The European directive on Corporate Sustainability Reporting (CSRD) and its mandatory European Sustainability Reporting Standards (ESRS) gradually apply as of January 2024. In line with its approach of providing support for listed companies, the AMF proposes a few points that listed companies could consider for the preparation and correct implementation of this new regulatory framework.

The CSRD and reporting standards: what is new?

Main provisions of the CSRD

The 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 (environmental, social and governance) 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. The 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 provisions of the CSRD were transposed into French law by the Ordinance no. 2023-1142 of 6 December 2023 and Decree no. 2023-1394 of 30 December 2023.

As of 2024, a phased-in application of the new CSRD requirements

The scope of application of CSRD is progressively expanding the number of companies concerned by sustainability reporting, from 11 700 companies covered by NFRD to more than 50 000. The CSRD will cover all companies listed on EU regulated market (except micro-undertakings), all large European companies as well as some large third-country companies with a significant EU business.
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.

The phased-in implementation of the CSRD and the different categories of companies concerned are specified in the table below:
<table>
<thead>
<tr>
<th>Entity category</th>
<th>Financial year starting from:</th>
<th>Reporting published in:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large European and non-European companies under NFRD thresholds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- More than 500 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Turnover that exceeds €40 million or balance sheet that exceeds €20 million(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other large European and non-European companies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other large EU companies (listed or not listed) i.e. that meet two out of the three following criteria:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- More than 250 employees</td>
<td>1st January 2025</td>
<td>2026</td>
</tr>
<tr>
<td>- Turnover that exceeds €40 million(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Balance sheet that exceeds €20 million(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other large non-European companies that are listed on EU regulated markets (i.e. that meet the criteria mentioned above)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SMEs listed on EU regulated markets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs – European or non-European - that are listed on European regulated market, except micro-undertakings</td>
<td>1st January 2026</td>
<td>2027</td>
</tr>
<tr>
<td>Micro-undertaking: do not exceed at least two of these criteria, 10 employees, a balance sheet total of €350,000 and a turnover of €700,000(2)</td>
<td>with a 2-year opt-out (2028)(2)</td>
<td>with a 2-year opt-out (2029)(2)</td>
</tr>
<tr>
<td><strong>Other large non-European groups</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some third-country groups with an European turnover that exceeds €150 million and with a large branch or subsidiary based in the EU</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Nota Bene: the thresholds defined above are those set out in the Decree of 30 December 2023 (transposing the CSRD into national law). However, the turnover and balance sheet total criteria defining the categories of company have been revised by

(2) For a transitional period of two years, until 2028, SMEs listed on European 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.

Publication date depending on the choice of the closing date for the financial year

The article 5 of the CSRD sets the date of the first financial year covered by sustainability reporting prepared according to the CSRD rules. It also specifies that this information must be published by issuers no later than four months after the end of each financial year.

For large listed companies with more than 500 employees, the first financial year covered must be the year "starting on or after 1 January 2024". For example if the financial year of a company covers the period from 1st October to 30 September, the company will have to cover the financial year from 1st October 2024 to 30 September 2025 and publish its sustainability statement no later than four months after 30 September 2025.

Focus on the compulsory European sustainability standards

The CSRD foresees the creation of detailed European Sustainability Reporting Standards (ESRS) governing and harmonising companies’ publications. The European Commission has mandated the EFRAG (European Financial Reporting Advisory Group) to prepare these standards. Several types of standards are gradually adopted through delegated acts by the European Commission (cf. diagram below):

- sector-agnostic standards;
- specific standards for SMEs listed on European regulated markets;
The first standard of this "sector-agnostic" set, **ESRS 1 "General requirements"** describes the architecture, principles and general concepts of the ESRS standards: characteristics of the information, double materiality, structure of sustainability information, value chain, etc.

The second standard **ESRS 2 "General disclosures"** describes the information that companies must present related to material sustainability issues. This information covers **four areas of reporting**: governance; strategy; process of identification and management of sustainability impacts, risks and opportunities; and metrics and targets.

