



# Guide to the EU Corporate Sustainability Reporting Directive (CSRD)

For non-EU groups and their EU subsidiaries



# Contents

This Guide aims at covering **common situations of inclusion within the CSRD scope** of a group whose parent company is located outside the European Union. 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 the EU subsidiary perspectives.

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# Overview of the main provisions of the CSRD

On January 5, 2023, the [Corporate Sustainability Reporting Directive](#) (CSRD) has entered into force after several months of political negotiations, achieving a significant step forward in regulating sustainability reporting within the European Union (EU). From that date, EU Member States have 18 months to transpose it into national law (i.e., by July 6, 2024), with several “options” being offered by the CSRD (see main options listed hereafter). This will be the final step in order to further specify the scope of the CSRD requirements and the implementation schedule. For further details, please refer to [Mazars Guide on the CSRD](#) issued in January 2023.

This directive constitutes one of the key pieces of a broader framework<sup>1</sup>, stemming from the Green Deal<sup>2</sup> 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.

Besides, the CSRD includes an “extra-territoriality” principle and widens the population of companies subject to sustainability reporting to companies outside the EU with the objective of maintaining a level playing field for all the economic players operating in the European market. In that context, non-EU groups or companies will be affected by the CSRD in three ways that are covered and detailed further in this publication:

1. when they have securities listed in the EU;
2. when they have 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 CSRD will often be a complex exercise that may require the support of a legal counsel.



<sup>1</sup> Including notably the EU Taxonomy Regulation or so-called “Green Taxonomy”, a classification system of environmentally sustainable economic activities.

<sup>2</sup> See Communication of the European Commission (EC) of December 11, 2019 reachable via this [link](#).

# Overview of the main provisions of the CSRD



## 1. Non-EU companies listed in the EU

Non-EU companies whose securities<sup>3</sup> are admitted to trading on an EU regulated<sup>4</sup> market will have to comply with the same sustainability reporting requirements<sup>5</sup> as listed EU companies. They will therefore have to include in their management report material information covering the full spectrum of ESG topics and necessary to understand (i) the company's impacts on sustainability matters and (ii) how sustainability matters affect the company's development, performance and position ("double materiality" perspective).

In this situation (see Case 1 presented hereafter), the sustainability report will have to be prepared:

- in accordance with the general European Sustainability Reporting Standards (ESRS)<sup>6</sup> which are mandatory for large EU entities or groups (hereafter the "General ESRS") or equivalent<sup>7</sup> standards (for further details, please refer to [Mazars Factsheet on ESRS](#) issued in November 2022);

- under the same electronic reporting format that is already applicable for the financial statements in the EU<sup>8</sup>. This will imply the "mark-up" of sustainability information based on an XBRL taxonomy in order to produce a CSRD report that will be "machine-readable" and will come in addition to the "human-readable" version.

The same first-time application timeline will also apply. Therefore, the application of the CSRD will occur progressively, starting from the 2024 financial year for non-EU listed companies (or groups) with (i) more than 500 employees and with (ii) more than €20m balance sheet total or more than €40m net turnover.

As for any in-scope EU entity, an assurance opinion shall be provided on this sustainability reporting<sup>9</sup>. For further details, please refer to [Mazars Guide on the CSRD](#) issued in January 2023 and cited above.

<sup>3</sup> I.e., all classes of securities which are negotiable on the capital market such as, for example, shares, bonds or other forms of securitized debt.

<sup>4</sup> Under the meaning of point (14) of Article 4(1) of [Directive 2004/39/EC](#) of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments.

<sup>5</sup> 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.

<sup>6</sup> As per the CSRD, these standards should be adopted by the EC *via* delegated acts by no later than August 31, 2023.

<sup>7</sup> Equivalence of sustainability reporting standards is to be assessed by the EC by using criteria which ensure at least that these standards require entities 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. As of the date of publication of this Guide, the EC has not yet indicated which standards are or will be equivalent to the General ESRS.

<sup>8</sup> Specified in Article 3 of [Commission Delegated Regulation \(EU\) 2019/815](#).

<sup>9</sup> In accordance with point (aa) of the second subparagraph of Article 34(1) and Article 34(2) to (5) of [Directive 2013/34/EU](#) (hereafter the "EU Accounting Directive").

