



Navigating the revised CSRD

Exploring the specific considerations for non-EU groups and their EU subsidiaries

forv/s
mazars

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Introduction

The European Union took a turn in its approach of the sustainability reporting framework. Following months of political negotiation, the EU institutions reached an agreement in December 2025 on the “Content” Directive whose final text was published in the Official Journal of the EU (OJEU) on 26 February 2026. This is exactly one year after the launch by the European Commission of the revision process to simplify the CSRD (Corporate Sustainability Reporting Directive) and the CSDDD (Corporate Sustainability Due Diligence Directive) as part of the “Omnibus I” package.

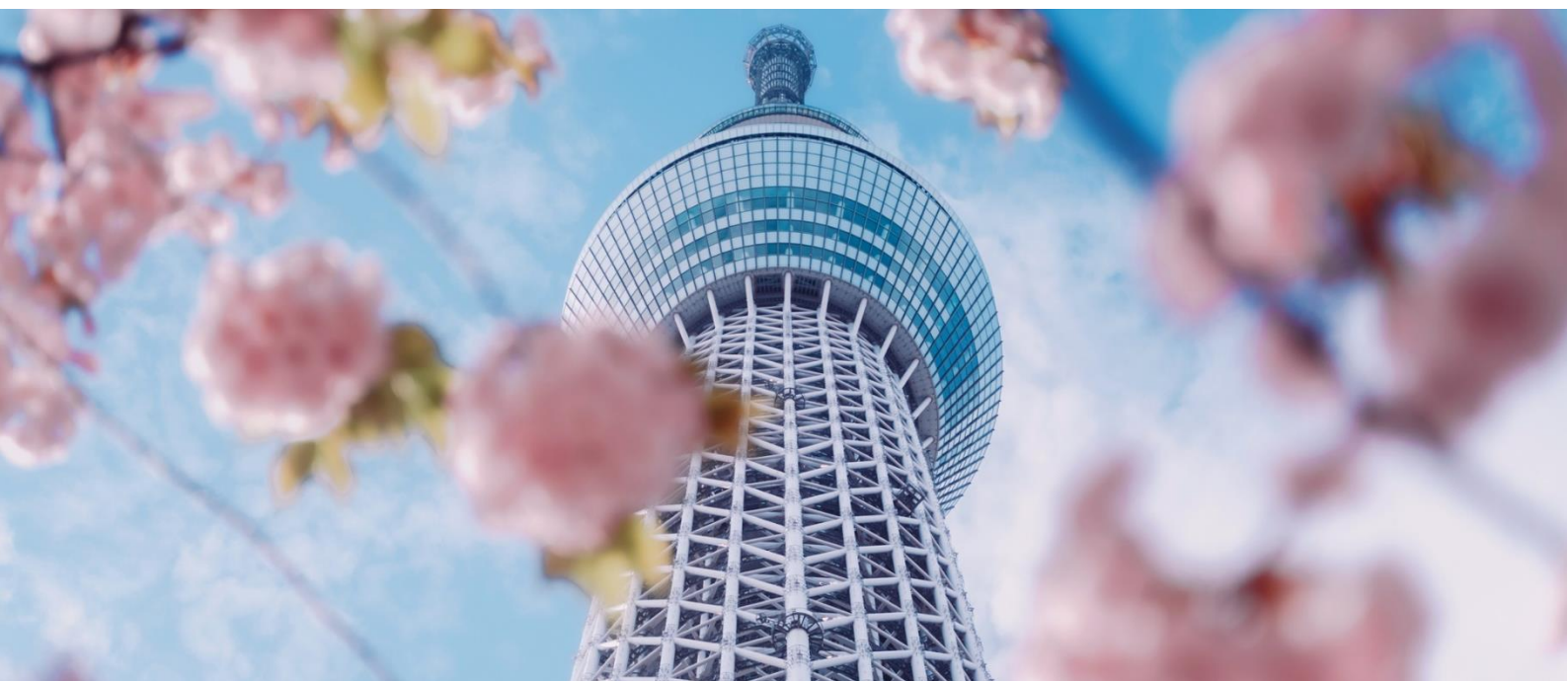
This package of simplification measures aims to strengthen EU competitiveness by streamlining regulatory requirements and reducing administrative burden.

Under the revised CSRD, reporting obligations will apply only to the largest companies in the Union – those which, on their balance sheet dates, exceed a net turnover of €450 million and an average number of 1,000 employees during the financial year. Thresholds for non-EU companies (or groups) having significant activity in the EU have also been amended compared to the original CSRD.

As a result, a significant proportion of companies originally expected to fall under the Directive (as initially published in December 2022) will no longer be subject to mandatory reporting. This upward revision of the thresholds is one of the main changes of the CSRD introduced by the “Content” Directive.

This guide aims at covering common situations of inclusion within the CSRD scope, as revised by the “Content” Directive, of a group whose parent company is located outside the EU. Accordingly, it aims at clarifying the applicable reporting requirements as well as highlighting the main implementation challenges, both from the non-EU parent company and from the EU subsidiary perspectives.

It complements another Forvis Mazars’ broader [guide](#) on the revised CSRD.



1. Main provisions of the revised CSRD

Since the 2024 financial year, large¹ PIEs with more than 500 employees (“wave 1” companies) have to apply the [Corporate Sustainability Reporting Directive](#) (CSRD) in the EU countries where it has been transposed².