The **10 topical ESRS**, indicated in the chart above, detail specific information to be provided concerning the material impacts, risks and opportunities related to each sustainability topic – environment, social and governance, in addition to the general disclosures of ESRS 2 and complying with the same structure in four areas.

These topical standards generally cover several sub-topics. Appendix A (AR 16) of standard ESRS 1 provides a list of these topics by standard. For instance, the “Biodiversity and ecosystems" standard (ESRS E4) is organised in four sub-topics: i) direct impact drivers of biodiversity loss, ii) impacts on the state of species, iii) impacts on the extent and condition of ecosystems and iv) impacts and dependencies on ecosystem services. To take another example, regarding the social aspect, the "Own workforce" standard (ESRS S1) covers sub-topics such as working conditions, equal treatment and opportunities for all- itself broken down into numerous sub-sub-topics (gender equality, training, harassment in the workplace, etc.).

**EFRAG’s ongoing work and ESRS Q&A platform**

EFRAG is currently continuing its work to develop standards for SMEs and sector-specific standards (while the former are scheduled for 2024, the sector-specific standards should be adopted by June 2026 (Read more: [EFRAG’s work programme](https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2302241029050867%2F08.01%20EFRAG%202024%20SR%20Work%20programme.pdf)). EFRAG has launched a **public consultation** URL = [https://www.efrag.org/News/Public-479/EFRAGs-public-consultation-on-two-Exposure-Drafts-on-sustainability-r], open until 21 May 2024, on the
Exposure Draft ESRS for listed SMEs (ESRS LSME ED) and on the Exposure Draft for the voluntary reporting standards applicable to non-listed SMEs (VSME ED).

In parallel, EFRAG is preparing pedagogical documents to facilitate the application of the ESRS by companies. Three draft ESRS Implementation Guidance documents were published for consultation in January 2024: a guidance on materiality assessment URL = https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25201%2520MAIG%2520231222.pdf, a guidance on the value chain URL = https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FDraft%2520EFRAG%2520IG%25202%2520VCIG%2520231222.pdf and an implementation guidance listing all the datapoints URL = https://efrag.sharefile.com/share/view/s1a12c193b86e406e90b1bcd7b6bb8f6f/fo37c90b-9d9b-4432-a76b-27760fccc01b defined in the ESRS all-sector standards.

EFRAG is also hosting a new platform URL = https://survey.alchemer.eu/s3/90634629/EFRAG-ESRS-Q-A-platform to collect and answer questions from stakeholders on the ESRS.

How to prepare for the CSRD reporting requirements?

Analysing the legislation and developing expertise

Given the novelty, complexity and density of the new requirements introduced by the CSRD and the ESRS, a thorough reading and analysis of the texts appear as the first essential step in their implementation, to ensure a good understanding of the numerous disclosure requirements (nature of expected qualitative and quantitative information, links between the various requirements and datapoints, etc.).

Moreover, it is also necessary to grasp the “underlying aspects" of sustainability, i.e. the ramifications of each E (environment), S (social) and G (governance) topic covered by the standards. For example, a prerequisite for relevant reporting on biodiversity issues, is to first understand what is a "biodiversity impact" and what are the factors contributing to pressures exerted on the ecosystems, or the interdependencies between biodiversity and, for instance, climate matters.

Therefore, expertise has to be created and/or developed within companies concerning the various sustainability topics and the related standards.
Working in "project" mode through involving all of the company functions

All business lines and all functions of the company are concerned by sustainability, whether as regard the identification of the risks, impacts and related opportunities or for the definition, implementation and monitoring of the company's sustainability strategy, policies and actions. Similarly, the sustainability reporting stemming from these factors will involve various competencies (financial, legal, operational, sustainable development, human resources, communication, public affairs, etc.) within organisations.

A cross-cutting organisation, including all the internal stakeholders and involving the company management, is therefore a key factor of success in the implementation of this new regulatory framework.

Adapting tools for data collection and construction

The durability standards include a large number of disclosure requirements ("DR") and qualitative or quantitative datapoints to be provided.