# Overview of the main provisions of the CSRD

## 2. Non-EU groups having significant activity in the EU

Non-EU groups which have 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 in a less burdensome regulatory framework. In order to identify such groups, the CSRD sets two specific cumulative criteria:

- i) generating a net turnover of more than €150m in the EU for each of the last two consecutive financial years noting that the CSRD does not provide details on how to calculate this amount; and
- ii) having at least one subsidiary (either a large<sup>10</sup> entity or a listed small or medium-sized<sup>11</sup> entity – see Case 2) or one branch – no precise definition is given in the CSRD – located in the EU; in the latter case, the net turnover of the branch shall exceed €40m in the preceding financial year (see Case 3).

For the non-EU groups concerned, the related sustainability report<sup>12</sup> will have to be prepared in accordance with specific standards – hereafter “ESRS for non-EU entities” – to be adopted by the European Commission (EC) by June 30, 2024 as per the CSRD. But this deadline will probably not be met as the European Financial Reporting Advisory Group (EFRAG), the technical advisor of the EC, has not yet started working on these standards. Non-EU groups may also apply the General ESRS or equivalent standards.

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 point 1. above), by focusing notably on:

- the impacts on sustainability matters (i.e., excluding risks & opportunities) connected with the group’s own operations and with its value chain;

- the group’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 group 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 group regarding sustainability matters.

Finally, it is the EU subsidiaries and/or branches<sup>13</sup> that will ultimately be responsible for publishing the sustainability report concerning non-EU groups. This report will be:

- established at consolidated level of the ultimate non-EU parent entity, i.e., covering all EU and non-EU subsidiaries, and
- mandatorily accompanied by an assurance opinion<sup>14</sup>.

In the case that the information required to draw up the sustainability report is not available, the EU subsidiaries and/or branches shall request the non-EU parent entity to provide them with all information necessary. In the event that not all the required information is provided, the EU subsidiaries and/or branches shall publish the 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 shall also issue a statement indicating that fact.

10 The “large” qualification as per the EU Accounting Directive 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 €40m and (iii) balance sheet total above €20m.

11 The “small and medium-sized” qualification as per the EU Accounting Directive is met when at least two out of the three following criteria are fulfilled at the balance sheet date: (i) average number of employees between 10 and 250, (ii) net turnover between €700k and €40m, and (iii) balance sheet total between €350k and €20m.

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

13 In a given Member State, this responsibility will be borne by a branch (where relevant) only if the non-EU group does not have any large or listed small/medium subsidiary in this territory.

14 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 non-EU entity or of an EU Member State.

# Overview of the main provisions of the CSRD

## 3. In-scope EU subsidiaries of non-EU groups

The CSRD will apply to all EU-based companies (i.e., governed by the law of an EU Member State) that meet the directive's scoping requirements, regardless of the domiciliation of their parent company.

These companies may benefit either from the CSRD exemption principle or from the CSRD transitional measure both in specific cases and under certain conditions (see Cases 4 and 5).



# Overview of the options offered by the CSRD and available at Member State level

As mentioned previously, each Member State will have to adopt measures to incorporate the CSRD into its national law, in order to achieve the objectives set by this directive. In this context, the following main “options”, available to each Member State, shall be closely monitored as they may entail potential differences in application of the CSRD within the EU:

- allow (under specific conditions) information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where the disclosure of such information would be seriously prejudicial to the entity’s commercial position;
- allow (under specific conditions) an independent assurance services provider (IASP) established in their territory – including a statutory auditor other than the one(s) carrying out the statutory audit of the entity’s annual financial statements – to express the assurance opinion on sustainability reporting;
- allow the functions assigned to the audit committee relating to sustainability reporting and its assurance to be performed by the administrative or supervisory body as a whole or by a dedicated body established by the administrative or supervisory body;
- require that the assurance report on sustainability reporting is included as a separate section of the audit report, where the same statutory auditor carries out the statutory audit of the entity’s annual financial statements and the assurance of sustainability reporting;
- provide for effective, proportionate and dissuasive sanctions in respect of statutory auditors and audit firms, where assurance of sustainability reporting is not carried out in conformity with the CSRD provisions, and, where applicable, with the EU regulation on statutory audit of public-interest entities.