This directive constitutes one of the **key pieces of a broader framework³, stemming from the Green Deal⁴ commitments** and paving the way towards Europe’s ambition to build a more sustainable and inclusive economic system. With the CSRD, the EU intends to meet the pressing need for reliable, relevant and comparable sustainability-related information through the definition of a standardized common language, aiming at raising sustainability reporting on an equal footing with financial reporting.

On 26 February 2025, given the **increased complexity and challenges in implementing the EU’s rules** in a volatile and uncertain world, the EC took commitment to reduce the administrative burden and enhance the Union’s competitiveness⁵. **The adoption of the so-called “Omnibus I” package of proposals was part of the first deliverables** of this new agenda, aimed at simplifying requirements on sustainability reporting (CSRD) and on due diligence obligations (CSDDD).

In this context, **the original scope of the CSRD has been reduced⁶ by the “Content” Directive** published in the OJEU on 26 February 2026 for an entry into force 20 days later. From that date, **Member States will then have twelve months i.e. until 19 March 2027 to transpose the directive into national law**. This will be a critical step as the local legislation may clarify certain aspects of the revised CSRD. It will then apply to **financial periods starting on or after 1 January 2027** even if some specific measures may enter into force earlier.

This revision has, however, not undermined the principle of widening the population of companies subject to sustainability reporting to companies outside the EU but operating in the EU, with the objective of **maintaining a level playing field for all the economic players in the Union**. In that context, non-EU groups or companies are or will be affected by the CSRD, as revised by the “Content” Directive, in three ways that are covered and detailed further in this publication:

1. when they have securities admitted to trading on an EU regulated market;
2. when they have a significant activity in the EU; and
3. when they are parent companies of in-scope EU subsidiaries.

Determining whether a non-EU group or an EU subsidiary is in the scope of the revised CSRD will often be a complex exercise that may require the support of a legal counsel.

Where necessary, this publication builds on the clarifications brought by the EC in a [Commission Notice](#) on the interpretation of certain legal provisions in the CSRD published on 13 November 2024 in the OJEU. Although these Frequently Asked Questions (FAQs) were developed with reference to the original CSRD, some clarifications provided by this set of FAQs are still relevant in the context of the revised CSRD.

¹ The “large” qualification as per the Accounting Directive (2013/34/EU) is met when at least two out of the three following criteria are fulfilled at the balance sheet date: (i) average number of employees above 250, (ii) net turnover above €50m and (iii) balance sheet total above €25m.

² As of the date of publication of this guide, the original CSRD has not been transposed into national law of five EU countries.

³ Including notably the EU Taxonomy for sustainable activities set by Regulation (EU) 2020/852 which establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable.

⁴ See Communication of the EC of 11 December 2019 available [here](#).

⁵ See Communication of the EC *Commission proposes to cut red tape and simplify business environment*, available [here](#).

⁶ The revised CSRD includes a review clause allowing for a possible extension of the scope of application in 2031, and every three years thereafter.

Non-EU companies (or groups) listed in the EU

Non-EU companies (or groups) whose securities⁷ are admitted to trading on an EU regulated⁸ market have to comply with the same sustainability reporting requirements⁹ as EU listed entities. They therefore have to include in their management report material information covering the full spectrum of ESG topics and necessary to understand (i) entity's impacts on sustainability matters and (ii) how sustainability matters affect the entity's development, performance and position ("double materiality" perspective).

In this situation (see [Case 1](#) presented in Part 3 of this guide), the (consolidated) sustainability statement must be prepared:

- in accordance with the **general European Sustainability Reporting Standards (ESRS)¹⁰** which are mandatory for in-scope EU companies or groups (hereafter the "General ESRS") or in a manner equivalent to those standards¹¹. The (consolidated) sustainability statement must also include the disclosures to be provided under **Article 8 of Regulation 2020/852 regarding the EU Taxonomy for sustainable activities** (hereafter "EU Taxonomy-related disclosures");

- under the **same electronic reporting format** that is already applicable for the financial statements in the EU¹². This will imply the "mark-up" of sustainability information based on an XBRL taxonomy (yet to be developed) in order to produce a CSRD report that will be "machine-readable" and that will come in addition to the "human-readable" version.

The same first-time application timeline also applies. This is why, **since the 2024 financial year**, the CSRD has also been applied by **large non-EU listed companies (or groups) with more than 500 employees**, which are therefore part of the "wave 1" companies, where these non-EU companies (or groups) have securities admitted to trading on an EU regulated market in a country where the CSRD has been transposed into national law.

Following the revision of the CSRD thresholds brought by the "Content" Directive, non-EU "wave 1" companies (or groups) which, on their balance sheet dates (and on a consolidated basis, where relevant), do not exceed a net turnover of €450m and/or an average number of 1,000 employees during the financial year, will be released from this obligation from the financial year starting on or after 1 January 2027.

⁷ I.e., all classes of securities which are admitted to trading on an EU regulated market such as, for example, shares, bonds or other forms of securitized debt.

⁸ Under the meaning of point (14) of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

⁹ If the non-EU company is an issuer of debt securities only, it will have to comply with these requirements only if the denomination per unit does not exceed €100k or, in the case of debt securities denominated in a currency other than euro, if the value of such denomination per unit does not exceed, at the date of the issue, €100k.

¹⁰ The first set of sector-agnostic standards adopted in July 2023 is also known as the "Set 1" of ESRS. The simplified ESRS that will be adopted by the EC *via* a delegated act expected in June 2026, based on EFRAG's technical advice, will replace the Set 1. These simplified ESRS will mandatorily apply to EU companies in the scope of the revised CSRD from financial year 2027. Early application from financial year 2026 remains to be confirmed. For further details, see Forvis Mazars' guides with respect to (i) [the Set 1 of ESRS](#) that apply to the EU "wave 1" entities or groups in the scope of the original CSRD and to (ii) [EFRAG's technical advice on the draft simplified ESRS](#).