Depending on the way companies are organised, their ESG issues and the materiality of those issues, certain disclosure requirements will be completely new and require the production of new data, while others will already exist, but partially, and therefore have to be supplemented (e.g., data covering a limited scope on the required indicator) or will have to be made more reliable (e.g., data produced without an audit trail). In addition, some disclosures required by the standards will concern the company's value chain.

It is therefore equally important to anticipate and address data compilation, collection and the improvement of data reliability, these matters possibly implying a more or less substantial adaptation of reporting tools and channels, or an organisational change.

Establishing robust internal control of sustainability reporting

The CSRD requires that companies' sustainability reporting undergoes a mandatory assurance conducted by a statutory auditor or an independent assurance services provider (IASP) depending on Member States. When transposing the CSRD into its national law, France opted to allow statutory auditors and IASPs accredited by the French Accreditation Committee (COFRAC) to carry out the assurance of sustainability statements. Initially, a "limited" level of assurance is required. A transition to the "reasonable" level of assurance could be required from the end of 2028.
The directive also expands the responsibility of the governing bodies, which must collectively ensure compliance of sustainability reporting with the CSRD and the ESRS, and the requirements under Article 8 of the Taxonomy Regulation. Lastly, the text extends the prerogatives of the Audit Committee, which shall contribute to the integrity of sustainability information (this new role assigned to the Audit Committee may be entrusted to another dedicated body). These new duties aim to strengthen the quality and reliability of sustainability reporting.

For example, robust internal control and substantial involvement of the governing bodies will undoubtedly be very beneficial in the process of implementing the CSRD and ESRS within companies. Close dialogue with the auditor(s) or independent third-party organisation from the start and throughout the process of reporting production and monitoring could also be beneficial for businesses.

**What priorities in implementing the new reporting system?**

Implementing or updating the double materiality analysis

The principle of "double materiality" is the cornerstone of the CSRD. It requires companies to report the information necessary to understand not only the effects of sustainability issues on their financial position and performance (financial materiality), but also their impact on the environment and society (impact materiality). The double materiality analysis carried out by companies should make it possible to identify sustainability topics reflecting the main ESG risks, opportunities and impacts of the company due to its activities and its value chain. This analysis should also enable to identify material information to report on those issues (indicators, contextual information, etc.), in accordance with the ESRS.

Since the materiality analysis is thus the starting point for sustainability reporting, companies will benefit from updating and/or swiftly implementing their materiality assessment process. A number of elements can be considered when carrying this materiality assessment pursuant to the provisions of the CSRD and the ESRS, which can require more or less work depending on the specific circumstances of each company. These can include, for instance: the nature of activities, sectors and geographies; consideration of the value chain; consideration of stakeholders; definition of the likelihood of occurrence of the impacts, risks and opportunities, the severity of impacts, and the potential magnitude of the financial effects; definition of materiality thresholds; etc.

Companies may usefully refer to the draft implementation guidance on "materiality assessment" [here](https://www.efrag.org/Assets/Download?1707292866).
With regard to transparency, a clear description by companies of their materiality analysis approach - critical in sustainability reporting - and their assumptions and trade-offs, will be important especially for the first reporting years.

Conducting a gap analysis between current publications and upcoming reporting requirements

Together with the double materiality analysis, the prioritisation operation can be usefully supplemented by a gap analysis of the future transparency requirements of the ESRS and the sustainability information already published by companies.

The information provided in all the companies' communication materials and by virtue of the various regulations already applicable could be identified and analysed for this purpose, whether it be the information communicated in the non-financial statement, the specific climate report where applicable, the risk factors in the URD, the financial statements, or else under the Vigilance Plan, etc. Depending on companies' organisation and specific features, certain information could correspond, fully or partially, to the disclosure requirements or datapoints of the ESRS.

This gap analysis stage will provide an overall view of the steps to be taken, which may be very substantial, as to the information to be reported with regard to the various material sustainability topics and sub-topics.