Other options provided are particularly relevant in the context of the sustainability reporting of non-EU groups:

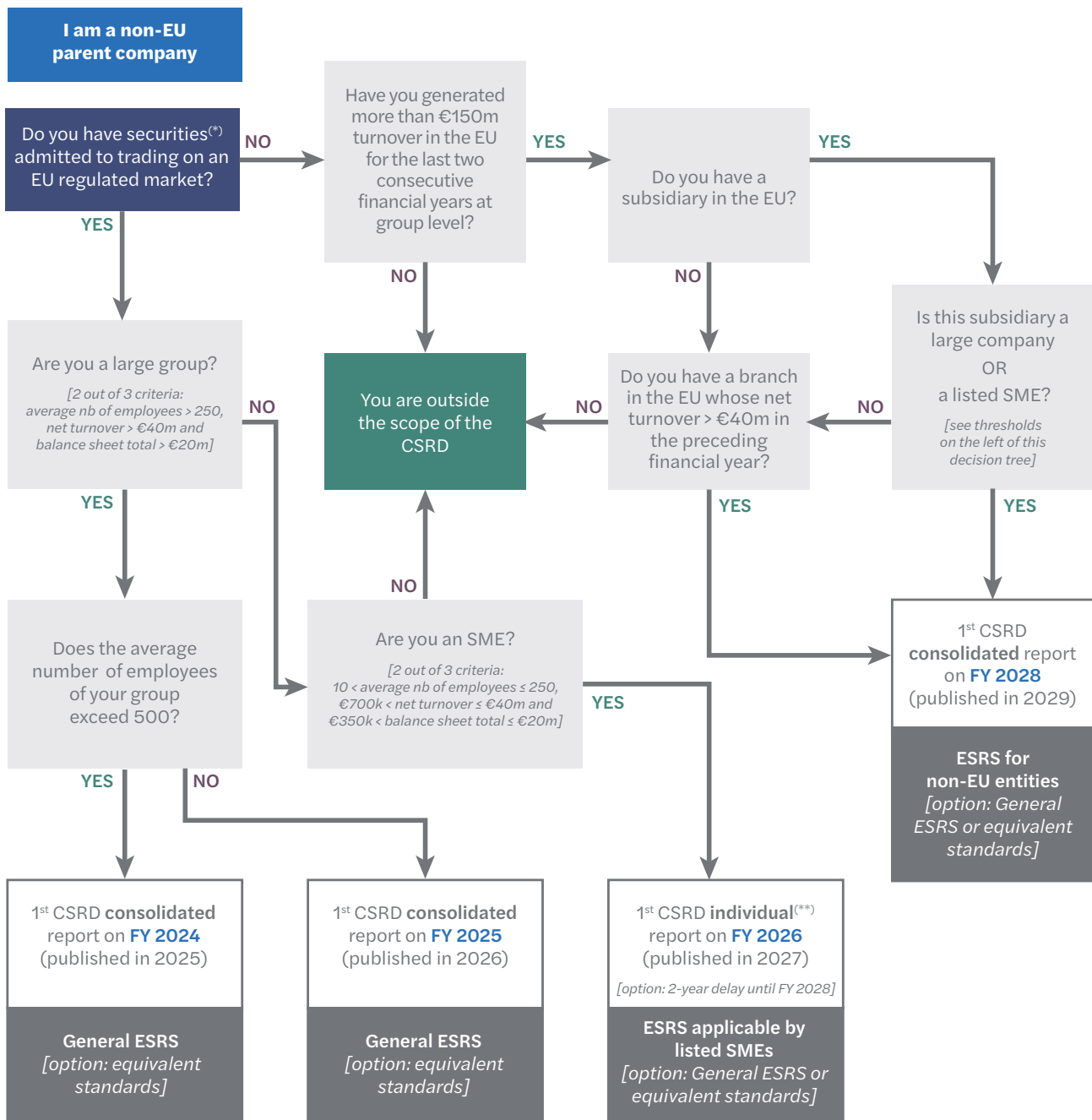
- require EU subsidiary and/or branches to send Member States information about the net turnover generated in their territory and in the EU by the non-EU parent company;
- require that the company publishes the consolidated management report in the languages the Member States accept and that the company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