¹¹ As of the date of publication of this guide, the EC's decision on the equivalence of non-EU sustainability reporting standards is still pending. Such equivalence is to be assessed by the EC by using criteria which ensure at least that these standards require companies to disclose information (i) on environmental, social and governance factors and (ii) necessary to understand their impacts on sustainability matters and how sustainability matters affect their development, performance and position.

¹² Specified in Article 3 of Commission Delegated Regulation (EU) 2019/815.

It is worth noting that the “Content” Directive includes an option by which Member States **may exempt EU “wave 1” companies below the revised thresholds** from their reporting obligations for the **financial years starting between 1 January 2025 and 31 December 2026**. This option must be **closely monitored** as it may entail potential differences in the application of the CSRD within the EU with respect to these financial years, depending on how the revised CSRD is transposed.

Besides, **non-EU (and EU) parent companies listed in the EU that are financial holdings with subsidiaries having business models and operations independent of one another**, may choose not to present consolidated sustainability information noting that the revised CSRD does not explicitly provide for a definition of “financial holding undertaking”¹³ nor clarifies the latter condition relating to the subsidiaries for applying such option (designated hereafter as “financial holdings option”).

Finally, as for any in-scope EU entity, an assurance opinion must be provided on this sustainability reporting¹⁴.



¹³ Recital (17) of the “Content” Directive indicates that this option “*should only apply where the parent undertaking meets the definition of a financial holding undertaking, including the requirement not to involve itself directly or indirectly in the management of the subsidiary undertakings, without prejudice to its rights as a shareholder. (...)*”. The “Content” Directive therefore implicitly refers to the preexisting definition of a financial holding undertaking given by article 2, point 15. of the Accounting Directive. This concept may be clarified at Member State level in the course of the transposition of the “Content” Directive into national law as it already raises many questions in practice.

¹⁴ In accordance with point (aa) of the second subparagraph of Article 34(1) and Article 34(2) to (5) of Directive 2013/34/EU.

Non-EU companies (or groups) having a significant activity in the EU

Non-EU companies (or groups) which have a significant activity in the EU will also be required to **provide sustainability information from the 2028 financial year** (report to be published in 2029) but with different reporting requirements.

In order to identify such companies (or groups), the revised CSRD sets two specific cumulative criteria:

- (i) generating a **net turnover of more than €450m** (instead of €150m with the original CSRD) **in the EU** (at individual level or, where relevant, at group level) for each of the last two consecutive financial years noting that the revised CSRD, like the original text, does not provide details on how to calculate this amount (i.e. by destination or by origin); and
- (ii) having **at least one subsidiary** generating a **net turnover of more than €200m¹⁵** in the preceding financial year (see [Case 2](#) presented in Part 3 of this guide) **or one branch located in the EU** and generating a **net turnover of more than €200m¹⁵** in the preceding financial year as well (see [Case 3](#)). Regarding subsidiaries, it is worth noting that the revised CSRD does not specify whether the €200m threshold must be assessed at sub-group level if this subsidiary is itself an intermediate parent company, or at individual level only.

The **financial holdings option** applicable to non-EU parent companies listed in the EU (as detailed above) **also applies to non-EU ultimate parent companies of groups which have a significant activity in the EU.**

Non-EU companies (or groups) having a significant activity in the EU will have to prepare their (consolidated) sustainability report¹⁶ **in accordance with specific standards – hereafter “ESRS for non-EU entities”** – to be adopted by the EC in the course of 2027. Non-EU companies (or groups) may also choose to report under the General ESRS which are mandatory for in-scope EU entities or in a manner equivalent to those standards, as determined by an EC’s decision on equivalence.

This report will include part of – but not all – sustainability information required for EU entities (and for non-EU entities listed on an EU regulated market, as mentioned in [Part 1](#) of this guide above), by focusing notably on:

- the **impacts on sustainability matters** (i.e., excluding risks & opportunities) connected with the entity’s own operations and its value chain;
- the **entity’s transition plans aligned with the limiting of global warming to 1,5 °C** in line with the Paris Agreement and the objective of achieving climate neutrality by 2050;
- **sustainability-related targets**, including greenhouse gas (GHG) emission reduction objectives at least for 2030 and 2050, and the progress the entity has made towards achieving those targets;
- information on **governance** in the field of sustainability matters (policies; incentive schemes; role, expertise and skills of governing bodies; etc.); and
- **due diligence process** implemented by the entity regarding sustainability matters.

Non-EU entities with a significant activity in the EU do not have to include EU Taxonomy-related disclosures in their sustainability reports. Said differently, there is no requirement to report this information for the non-EU parent company and, where relevant, for the subsidiaries that are not concerned by the CSRD. However, if a non-EU group in the scope of the revised CSRD chooses to publish a consolidated sustainability statement prepared in accordance with the General ESRS (instead of a sustainability report prepared in accordance with the ESRS for non-EU entities), in order for its in-scope EU subsidiaries to be exempted from their reporting requirements, this statement will also have to include the EU Taxonomy-related disclosures covering the activities carried out by all the in-scope EU subsidiaries, unless such information is included in their own management report (see [Case 4](#)).

¹⁵ This threshold shall be assessed on the balance sheet date.

