



FREE ONLINE WEBINAR ON  
ENVIRONMENTAL SUSTAINABILITY

# THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS - ESRS

February 20, 2024 - 6:00 p.m. CET



TIME2ACT@SD

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# Corporate Sustainability Reporting Directive

How reporting on the ESG impacts on European  
companies

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# Timeline

## 1.21 April 2021

1. Legislative proposal: Proposal for a Corporate Sustainability Reporting Directive (CSRD) to amend the reporting requirements of the NFRD.

## 2.22 June 2022

1. Legislation: Political agreement by the European Parliament and the Council on the Corporate Sustainability Reporting Directive (CSRD).

## 3.14 December 2022

1. Legislation: Publication of the Corporate Sustainability Reporting Directive (CSRD) in the Official Journal.

## 4.9 June 2023

1. Legislation: Opening of feedback process for draft sustainability reporting standards for companies.

## 5.31 July 2023

1. Legislation: Adoption of the European Sustainability Reporting Standards (ESRS).

## 6.17 October 2023

1. Legislative proposal: 2024 Commission work program proposal regarding adoption time limits for sustainability reporting standards.

## 7.22 December 2023

1. Legislation: Publication of the European Sustainability Reporting Standards (ESRS) in the Official Journal.

## 8.8 February 2024

1. Legislation: Political agreement between the European Parliament and the Council on postponing adoption deadlines for certain European Sustainability Reporting Standards (ESRS).

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# What is the Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (CSRD) is an EU regulatory framework aimed at advancing **corporate transparency** and **accountability** regarding **sustainability** issues among companies operating within the EU.

Key points include:

- Enhanced Disclosure Requirements
- Standardization and Harmonization
  - Quality Assurance
  - Digitalization
- Integration with Financial Reporting

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## Enhanced Disclosure Requirements

- **Explanation:** The Corporate Sustainability Reporting Directive (CSRD) expands upon the Non-Financial Reporting Directive (NFRD) to introduce more robust reporting requirements.
- **Target Audience:** Large and listed companies, as well as certain SMEs operating within the European Union.
- **Impact:** Companies must disclose comprehensive sustainability information, including environmental, social, and governance (ESG) factors, providing stakeholders with a clearer understanding of their sustainability performance.

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## Standardization and Harmonization

- **Explanation:** CSRD aims to standardize sustainability reporting practices across the EU.
- **Importance:** Standardization facilitates comparability and consistency in sustainability reporting, enabling investors, stakeholders, and regulators to assess corporate sustainability performance more effectively.
- **Benefits:** Harmonization streamlines reporting processes, reduces compliance burdens, and enhances transparency and accountability in corporate sustainability practices.

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## Quality Assurance

- **Explanation:** CSRD introduces requirements for external assurance of reported sustainability information.
- **Purpose:** External assurance enhances the reliability and credibility of disclosed sustainability data.
- **Assurance Providers:** Independent auditors or assurance providers validate the accuracy and completeness of sustainability reports, instilling confidence in stakeholders and investors.

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# Digitalization

- **Explanation:** CSRD encourages the use of digital reporting formats for sustainability data.
- **Advantages:** Digital formats improve accessibility, comparability, and machine-readability of sustainability information.
- **Tools and Platforms:** Companies can leverage digital tools and platforms to streamline data collection, analysis, and reporting processes, enhancing efficiency and transparency in sustainability reporting.

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# Integration with Financial Reporting

- **Explanation:** CSRD aims to integrate sustainability reporting with financial reporting.
- **Rationale:** Recognizing the interconnectedness of financial and non-financial performance, integration enables stakeholders to gain a comprehensive view of a company's overall value creation and risk management strategies.
- **Alignment with Global Standards:** Integration with financial reporting aligns with global sustainability reporting frameworks, such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), promoting consistency and comparability in corporate reporting practices.

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## Rules introduced by the Non-Financial Reporting Directive

The rules introduced by the **Non-Financial Reporting Directive (NFRD)** remain in force until companies must apply the new rules of the **CSRD**.