# How the CSRD impacts non-EU groups and their EU subsidiaries

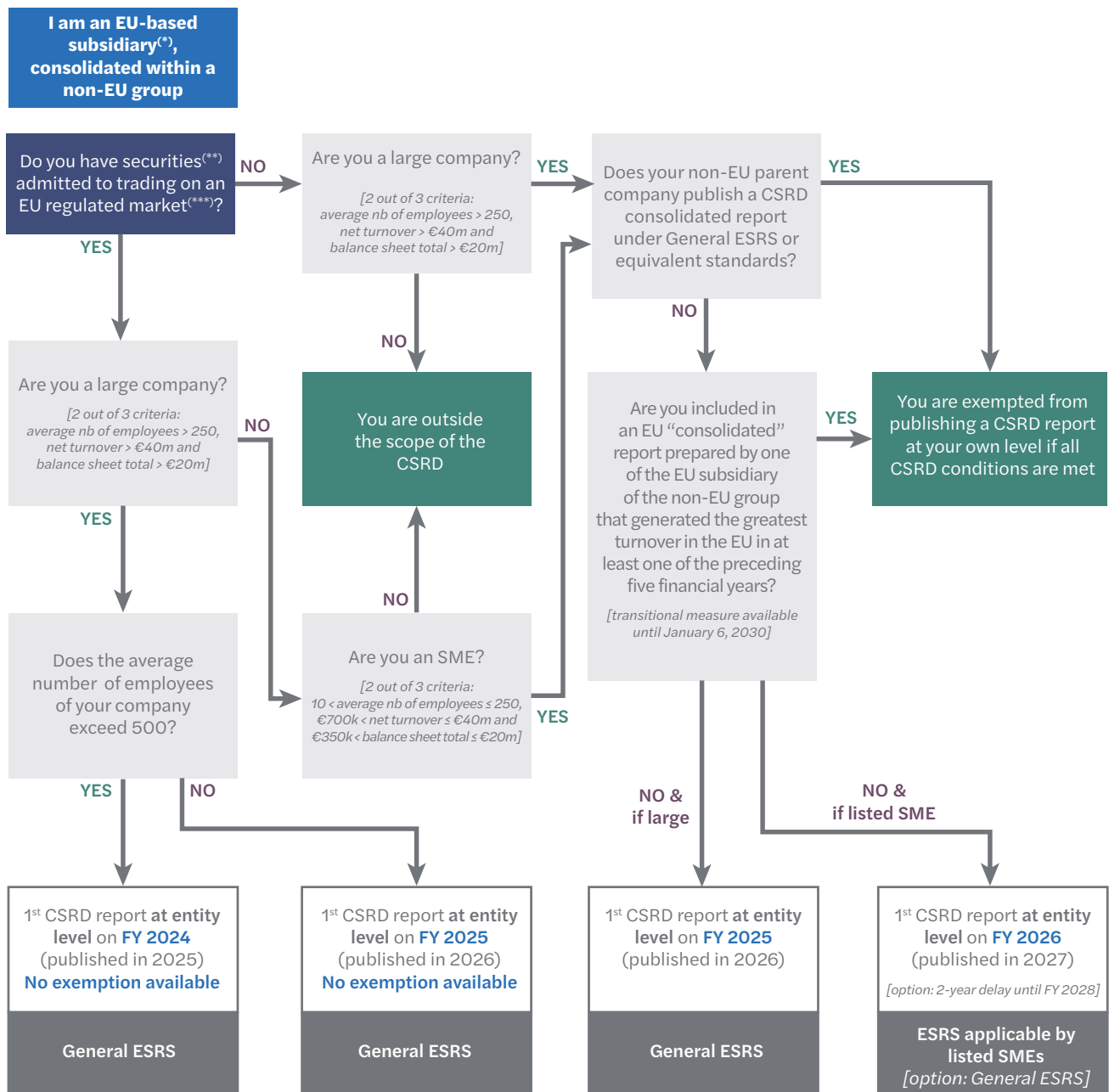
The following decision trees highlight the consequences of the CSRD first for a non-EU parent company of a group and second for its EU-based subsidiaries as regards the first-time application date and which standards are to be applied considering the different scoping criteria:



(\*) All classes of securities negotiable on the capital 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.