¹⁶ In this case, the revised CSRD does not impose any precise location of the related information.

Finally, it is **the EU subsidiaries and/or branches¹⁷ that will ultimately be responsible for publishing the consolidated sustainability report** concerning non-EU groups. This report will be:

- established at the consolidated level of the ultimate non-EU parent entity, i.e., covering all EU and non-EU subsidiaries, and
- mandatorily accompanied by an assurance opinion¹⁸.

In case the information required to draw up the consolidated sustainability report is not available, the EU subsidiaries and/or branches must request the ultimate non-EU parent company to provide them with all the necessary information. In the event that not all the required information is provided, the EU subsidiaries and/or branches must publish the consolidated sustainability report, containing all information in its possession, and issue a statement indicating that the non-EU parent entity did not make

the rest of the required information available. Likewise, in the event that the non-EU parent entity does not make the above assurance opinion available, the EU subsidiaries and/or branches must also issue a statement indicating that fact.

In the context of the sustainability reporting of non-EU groups, it is also worth noting that the two following options provided by the original CSRD of December 2022, and unchanged by the “Content” Directive, are available to each Member State:

- require EU subsidiaries and/or branches to send Member States information about the net turnover generated in their territory and in the EU by the non-EU parent company;
- require that the company publishes the consolidated management report in the languages the Member States accept and that the company provides any necessary translation.

In-scope EU subsidiaries of non-EU groups

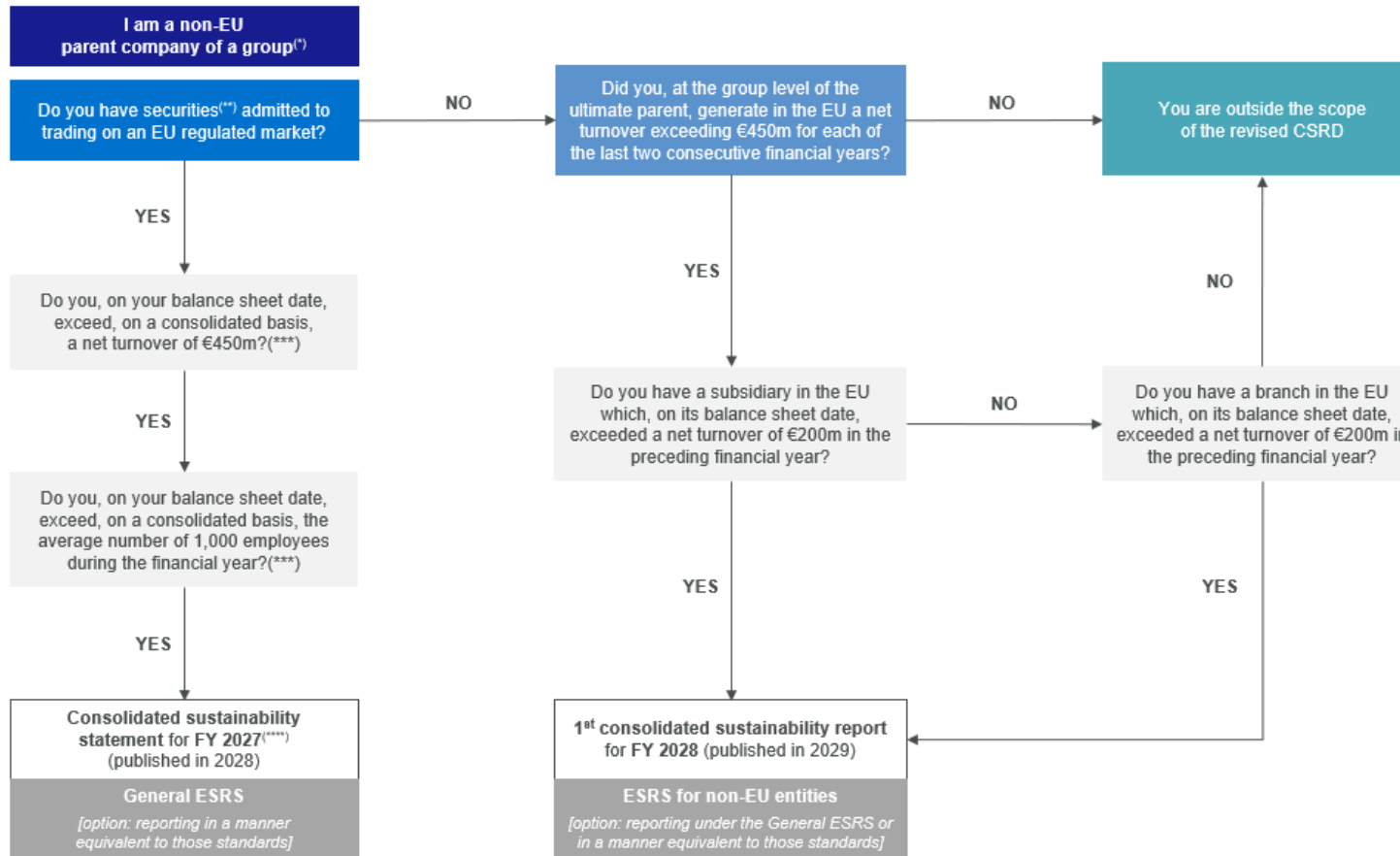
All EU-based companies (i.e., governed by the law of an EU Member State) that meet the directive’s scoping requirements have (or will have) to apply the (revised) CSRD, **regardless of the domiciliation of their parent company**. These companies may benefit from the directive’s **exemption principle** or **transitional measure** both in specific cases and under certain conditions (see [Case 4](#) presented in Part 3 of this guide).

