with exact same qualification, quality and independence rules as statutory auditors.
- Ultimately, the choice of engaging a statutory auditor or independent reviewer is left to the company.

How can I learn more?

There is a variety of ways to understand more about the CSRD, which is as follows:

- Read this [Mazars publication on the CSRD](#).
- Listen to this podcast on the [transition towards the CSRD](#).
- Explore existing Mazars publications on the CSRD and Taxonomy – [contact us](#) for more information.
- [Visit our website](#) to learn more about sustainability insights and guidance, or to speak to one of our experts.

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