(\*\*) In this case, the sustainability report is to be prepared at the non-EU parent company level excluding its subsidiaries (i.e., on a standalone basis, not a consolidated basis).

# How the CSRD impacts non-EU groups and their EU subsidiaries



(\*) If this subsidiary is itself an intermediate parent company:  
 • the thresholds of this decision tree shall be assessed at consolidated level of this sub-group;  
 • the CSRD report shall be established at the level of this sub-group (except if it is a listed SME for which the exemption is not applied, where in this case the report shall be established at entity level only).

(\*\*) All classes of securities negotiable on the capital market (e.g. shares, bonds etc.).

(\*\*\*) This decision tree does not cover EU public-interest entities which are not listed entities, such as, for example, credit institutions and insurance companies, though all large companies including all large PIEs are in the scope of the CSRD.

# Practical cases

## Part 1: from the non-EU parent company perspective

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

### Case 1: I am a large 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 Member State of the EU and which is a large company.

*Example: in France, a non-EU parent company whose securities are admitted to trading on Euronext is in the scope of the CSRD (if it is a large or a small/medium-sized entity) while this is not the case for those listed on Euronext Growth (previously named “Alternext”) or Euronext Access (previously named “Marché libre”).*

#### When will I have to first apply the CSRD?

Depending on its size, this large non-EU company that is listed in the EU will have to first apply the CSRD in:

- the **2024 financial year** (report to be published in 2025) if it is a parent company of a large group **whose average number of employees exceeds 500**; and
- the **2025 financial year** (report to be published in 2026) if it is a parent company of a large group **whose average number of employees is below 500**.

#### According to which standards shall I prepare my consolidated sustainability report?

This non-EU company will have to apply either the **General ESRS** (meaning the 12 sector-agnostic standards and the 40 or so sector-specific standards that will be progressively adopted by the EC later on) or **equivalent standards**<sup>15</sup> as determined by the EC.

#### What are the main practical challenges to implement the CSRD?

**This large non-EU company listed in the EU will have to face the same “CSRD constraints” as any in-scope large EU entity in a very tight timeline, with potentially steeper challenges if it has not been reporting detailed ESG information.**

It 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;
- performing a **double materiality assessment** in order to identify its material sustainability-related issues (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, the path to follow, including the **relevant policies and action plans** to be implemented 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.

<sup>15</sup> In this case, subject to their “availability” at the date of CSRD first application (either FY 2024 or FY 2025).

## Practical cases

### Part 1: from the non-EU parent company perspective

Moreover, the company will have to take particular attention to **other upcoming regulations** coming in addition to the CSRD 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**.

#### Note:

*A non-EU parent company whose securities are admitted to trading on a regulated market of any Member State of the EU and which is a **small or medium-sized entity** (and therefore not a large company as discussed above) is also in the scope of the CSRD.*

*In such case, the CSRD applies in the **2026 financial year** (report to be published in 2027) unless such company chooses to apply the two-year delay provided in the CSRD (a justification must be given). The first “CSRD compliant” report would then be published in 2029 for the 2028 financial year.*

*Also, the sustainability report is to be prepared **at the non-EU parent company level** without including its subsidiaries (i.e., on a standalone basis, not a consolidated basis) and applying the **ESRS applicable to listed SMEs** (as per the CSRD, this standard should be adopted by the EC by June 30, 2024 but this will probably happen at a later date). This company can also opt to apply the General ESRS or equivalent standards as determined by the EC.*

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

Assume a non-EU 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 €150m in the EU for the last two consecutive financial years, and (ii) it has a large subsidiary in the EU.

#### When will I have to first apply the CSRD?

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

#### According to which standards shall I prepare my consolidated sustainability report?

This non-EU company will have to apply the specific **ESRS for non-EU entities**. It may also decide to apply the **General ESRS** or **equivalent standards** as determined by the EC.

#### What are the main practical challenges to implement the CSRD?

By being submitted to **less demanding 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 organisation, 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 apply General ESRS** (or equivalent standards), which can be the consequence of a strategic choice to allow its EU subsidiaries benefiting from the exemption principle<sup>16</sup> (see Case 4), it will face **higher challenges, similar to Case 1; however, it will have additional time to get prepared**.