¹⁷ In a given Member State, this responsibility will be borne by a branch (where relevant) only if the non-EU company or group does not have any subsidiary exceeding the €200m net turnover threshold in this territory.

¹⁸ To be expressed by one or more person(s) or firm(s) authorized to give an opinion on the assurance of sustainability reporting under the national law of the ultimate non-EU parent company or of a Member State.

2. Overview of how the revised CSRD impacts non-EU groups and their EU subsidiaries

The decision trees below highlight the consequences of the revised CSRD first **for a non-EU parent company of a group** and, second, **for its EU-based subsidiaries** starting from 1 January 2027 and therefore ignoring situations in which non-EU companies (or groups) listed in the EU or EU subsidiaries already had to report under the original CSRD. The decision trees also consider which standards are to be applied considering the different scoping criteria.

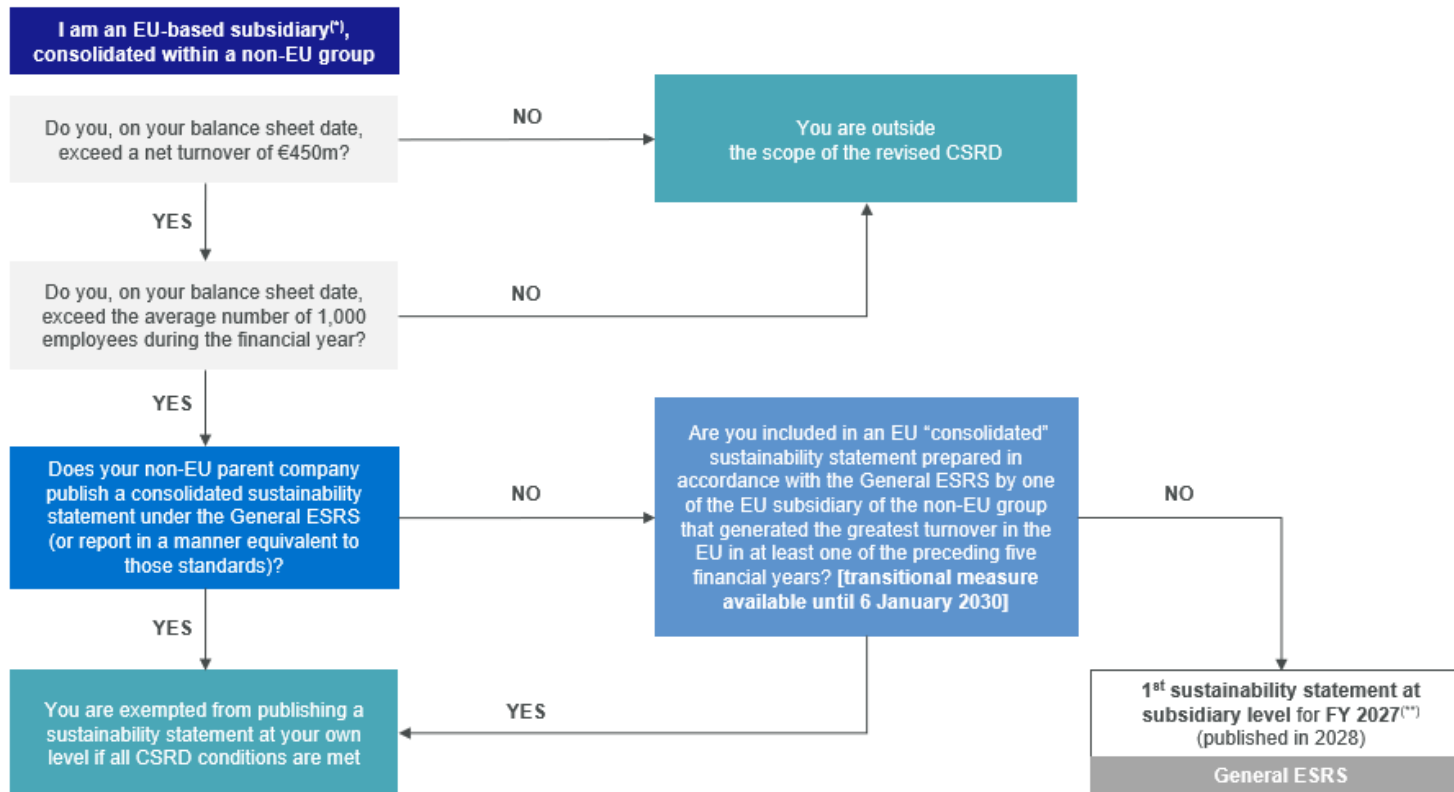


(*) By simplification, this decision tree does not cover the specific situation of a non-EU parent company that is a financial holding with subsidiaries having business models and operations independent of one another as such parent company may choose not to present consolidated sustainability information.

(**) All classes of securities which are admitted to trading on an EU regulated market (e.g. shares, bonds etc.). If you are an issuer of debt securities only, their denomination per unit shall be < €100k, otherwise answer “NO” to this question. Besides and by simplification, this decision tree does not cover the specific situation of a non-EU issuer listed in the EU which is consolidated into a broader group and therefore, which may benefit from the reporting exemption applicable to subsidiaries (under conditions).

(***) If the non-EU parent company listed in the EU is below the thresholds set by the revised CSRD, it is necessary to nonetheless consider whether the reporting requirements for non-EU groups having a significant activity in the EU are applicable to it (see the blue box in the middle of this decision tree).