Defining priorities in the preparation of information

The materiality analysis and gap analysis will make it possible to prioritise the relevant information to be prepared.

The general disclosures required by standard ESRS 2 are not subject to materiality assessment, unlike the disclosures of the other topical standards which are to be provided if the sustainability issues that they cover are material according to the materiality analysis performed by each company. Companies should include the preparation of ESRS 2 disclosure requirements in their priorities to ensure their effective disclosure.

A second filter consists in identifying the transitional provisions planned for certain standards and disclosure requirements (which may temporarily not be provided). These are
provisions introduced by the Commission to facilitate companies’ application of this demanding new transparency framework.

The following diagram describes certain transitional provisions defined in the ESRS.

### Example of transitional provisions for the first reporting periods (ESRS 1, Chapter 10 and ESRS 1, Appendix C)

<table>
<thead>
<tr>
<th></th>
<th>All companies</th>
<th>Companies not exceeding 750 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1st year of application</strong></td>
<td><strong>The undertaking may omit:</strong></td>
<td><strong>The undertaking may omit:</strong></td>
</tr>
<tr>
<td></td>
<td>• Information relating to expected financial impacts on environmental issues (ESRS 2-48e, ESRS E1-9, E2-6, E3-5, E4-6 and E5-6), except for some datapoints;</td>
<td>• Scope 3 emissions (E1-6)</td>
</tr>
<tr>
<td></td>
<td>• Certain specific datapoints relating to social standards considered difficult to access (S1-7, S1-8, S1-11 à 15)</td>
<td>• Standard relating to social matters on the undertaking’s own workforce (ESRS S1)</td>
</tr>
<tr>
<td><strong>First 2 years of application</strong></td>
<td><strong>The undertaking may report only qualitative disclosures on anticipated financial effects from environmental issues (ESRS 2-48e, ESRS E1-9, E2-6, E3-5, E4-6 et E5-6), if it is impracticable to prepare quantitative disclosures;</strong></td>
<td><strong>The undertaking may omit:</strong></td>
</tr>
<tr>
<td></td>
<td>• Transitional provision taking into account difficulties to collect data about value chain (ESRS 1, §10)</td>
<td>• Standard on biodiversity (ESRS E4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Standards relating to social matters covering workers in the value chain (ESRS S2), affected communities (ESRS S3), and end-users and consumers (ESRS S4)</td>
</tr>
</tbody>
</table>

For more information: please refer to standard ESRS 1 Chapter 10 "Transitional provisions" and its Appendix C "List of phased-in Disclosure Requirements".

In the context of ongoing developments of certain standards (the sector-specific standards in particular), companies will also have to reflect upon their proper entity-specific information which might not be covered by the ESRS.

### Establishing a roadmap

These various steps can help companies define a roadmap to prepare implementation of the new reporting requirements. Companies could reflect on measures to be adopted to compile the necessary data which are not yet published, collected, calculated or made reliable by the company, possibly including disclosures on the business’s own operations and on its value chain, which are important for the materiality analysis, or else certain prospective information.

The roadmap could also identify the internal and external stakeholders concerned at each stage of the process, as part of the cross-cutting organisation that will have been
established.

Moreover, while lighter provisions are planned for the first year(s) of application of the ESRS (cf. "transitional provisions" diagram), companies are encouraged to use this extra time to think about the future implementation of these more complex disclosure requirements and, where applicable, to adapt their data collection and production systems so as to be able to publish the required disclosures at the appropriate time.

- Other points to watch

**The value chain**: various features of the ESRS require consideration of the value chain. Companies will have to analyse their value chain to identify their direct or indirect impacts on the environment and society, as well as their sustainability risks and opportunities arising from the value chain (direct or indirect effect on the company). This could mean, for example, to have a good understanding of the exposure to climate-related risks of suppliers in order to assess the company’s own sustainability climate-related risks. The assessment of the value chain also covers the presentation of disclosures on the policies and actions carried out (if applicable) or the provision of specific indicators such as Scope 3 greenhouse gas emissions.