<sup>16</sup> Except for large listed EU subsidiaries, for which the exemption principle does not apply (see Case 5).

## Practical cases

### Part 1: from the non-EU parent company perspective

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

Assume a non-EU 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 €150m in the EU for the last two consecutive financial years, and (ii) it has a branch in the EU whose net turnover exceeded €40m in the preceding financial year.

#### When will I have to first apply the CSRD?

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

#### According to which standards shall I prepare my consolidated sustainability report?

This non-EU company will have to apply the specific **ESRS for non-EU entities** unless it chooses to apply the **General ESRS or equivalent standards** as determined by the EC.

#### What are the main practical challenges to implement the CSRD?

See challenges in Case 2.



## Practical cases

### Part 2: from the EU subsidiary perspective

The case studies detailed below, which have been voluntarily simplified for illustrative purpose, address sustainability reporting by an **EU subsidiary** (i.e., either at entity level or at “sub-group” level if the subsidiary is itself an intermediate parent company).

#### Case 4: I am a large unlisted EU subsidiary

Assume a large unlisted EU subsidiary consolidated in a group whose parent company is based outside the EU; this group generated a net turnover of more than €150m in the EU for the last two consecutive financial years (see Case 2).

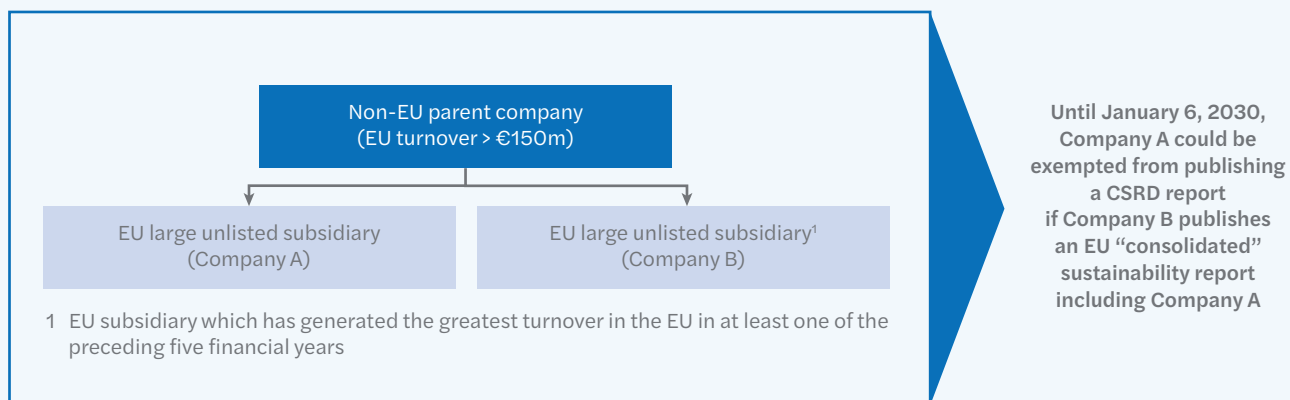
#### When will I have to first apply the CSRD? Can I be exempted from publishing a CSRD report at my own level?

This subsidiary will have to first apply the CSRD in the **2025 financial year** (report to be published in 2026 at the subsidiary level, possibly on a consolidated basis if it is itself a parent company of a large sub-group) unless the exemption measures detailed below are applicable.

#### Transitional measure – option to produce an EU “consolidated” report

**Until January 6, 2030**, a **transitional measure** allows this company (like all other EU subsidiaries in the scope of the CSRD) to be exempted from publishing a sustainability report if it is included in an **EU “consolidated”<sup>17</sup> report** i.e., comprising **all EU** subsidiaries of the non-EU parent company that are in the scope of the CSRD. This report may also include the “Green Taxonomy”-related information<sup>18</sup> covering the activities carried out by all the EU subsidiaries in the scope of the CSRD.

The role of the entity publishing this “consolidated” report 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).



#### Exemption when the non-EU parent company produces a consolidated sustainability report

The EU subsidiary is exempted from publishing a CSRD report at its level when the non-EU parent company produces a consolidated sustainability report:

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

<sup>17</sup> 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.

