

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:
 - All large entities that meet at least two of the following criteria:
 - 250 employees;
 - €40M net turnover;
 - €20M balance sheet total.
 - Listed small and medium entities (SMEs) meaning entities that meet at least two of the following criteria: (i) between 10 and 250 employees, (ii) €700K and €40M net turnover, and (iii) €350K and €20M balance sheet total.
 - Unlisted SMEs 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.
 - Micro enterprises (not exceeding two of the following criteria: 10 employees, €700K net turnover and €350K balance sheet total) are not in the scope of the CSRD.



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 (generating at least €40M turnover in the EU) 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 (using the non-EU specific standards).

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 the first batch of sector-specific standards (applying only to companies operating in a given sector), SME-specific standards and non-EU specific standards.

Phased-in implementation calendar:

- **2024** (reports published in 2025) for large public interest entities **already in the scope of NFRD** (>500 employees).
- **2025** (reports in 2026) for large entities not already within the scope of NFRD).
- **2026** (reports in 2027) for listed SMEs.
- **2028** (reports in 2029) for non EU companies (subject to conditions).

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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