(****) For large non-EU listed companies with more than 500 employees that are part of the “wave 1” companies under the scope of the original CSRD, this reporting obligation applies since FY 2024.



(*) If this subsidiary is itself an intermediate parent company:

- the thresholds of this decision tree must be assessed at consolidated level of this sub-group;
- the CSRD reporting must be established at the level of this sub-group;
- assessing if an intermediate parent company is the mother company of a group that exceeds the thresholds of this decision tree is done based on a consolidated perimeter including the parent company and its subsidiaries, irrespective of whether such intermediate parent company prepares consolidated financial statements.

(**) For large EU PIEs with more than 500 employees that are part of the “wave 1” companies under the scope of the original CSRD, this reporting obligation applies since FY 2024.

3. Practical cases

From the non-EU parent company perspective

The case studies detailed below and which have been voluntarily simplified for illustrative purpose¹⁹, refer to the consolidated sustainability report to be prepared **at parent company level** (even though such report – when required – must be published by the EU subsidiary under [Case 2](#) or the EU branch under [Case 3](#)).



¹⁹ By simplification, these cases studies do not cover the specific situation of a non-EU parent company which is a financial holding with subsidiaries having business models and operations independent of one another as such parent company may choose not to present consolidated sustainability information.

Case 1: I am a non-EU parent company listed on an EU regulated market

Assume a non-EU parent company whose securities are admitted to trading on a regulated market of any EU Member State.

When do I have to first apply the CSRD (or revised CSRD as amended by the “Content” Directive)?

Depending on its size, a non-EU parent company that is listed in the EU had (or will have) to first apply (or go on applying) the (revised) CSRD respectively from:

- the **2024 financial year** (report published in 2025) if it is a parent company of a large group **whose average number of employees exceeds 500** (i.e. as part of the “wave 1” companies under the scope of the original CSRD)²⁰;
- the **2027 financial year** (report to be published in 2028) if it is a parent company of a group **whose net turnover exceeds €450m** and **whose average number of employees exceeds 1,000** during the financial year.

According to which standards must I prepare my consolidated sustainability statement?

This non-EU parent company will have to report either under the **General ESRS** or **in a manner equivalent to those standards**.

What are the main practical challenges to implement the CSRD?

A non-EU company that is listed in the EU and that meets the thresholds of the CSRD (or revised CSRD) has (or will have) to face the same “constraints” as any in-scope EU entity, with potentially steeper challenges if it did not previously disclosed detailed ESG information.

It has (or will have) to particularly deal with and therefore anticipate the following streams:

- conducting a thorough analysis of the disclosure requirements (and associated datapoints) listed in the General ESRS, considering the revised version of these standards (see the delegated act related to the simplified ESRS expected to be adopted by the EC in June 2026);
- performing a double materiality assessment in order to identify its material sustainability-related IROs (impacts, risks and opportunities) across its whole value chain (upstream and downstream);
- carrying out a diagnosis of the organization in order to identify and assess the implications of ESRS requirements on its existing processes (e.g., reporting, internal control, risk management, data management, etc.), talent (e.g., hiring, upskilling, etc.), information systems and tools;
- defining accordingly, if intended, the path to follow, including the relevant policies and action plans to be implemented (it is reminded that the CSRD is not an obligation to behave, but an obligation to report) as well as human and financial resources to be allocated;
- establishing an organizational structure with a dedicated governance scheme in which top management is involved and responsibilities are clearly defined.

Moreover, the company has (or will have) to pay particular attention to **other sustainability reporting regulations** respectively at national and international levels, notably the IFRS Sustainability Disclosure Standards developed by the International Sustainability Standards Board (ISSB), in order to define a consistent approach and **avoid, when possible, multiple reporting**.

²⁰ Such parent company may benefit from a reporting exemption for the financial years starting between 1 January 2025 and 31 December 2026 if it does not exceed the revised thresholds (i.e. a net turnover of €450m and an average number of employees of 1,000) provided the related option included in the “Content” Directive is enforced in due time into national law of the EU Member State by which such company is governed.

Case 2: I am a non-EU parent company with a subsidiary in the EU

Assume a non-EU ultimate parent company of a group (which is not listed in the EU) that falls within the scope of the CSRD because, in this specific situation, it fulfills the following two cumulative criteria: (i) it generated a net turnover of more than €450m in the EU for the last two consecutive financial years, and (ii) it has a subsidiary in the EU whose net turnover exceeded €200m in the preceding financial year.

When will I have to first apply the CSRD (as revised by the “Content” Directive)?

This non-EU parent company will have to first apply the revised CSRD for the **2028 financial year** (report to be published in 2029).

According to which standards must I prepare my consolidated sustainability report?

This non-EU parent company will have to apply the specific **ESRS for non-EU entities**. It may also decide to report under the **General ESRS** or **in a manner equivalent to those standards**.

What are the main practical challenges to implement the CSRD?

By being submitted to **different reporting requirements** (through the application of the specific ESRS for non-EU entities), this non-EU company will face challenges arising mainly from the setting up of the **proper organization, processes, controls and systems** to be able to collect information and report on the **specific areas** listed in the first part of this publication.

However, there may be additional challenges as **transparency** on the company’s alignment with the Paris Agreement and its GHG emission reduction targets could also trigger **adaptation needs of its strategy and business model**.

Finally, should this non-EU company **opt to report under the General ESRS** (or in a manner equivalent to those standards), which can be the consequence of a strategic choice to exempt its in-scope EU subsidiaries from their sustainability reporting requirements (see [Case 4](#) hereafter), it will face **higher challenges, similar to Case 1 above; however, it will have additional time to get prepared**.