<sup>18</sup> I.e., disclosures laid down in Article 8 of [EU Regulation 2020/852](#).

## Practical cases

### Part 2: from the EU subsidiary perspective

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 an information relating to the fact that the subsidiary is exempted from sustainability reporting;
- the consolidated sustainability reporting of the non-EU parent company and the assurance opinion on the consolidated sustainability reporting are published in accordance with Article 30 of the EU Accounting Directive, and in accordance with the law of the Member State by which the exempted subsidiary is governed; and
- the “Green Taxonomy”-related information covering the activities carried out by the exempted EU subsidiary and its subsidiaries, are included in the management report of the exempted subsidiary or in the consolidated sustainability reporting carried out by the non-EU parent company.

#### According to which standards shall I prepare my sustainability report?

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

#### What are the main practical challenges to implement the CSRD?

For the large unlisted EU subsidiary which is under the scope of the 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 “Green Taxonomy”-related information or large 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 statements.

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 large and unlisted EU subsidiaries, 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” report that has been mentioned above, subject to a preliminary assessment to determine whether it is more efficient to prepare a single set of “consolidated” sustainability statements, including the largest number of EU subsidiaries, than have each in-scope EU entity preparing its own report. 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 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 report 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 “Green-Taxonomy”-related KPIs, 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 “CSRD-compliant” report 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 large German subsidiary that controls legal entities in Asia will need to include these Asian entities into its ESRS consolidated sustainability statements. Therefore, the EU “consolidated” report produced according to the transitional measure presented above will **ultimately cover these non-EU subsidiaries** (through the “consolidation” of the intermediate German parent company); and

## Practical cases

### Part 2: from the EU subsidiary perspective

- **among the risks**, there is the issue of **inconsistent communication**. If several EU subsidiaries each prepare their own sustainability statements and the non-EU group also prepares ESG reporting, potentially under a different framework for a given time period<sup>19</sup>, there is a high risk that the stories and representations made in the various statements 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.

<sup>19</sup> From 2028, the non-EU group will, in all cases, have to produce a “CSRD-compliant” report applying ESRS for non-EU entities (unless it chooses to apply the General ESRS or equivalent standards) if certain criteria are met, as detailed in the first part of this publication.

#### Case 5: I am a large listed EU subsidiary

Assume a large listed EU subsidiary consolidated in a group whose parent company is based outside the EU; this group generated a net turnover of more than €150m in the EU for the last two consecutive financial years (see Case 2).

##### When will I have to first apply the CSRD?

Depending on its size, the large listed EU subsidiary will have to first apply the CSRD in:

- the **2024 financial year** (report to be published in 2025) if the **average number of employees exceeds 500**;
- the **2025 financial year** (report to be published in 2026) if the **average number of employees is below 500**.

This report will come in addition to the report prepared at the non-EU parent consolidated level from the 2028 financial year (see Case 2) and will be prepared on a standalone or consolidated basis if this subsidiary is itself a parent company of a large sub-group.

##### Is there any exemption from publishing a CSRD report at the large listed EU subsidiary level?

There is **no exemption from publishing a CSRD report** at this subsidiary level because it is a large listed entity.

Even if the non-EU parent company publishes a consolidated sustainability report (on a mandatory or a voluntary basis), this subsidiary will have to publish a sustainability report at its own level.

According to the same principle, transitional measures (see Case 4) cannot apply in this case.

##### According to which standards shall I prepare my sustainability report?

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

##### What are the main practical challenges to implement the CSRD?

A large EU subsidiary with securities listed on a regulated market in the EU will **basically face the same “CSRD constraints” as any independent large EU entity or as any non-EU entity listed in the EU (see Case 1)<sup>20</sup>**.

<sup>20</sup> These constraints will also concern any large unlisted EU subsidiary for which the exemption is not applied (see Case 4).