Given the large number of actors active in companies’ upstream and downstream value chain, and the resulting complexity, special attention could be given to the collection of material information related to these actors, and to engagement with them. Anticipation is essential although certain transitional provisions are provided for by the draft legislation in this respect.

Companies may find useful to refer to the **draft implementation guidance** URL = [https://www.efrag.org/Assets/Download? assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2307280747599961%2F05-02%20VCIG%20SRB%20230823.pdf] published by EFRAG on this topic.

**Connectivity of financial information and sustainability**: the relationship and consistency between the information disclosed in the sustainability report and the information provided elsewhere in the financial statements constitute a key principle of the ESRS. As an illustration, reconciliations with the data of the financial statements are required related to businesses' exposure to climate-related physical or transition risks, or to the portion of turnover linked with risky activities. Companies could therefore consider this point diligently in preparing both aspects of their reporting, financial and non-financial.
**Presentation of information:** CSRD requires the presentation of sustainability information in a dedicated section of the management report. Draft standard ESRS 1 lays down a general sustainability report structure in four information sections: general, environment, social and governance. The information provided in accordance with Article 8 of the Taxonomy Regulation will be included in the “environment” section. The incorporation by reference in the sustainability report of other information presented in certain documents is authorised. Companies will benefit from thinking well ahead about the most appropriate and readable way of organising information within these sections (by sub-topics, connection between topics, etc.) in light of their current communication practices and the cross-cutting nature and interdependency of certain issues.

**Transparency first and foremost:** the density and novelty of the legislation make it complex to ensure compliance for many market participants. Moreover, all companies do not have the same maturity regarding the sustainability topics. If uncertainties remain or if significant trade-offs or assumptions and estimates are made in preparing the reporting, it will be important for companies to be transparent so as to provide the reader with clear and non-misleading information.

**AMF support for listed companies**

Implementation of the new sustainability reporting framework (Taxonomy, CSRD and ESRS in particular) represents a major challenge for companies. Substantial human and financial efforts will have to be made by listed companies to comply with the dense and complex regulatory requirements.

The legal framework is still evolving and will soon be enriched by other initiatives such as:

- the digital taxonomy, to support the mandatory digitalisation of the sustainability statements required by the CSRD;

- the specific standard for SMEs that are listed on a European regulated market;

- the sector-specific standards (cf. supra); and, in relation to the European Taxonomy, the delegated act (UE) 2023/2486 of 27 June 2023 that extends the taxonomy to the four other environmental objectives. Companies will have to report on the eligibility of their activities to this new taxonomy starting from January 2024. Other evolutions of the taxonomy framework could arise, such as the inclusion of new economic sectors.

A close monitoring by companies of these regulatory developments could help anticipate future obligations and implementation challenges.
In this context, the AMF pursues its approach of supporting market participants in the implementation of the evolving regulatory framework, and remains attentive to listed companies so as to act in favour of sustainable finance within a pragmatic framework.

Reference texts

| Directive (EU) 2022/2464 of 14 December 2022 (CSRD) |
| Commission delegated regulation (EU) 2023/2772 of 31 July 2023, defining sustainability reporting standards (ESRS) |

Transposition of the CSRD in French law:

Ordinance no. 2023-1142: URL = [https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000048519395] of 6 December 2023 on the publication and certification of sustainability reporting and on environmental, social and governance obligations of an undertaking.


Read more

AMF news: Consequences from 2024 of the transposition of CSRD for large listed companies

Questions and Answers (Q&A) from the European Commission on the adoption of European sustainability reporting standards on July 31, 2023

EFRAG: draft implementation guidance on materiality assessment, value chain and list of ESRS datapoints

EFRAG: exposure draft of ESRS for listed SMEs and exposure draft of voluntary ESRS for other SMEs (public consultation until 21 May 2024)
The AMF publishes a second educational report on taxonomy reporting by listed companies.

Report on Taxonomy reporting of non-financial listed companies.

Sustainable finance.