Case 3: I am a non-EU parent company with a branch located in the EU

Assume a non-EU ultimate parent company of a group (which is not listed in the EU) that falls within the scope of the CSRD because, in this specific situation, it fulfills the following two cumulative criteria: (i) it generated a net turnover of more than €450m in the EU for the last two consecutive financial years, and (ii) it has a branch in the EU whose net turnover exceeded €200m in the preceding financial year.

When will I have to first apply the CSRD (as revised by the “Content” Directive)?

This non-EU parent company will have to first apply the revised CSRD for the **2028 financial year** (report to be published in 2029).

According to which standards must I prepare my consolidated sustainability report?

This non-EU parent company will have to apply the specific **ESRS for non-EU entities** unless it chooses to report under the **General ESRS** or **in a manner equivalent to those standards**.

What are the main practical challenges to implement the CSRD?

See challenges in [Case 2](#) above.



From the EU subsidiary perspective

The case study detailed below and which has been voluntarily simplified for illustrative purpose, address sustainability reporting by an **in-scope EU subsidiary** (i.e., either at entity level or at “sub-group” level if the subsidiary is itself an intermediate parent company) starting from the implementation of the “Content” Directive (1 January 2027) and therefore ignoring situations in which an EU subsidiary already had to report under the original CSRD²¹.

Case 4: I am an EU subsidiary consolidated in a non-EU group

Assume an EU subsidiary whose net turnover and average number of employees exceed respectively €450m and 1,000 during the financial year and which is consolidated in a group whose parent company is based outside the EU.

When will I have to first apply the CSRD (as revised by the “Content” Directive)? Can I be exempted from publishing a sustainability statement at my own level?

This subsidiary will have to first apply the (revised) CSRD at the latest for the **2027 financial year** (sustainability statement to be published in 2028 at the subsidiary level, possibly on a consolidated basis if it is itself a parent company of a sub-group) unless the measures detailed below are applicable.

Transitional measure – option to produce an EU “consolidated” sustainability statement

Until 6 January 2030, a **transitional measure** allows this company (like all other EU subsidiaries in the scope of the (revised) CSRD) to be exempted from publishing a sustainability statement if it is included in an **EU “consolidated”²² sustainability statement** i.e., comprising all EU subsidiaries of the non-EU parent company that are in the scope of the (revised) CSRD and prepared in accordance with the General ESRS.

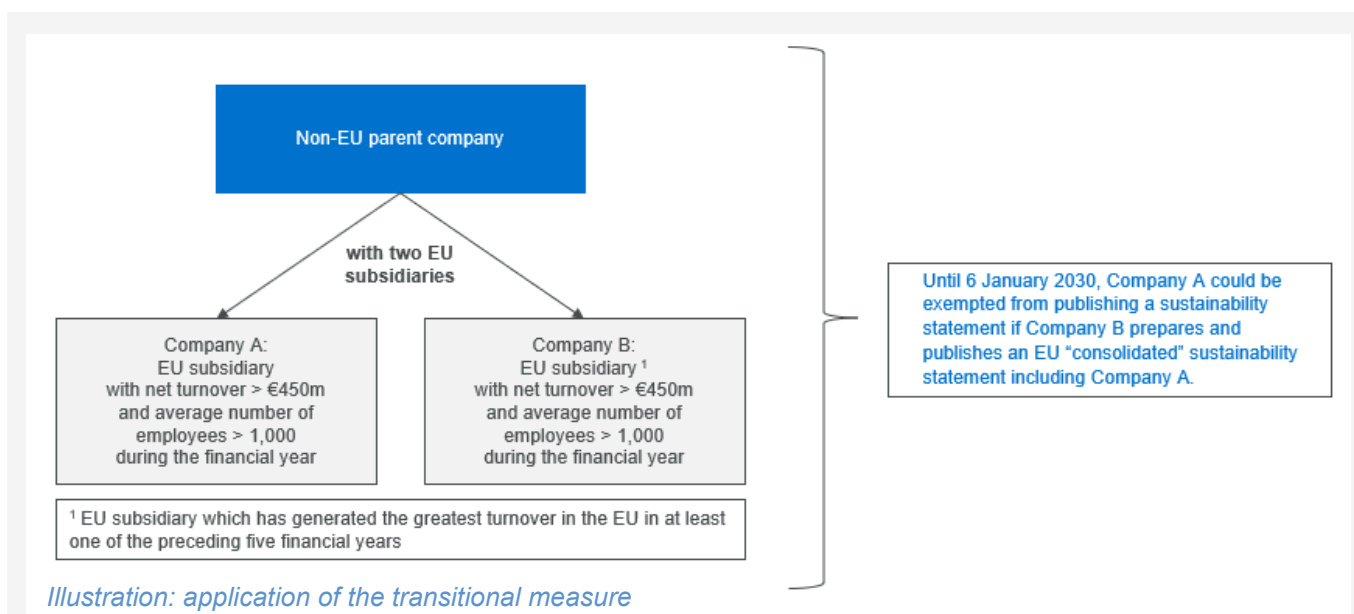
In such situation, the EU Taxonomy-related disclosures covering the activities carried out by this EU subsidiary (at individual level or group level, where relevant) must be included either in its management report or in the EU “consolidated” sustainability statement mentioned above.

