



Focus on

The Corporate Sustainability
Reporting Directive
CSRD

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The Corporate Sustainability Reporting Directive - CSRD

What are we talking about?

In April 2021, the European Commission adopted the draft Corporate Sustainability Reporting Directive, or CSRD, which significantly strengthens the current sustainability reporting requirements of the Non-Financial Reporting Directive (NFRD) and expands the scope of companies concerned.

In practice, the CSRD intends to adopt **prescriptive sustainability reporting standards** that will be mandatory for all companies outlined in the scope of the directive, with businesses outside of this scope also encouraged to meet these standards. In the same way that IFRS provides a strict framework for financial reporting, these future sustainability reporting standards will provide precise rules on both what content information must be provided and how it should be provided.

Why this new directive ?

Enabling the dissemination of reliable, relevant and comparable sustainability information among all economic and financial players is the cornerstone of Europe's sustainable development ambitions. Indeed, there can be no significant progress in achieving these collective objectives if the underlying issues are not uniformly understood, managed and shared. However, the current framework defined by the NFRD has left considerable leeway for the implementation of reporting obligations. This has resulted in a great deal of diversity in the information available, which is both expensive to produce, and ultimately not very useful.

The CSRD therefore aims above all to define a **common, standardised language** for sustainability reporting, which must also be audited.

By making standards clearer, the directive will benefit all economic and financial players, and in particular companies themselves.

Which companies are concerned ?

The CSRD significantly increases the scope of companies concerned. Regardless of their legal status, this directive applies to the following companies:

- **All companies listed on a European market** (including non-European companies and SMEs, but excluding micro-enterprises with less than 10 employees)

- **All large unlisted companies:** defined as meeting two of the three following criteria: more than 250 employees, €20m balance sheet or €40m turnover

Unlisted SMEs will be encouraged to publish simplified information according to standards, proportionate to their needs and capabilities.

