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Publication of the new directive on corporate sustainability reporting (CSRD)

The current Non-Financial Reporting Directive (NFRD) will soon be replaced by a new and more ambitious directive, the Corporate Sustainability Reporting Directive, known as the “CSRD” ((EU) 2022/2464). This text will progressively enter into application starting on 1st January 2024.

In order to accompany companies in the application of this new regulation, the AMF wishes to remind its main provisions.

Main provisions of CSRD

The new and enhanced reporting requirements of companies form part of the European Commission Green Deal action plan to strengthen the sustainable finance framework. The main objective of CSRD is indeed to harmonize companies' sustainability reporting and to improve the availability and quality of ESG disclosures. These developments should ensure, for instance, that financial market participants' needs in terms of ESG data are met to comply with their own reporting obligations.

CSRD amends four existing European legislations: the Accounting directive, the Transparency directive, the Audit regulation and the Audit directive. The main changes introduced by the CSRD, in comparison with NFRD, the non-financial reporting directive of 2014, are:

- The expansion of the scope: a significantly higher number of companies fall within the scope of the new directive, compared with NFRD. In particular, all companies listed on regulated market (except micro-undertakings) will be concerned with this new reporting obligations (*i.e. section "scope of the CSRD directive"*).
- More stringent and harmonized reporting obligations: following a principle of "double materiality", companies have to report detailed information on their material sustainability risks, opportunities and impacts according to European sustainability reporting standards (ESRS). These standards, that cover all environmental, social and governance matters will be adopted by way of delegated acts by the European Commission (See "Focus" section below).
- Mandatory location of sustainability information in a dedicated section of the management report.
- Single electronic reporting format: companies will have to prepare their management report, including the sustainability statement, in a xHTML electronic format. In addition, sustainability information will have to be marked-up in accordance with a to-be-adopted digital taxonomy.
- Mandatory assurance of sustainability information, to be conducted by statutory auditors or independent assurance providers (at the choice of Member States). The CSRD requires first a "limited assurance" level and introduces a possible transition to "reasonable assurance" from 2028. In addition, assurance providers will have to apply European assurance standards as well as the new requirements set out in the Audit directive and regulation for the assurance of sustainability reporting.

Focus: new European Sustainability Reporting Standards ("ESRS")

CSRD provides for the creation of detailed European sustainability reporting standards ("ESRS") to foster the publication of quality and comparable ESG data. Different types of standards will be progressively adopted by means of delegated acts:

- Transversal standards, dedicated to all companies regardless of the sectors they are active in. These standards cover transversal sustainability matters as well as all environmental, social and governance topics. They form part of a first set of ESRS that will be adopted in June 2023.
- Sector-specific standards, that are part of a second set of ESRS, to be adopted by delegated act before June 2024.

- Tailor-made SME standards, for SMEs that are listed on regulated markets, also to be adopted as part of the second set of ESRS, before June 2024.

The European Commission has mandated EFRAG - the European Financial Reporting Advisory Group - to prepare these reporting standards. On November, 23 2022, EFRAG delivered [twelve draft standards](https://www.efrag.org/lab6) URL = [https://www.efrag.org/lab6] as part as the first set of ESRS. These drafts will be reviewed before their adoption by the Commission.

Scope of CSRD

The requirement to deliver sustainability statement under CSRD progressively applies to financial and non-financial companies which are within the scope of the Accounting directive and/or the Transparency directive and which correspond to one of the following categories:

- Companies listed on EU regulated markets, except micro-undertakings. Listed SMEs are therefore in the scope. Nevertheless, SMEs will have simplified reporting rules (specific standard).
- Large European companies within the scope of the Accounting directive, meaning companies, listed or not listed, that meet two out of three criteria : more than 250 employees, a balance sheet total exceeding €20 million and a net turnover exceeding €40 million at the balance sheet date.
- Through their European branches and/or subsidiaries, certain third-country groups with a European turnover exceeding €150 million. Additional size criteria apply to branches and subsidiaries that are under the scope of the directive. However, these groups are only required to report information on their material social and environmental impacts (and not on their material sustainability risks or opportunities).

When a consolidated sustainability statement is prepared by a parent company of a group, the subsidiary companies can be exempted from the reporting obligations. Minimum information must however be provided in the subsidiary's management report (statement on the exemption, reference to the consolidated report, etc.). This exemption does not apply to large listed companies.

Timing of application

CSRD has been published in the Official Journal of the European Union on 16 December 2022. The reporting requirements will be phased in over time for different types of companies, starting from 1st January 2024, as indicated in the table below:

Entity category	Financial year	First reporting in:
<p>Large European and non-European companies under NFRD thresholds</p> <p>European public interest entities (according to the Accounting directive definition - which include EU companies listed on EU regulated markets) and non-EU companies that are listed on EU regulated markets, that satisfy both of the following criteria:</p> <ul style="list-style-type: none"> More than 500 employees Turnover that exceeds €40 million and/or balance sheet that exceeds €20 million. 	2024	2025
<p>Other large European and non-European companies</p> <p>All other large EU companies (listed or not listed) i.e. that meet two out of the three following criteria:</p> <ul style="list-style-type: none"> More than 250 employees Turnover that exceeds €40 million Balance sheet that exceeds €20 million <p>All other large non-European companies that are listed on EU regulated markets (i.e. that meet the criteria mentioned above).</p>	2025	2026
<p>SMEs listed on EU regulated markets</p> <p>All SMEs – European or non-European - that are listed on European regulated market, except micro-undertakings.</p> <p>(Micro-undertaking: do not exceed at least two of these criteria, 10 employees, a balance sheet total of €250,000 and a turnover of €700,000).</p>	2026 with a 2-year opt-out * (2028)	2027 with a 2-year opt-out* (2029)
<p>Other large non-European groups</p> <p>Third-country groups with an European turnover that exceeds €150 million and with a large branch or subsidiary based in the EU</p>	2028	2029

** For a transitional period of two years, until 2028, SMEs listed on regulated markets have the possibility to opt-out from CSRD reporting requirements, provided that they briefly explain in their management report the reasons why the required sustainability information has not been provided.*


Reference texts

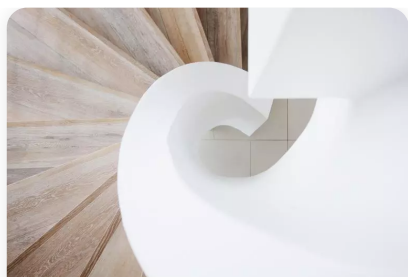
	<p>Directive (EU) 2022/2464 URL = [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464&from=EN] of 14 December 2022 (CSRD), published in the Official Journal of the European Union on 16 December</p>
	<p>First set of drafts ESRS (European sustainability reporting standards) URL = [https://www.efrag.org/lab6#subtitle3] – EFRAG technical advice, 23 November 2022.</p> <p><i>EFRAG presents on this page the drafts of the reporting standards that form part of the first set of ESRS.</i></p>

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Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02