The role of preparing and publishing this EU “consolidated” sustainability statement is taken by the EU subsidiary of the non-EU group **which has generated the greatest turnover in the EU in at least one of the preceding five financial years** (on a consolidated basis where applicable).

(See related illustration on the next page)

²¹ For large EU PIEs with more than 500 employees that are part of the “wave 1” companies under the scope of the original CSRD, the reporting obligation indeed applies from FY 2024.

²² In practice, it is more a “combination” than a “consolidation” because there are not necessarily capital links between all the EU subsidiaries of the non-EU group.



EU subsidiary exemption

The EU subsidiary is exempted from publishing a sustainability statement at its level when the non-EU parent company prepares and publishes a consolidated sustainability statement:

- including the parent company and its subsidiaries (in the EU and outside the EU); and
- prepared in accordance with the **General ESRS** or **in a manner equivalent to those standards**.

The CSRD allows for this exemption if certain additional conditions are met:

- the management report of the exempted subsidiary includes the name and registered office of the parent company that is reporting sustainability information at group level, the weblinks to the consolidated management report of the parent company and information relating to the fact that the subsidiary is exempted from publishing a sustainability statement;
- the consolidated sustainability statement²³ of the non-EU parent company and the assurance opinion on the consolidated sustainability statement, expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the law governing the non-EU parent company²⁴, are published in accordance with Article 30 of the Accounting Directive, and in accordance with the law of the Member State by which the exempted subsidiary is governed;
- the EU Taxonomy-related disclosures covering the activities carried out by the exempted EU subsidiary and its subsidiaries (where relevant), are included in the management report of the exempted subsidiary or in the consolidated sustainability statement carried out by the non-EU parent company; and
- if a Member State by which the exempted subsidiary is governed requires that a translation of the consolidated management report of the subsidiary or the consolidated sustainability statement of the parent company be provided, such translation should be certified (e.g. by the translator or by the authority in charge of certifying translations of the relevant Member State) or a statement specifying that it was not certified should be included.

²³ Being specified that this information can be published in a separate document (i.e. no obligation to present it in the non-EU group management report).

²⁴ In practice, such condition will not be fulfilled in third countries which have not implemented a process for authorising auditors to issue sustainability assurance opinions, being specified that the European legislation does not provide for an equivalence mechanism.

According to which standards must I prepare my sustainability statement?

This subsidiary will have to apply the **General ESRS**.

What are the main practical challenges to implement the CSRD?

For the EU subsidiary which is in the scope of the (revised) CSRD, this implementation will be both a **“local” compliance consideration** and a **strategic exercise** of growing importance with regards to the interactions with stakeholders, including financial institutions that will notably request the EU Taxonomy-related disclosures or clients that will ask for key ESG measures (such as, for example, GHG emissions) as part of their regular procurement processes or when addressing their own reporting requirements. As for other EU-based organizations, one could imagine as well that in the near future, governments grants or subsidies may include consideration of ESG factors, stemming from ESRS sustainability statement.

Moreover, the EU subsidiary will first have to consult with its non-EU parent to determine a strategy with regards to the best reporting scope to adopt for compliance with CSRD. As a matter of fact, the non-EU parent may have several EU subsidiaries in scope of the (revised) CSRD, and this creates opportunities, challenges and risks that need to be considered before launching the project:

- **among the opportunities**, one is the option to produce an EU “consolidated” sustainability statement as mentioned above, subject to a preliminary assessment to determine whether it is more efficient to prepare a single set of “consolidated” sustainability information, including the largest number of EU subsidiaries, than have each in-scope EU entity preparing its own reporting. This transitional measure aims at opening an opportunity even without an EU-based parent company having ownership in each EU subsidiary in the scope of the (revised) CSRD. From a resource perspective, this measure potentially offers economies of scale. In this regard, it is worth bearing in mind that producing a “consolidated” sustainability statement could be challenging since consolidated financial statements are prepared according to different requirements with the consolidated perimeter being strictly defined according to accounting rules. The “interactions” between both sets of statements, notably as regards EU Taxonomy-related disclosures, will have to be considered. Connectivity should also be ensured between sustainability and financial reporting;
- **among the challenges**, one point to remember is that the perimeter covered by the sustainability statement includes the subsidiaries of the EU legal entities, meaning that if the EU subsidiary is itself an intermediate parent company with subsidiaries both inside and outside the EU, the reporting perimeter should be at consolidated level for this intermediate parent company thus covering both EU and non-EU subsidiaries. For instance, a German subsidiary in scope of the revised CSRD that controls legal entities in Asia will need to include these Asian entities into its consolidated sustainability statement. Therefore, the EU “consolidated” sustainability statement prepared by the EU subsidiary having generated the greatest net turnover in the EU according to the transitional measure presented above will ultimately cover these non-EU subsidiaries (through the “consolidation” of the intermediate German parent company); and

- **among the risks**, there is the issue of inconsistent communication if several EU subsidiaries each prepare their own sustainability statement and the non-EU group also has to prepare a consolidated sustainability report (see [Case 2](#) above), potentially under a different framework²⁵. In such situations, there is a high risk that the stories and representations made in the various communications diverge significantly and even contradict each other. Thus, there is a need for coordination and consistency checks together with an opportunity to create synergies in documentation, processes and communication.



²⁵ While the in-scope EU subsidiary will have to apply the General ESRS, the non-EU group having significant activity in the EU (under the criteria of the revised CSRD) will have to produce a “CSRD-compliant” report from financial year 2028 onwards applying ESRS for non-EU entities (unless it chooses to report under the General ESRS or in a manner equivalent to those standards).

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