## Practical cases

### Part 2: from the EU subsidiary perspective

However, some specific questions may arise and need to be addressed:

- **how to ensure consistency between the reporting of the large listed EU subsidiary and that of the non-EU parent company**, even though possibly prepared under different standards? **Inconsistencies in ESG reporting of groups** are likely to be subject of attention from certain stakeholders to assess its quality, in particular for those more exposed to environmental or social issues and with higher reputational risks. Typically, disclosures regarding the climate change strategy and alignment with the Paris agreement may require an articulated communication plan;
- **how the board members of the EU entity** – which may largely be composed of non-EU executives – **will be trained and play their new roles** expected by the CSRD while facing different dynamics or trends with regard to what is happening in the country in which the group has its headquarters?; and
- **how to avoid double reporting burden** and instead **create synergies** when conforming to the various reporting obligations? Beyond the interoperability will of the various standards-setters, a strict review of the reporting processes and disclosure requirement mappings will be necessary to ensure compliance with all required standards. A significant **reconciliation effort** between the disclosures at different levels (i.e., in this case both for the non-EU group and for the large listed EU entity) will likely be necessary.



# Glossary

**CSRD**

Corporate Sustainability Reporting Directive

**EC**

European Commission

**EFRAG**

European Financial Reporting Advisory Group

**ESG**

Environment, Social and Governance

**ESRS**

European Sustainability Reporting Standards

**EU**

European Union

**GHG**

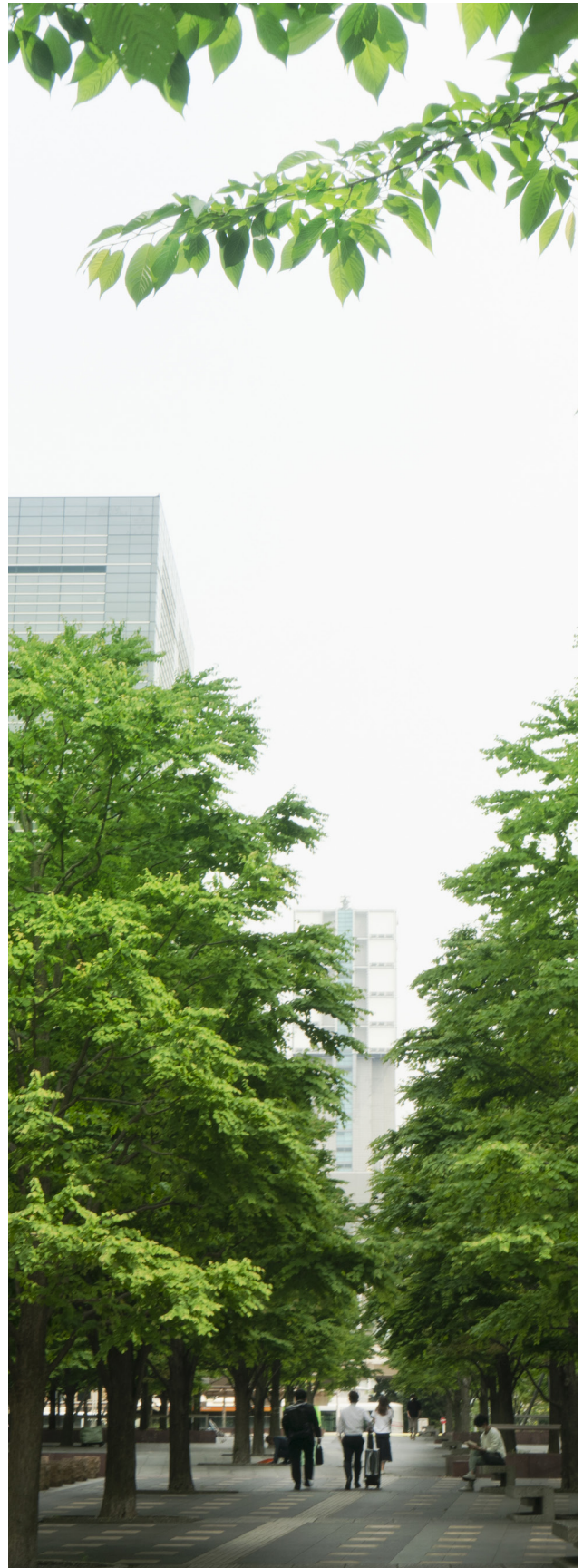
Greenhouse Gas

**ISSB**

International Sustainability Standards Board

**SME**

Small and Medium-sized Entity



## **Key contributors to this publication**

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