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Corporate Sustainability Reporting Directive

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23 May 2023



Background

- *European Green Deal and EU Action Plan: Financing Sustainable Growth*
- *Proposal to significantly revise existing EU requirements for annual non-financial reporting (2014/95/EU) published in April 2021*
- *More detailed information for investors, employees, consumers and other stakeholders*
 - *Harmonized EU requirements for company reporting of sustainability matters*
 - *Introducing mandatory sustainability reporting standards*
 - *Introducing an assurance (audit) requirement*
 - *Introducing digital tagging of the information*
- *Corporate Sustainability Reporting Directive (2022/2464) entered into force January 2023*



Scope – Directive

- *Large companies and large public interest entities (banks, insurance undertakings, listed companies)*
- *Listed SMEs excluding micros*
- *Subsidiaries and branches (turnover > 40 million euro) of non-EU companies with significant presence in the EU (turnover > 150 million euro in the EU)*
- *Exceptions:*
 - *Certain funds already subject to Sustainable Financial Disclosures Regulation*
 - *Subsidiary if its information included in the report of a parent undertaking drawn up in compliance with the Directive or equivalent standards*

In total more than 50,000 companies in the EU compared to around 11,000 currently



Sustainability Information

- *Annual report on sustainability matters i.e. environmental, social and human rights, and governance factors*
- *Information to be clearly identifiable within the management/directors' report in a dedicated section*
- *In accordance with the mandatory EU standards developed by EFRAG and adopted by the Commission entitled European Sustainability Reporting Standards*
- *Characteristics of the 12 standards include double materiality, forward looking information, information on the value chain, alignment with international standards and alignment with other EU law*



Other Elements

- *Management/directors' report to be produced in European Single Electronic Format*
- *Assurance (audit) on a limited basis initially until sustainability assurance standards adopted by the Commission*
- *Additional education and training requirements for statutory auditors to qualify to carry out sustainability assurance including transitional provisions*
- *Option to allow separate audit firms carry out the sustainability and financial audit*
- *Option to introduce a new category of Independent Assurance Service Providers*
- *Oversight/sanctions integrated with existing rules in Accounting (2013/34/EU) and Audit Directives (2006/43/EC as amended)*



Timelines

Member States

- *Transposition in 18 months from entry into force i.e. mid-2024 but some aspects require implementation by 1 January 2024*

Reporting by entities in scope from financial year 1 January

- *2024 large undertakings and large PIEs already in scope of non-financial reporting (> 500 employees)*
- *2025 large undertakings and large PIEs (> 250 employees)*
- *2026 listed SMEs with further opt outs possible*
- *2028 subsidiaries and branches of non-EU companies*

EU Commission

- *First set of mandatory European Sustainability Reporting Standards to be adopted by 30 June 2023.*



Next Steps

- *Stakeholder communication on outcome of public consultation on exercise of options/discretions in Directive.*
- *Draft legislation under the European Communities Act 1972.*
- *Contact CSR@enterprise.gov.ie*