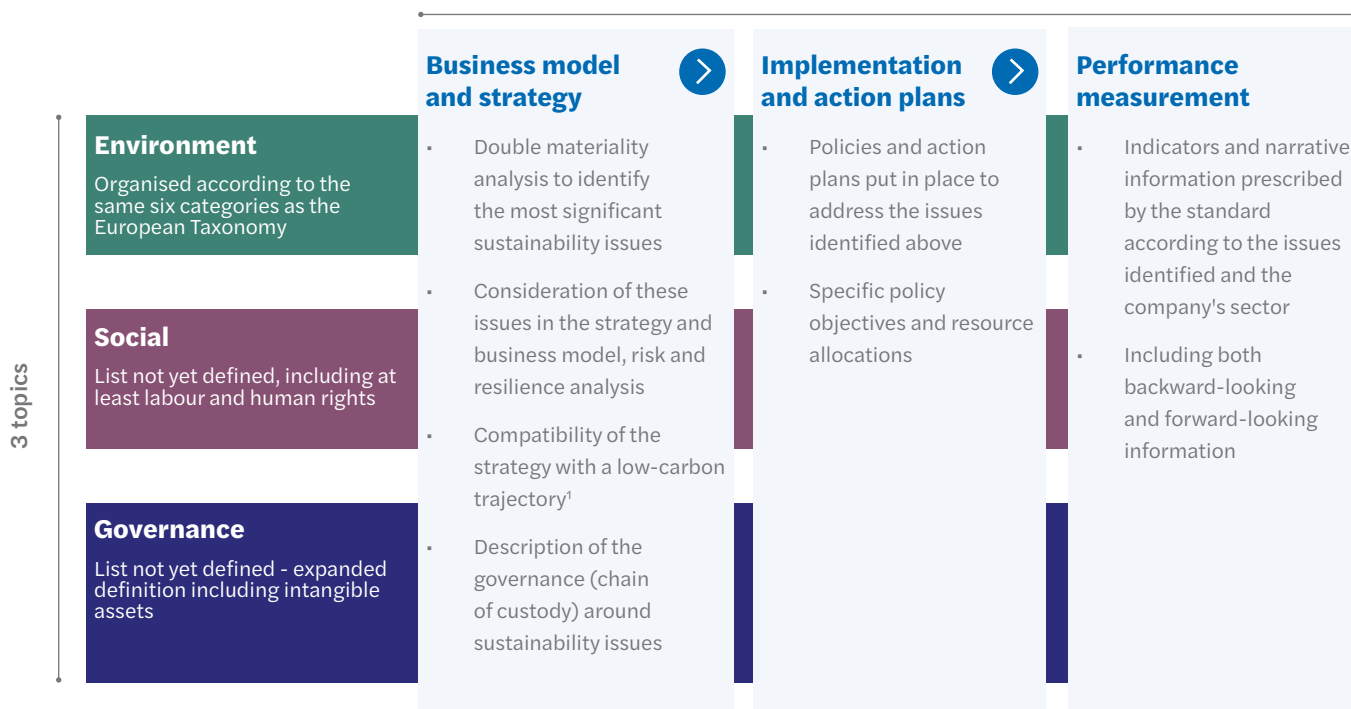


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What information should be published?

The information to be published within the framework of the CSRD will be organised according to 3 categories and will cover the 3 "ESG" subjects (Environment, Social, Governance).

3 information categories



¹ Paris Agreement 1.5°C warming trajectory

All these aspects will be detailed in future reporting standards.

Where should the information be published?

The information must be provided within the management report (although it can be featured in a separate section) and must comply with an imposed digital format.

This digital format will be based on a tagging system compatible with the European Single Electronic Format (ESEF).

What information should be audited?

The entire sustainability report and the information contained therein will be subject to mandatory assurance. This audit will be carried out with limited assurance, with the possibility of moving towards reasonable assurance in the medium term.

The audit will have to be carried out by the statutory auditor - or by an independent third party if the Member State chooses to leave this possibility open.

When will the CSRD come into force?

It is expected to come into force in January 2024. The companies concerned will therefore have to publish their first CSRD report in 2024 with the information for the financial year 2023 based on the standards expected to be published in Q4 2022.

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What do you need to do to prepare?

If your organisation is already required to publish a sustainability report:

Today



- Familiarise yourself with the changes introduced by the CSRD

In 2022



- Read the published standards
- Anticipate impacts on current sustainability reporting, processes, tools and systems
- Carry out a diagnosis to measure the upgrade effort required ("gap analysis") and deduce the changes to be implemented
- Define and execute the resulting action plans

In 2023



- Bring up the necessary information and start drafting your sustainability report in accordance with the reporting standards published at the end of 2022

In 2024



- Publish your sustainability report in accordance with the new CSRD standards



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If your organisation has never published a sustainability report:

Between now and the end of 2022



- Familiarise yourself with the challenges of sustainability reporting and the content of the CSRD (objectives, reporting structure, methodologies, etc.)
- Conduct an initial materiality analysis and map your sustainability issues (risks, impacts and opportunities)
- Derive a vision of future reporting needs (policies, action plans and associated indicators based on existing standards)
- On the basis of this target vision, carry out a diagnosis of your organisation (processes, systems, tools) in order to have a first idea of the path to follow as soon as possible (a "gap analysis") and anticipate the actions to be implemented
- Deploying the action plan: adapting your business, processes, reporting and information control framework, and information systems
- Integrate into your action plan the precise information collection requirements as defined by the reporting standards to be published in the second half of 2022

In 2023



- Start the implementation of new processes and reporting systems
- Start collecting the information needed for your first sustainability report
- Define the precise content of the report, its integration into your management report
- Start writing your sustainability report
- Choose the organisation that will audit your sustainability report when it is first published in early 2024

In 2024



- Publish your first sustainability report in accordance with the new CSRD standards.



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