Under the NFRD, large companies must publish information related to:

- environmental matters
- social matters and treatment of employees
- respect for human rights
- anti-corruption and bribery
- diversity on company boards (in terms of age, gender, educational and professional background)

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## Applicability

These reporting rules apply to large public-interest companies with more than 500 employees. This covers approximately 11 700 large companies and groups across the EU, including:

- listed companies
- banks
- insurance companies
- other companies designated by national authorities as public-interest entities

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## From NFRD to CSRD

- In 2021, the European Parliament's Research Service (EPRS) identified shortcomings in the Non-Financial Reporting Directive (NFRD), including inconsistent and incomparable data.
- Lack of consistent data hindered sustainability investments and led to increased data-related costs for stakeholders.

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## Improvements with CSRD Implementation

- The Corporate Sustainability Reporting Directive (CSRD) enhances the disclosure process compared to NFRD.
- CSRD provides investors and consumers with a simpler and more coherent way to understand and compare environmental, social, and governance (ESG) impacts.
- This improvement enables more informed decision-making based on comprehensive sustainability data.

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## Long-Term Objectives of CSRD

- The overarching long-term objectives of CSRD include reducing climate risk and enhancing the overall sustainability of the EU.
- Aligned with the European goal of climate neutrality by 2050 and the European Green Deal, CSRD aims to foster a globally competitive and resilient industry.
- CSRD contributes to advancements such as high-energy-efficient buildings, cleaner energy, and cutting-edge clean technological innovation.

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## Implications for Non-CRSD Companies

- Companies not directly subject to the Corporate Sustainability Reporting Directive (CSRD) may still need to develop sustainability reporting.
- Participation in tenders by entities regulated under the CSRD often necessitates adherence to sustainability practices.

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## Benefits of Proactive Adoption (Part 1)

- To remain competitive and eligible for opportunities, non-CRSD companies may need to align with sustainability reporting standards akin to those mandated by the CSRD.
- Proactive adoption of sustainability reporting enhances credibility, trust, and alignment with evolving market expectations regarding environmental, social, and governance (ESG) criteria.

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## Benefits of Proactive Adoption (Part 2)

- Enhanced credibility: Non-CRSD companies that proactively adopt sustainability reporting demonstrate transparency and accountability, building trust with stakeholders and investors.
- Competitive advantage: Aligning with sustainability reporting standards increases the company's competitiveness in the market, as it positions itself as a responsible and forward-thinking organization.

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## Benefits of Proactive Adoption (Part 3)

- Improved risk management: By integrating sustainability practices into their operations, non-CRSD companies can better identify and mitigate environmental, social, and governance (ESG) risks.
- Access to new opportunities: Proactive adoption of sustainability reporting opens doors to new business opportunities, partnerships, and markets, as it aligns with the growing demand for sustainable solutions and practices.

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## Risk management - the cornerstone

- Effective risk management is a cornerstone of both the Non-Financial Reporting Directive (NFRD) and its successor, the Corporate Sustainability Reporting Directive (CSRD).
- By incorporating robust risk management practices, companies not only fulfill regulatory requirements but also provide stakeholders with a **critical guarantee of their long-term sustainability and resilience**.

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## Risk management – practically

- At its core, risk management within the NFRD and CSRD frameworks involves the **identification, assessment, and mitigation of environmental, social, and governance (ESG) risks** that could impact the company's operations, performance, and reputation.
- These risks encompass a **wide range of factors**, including climate change impacts, supply chain disruptions, labor practices, and ethical conduct.

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## Risk Management as a Guarantee for Stakeholders

- **Overview:** Risk management is fundamental within the Non-Financial Reporting Directive (NFRD) and Corporate Sustainability Reporting Directive (CSRD), ensuring the identification, assessment, and mitigation of environmental, social, and governance (ESG) risks.
- **Importance:** Effective risk management provides stakeholders with assurance of the company's long-term sustainability and resilience.

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## Benefits for Stakeholders

- **Transparency and Accountability:** Companies that manage ESG risks transparently foster trust and credibility among stakeholders.
- **Long-Term Value Protection:** Effective risk management safeguards the company's value, including financial performance and reputation, over the long term.
- **Resilience and Adaptability:** Stakeholders are assured that the company can anticipate and address emerging risks, positioning itself for sustainable growth.

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## Additional Benefits and Impact

- **Alignment with Sustainable Development Goals (SDGs):** Effective risk management contributes to the achievement of SDGs by mitigating negative impacts on the environment, society, and governance practices.
- **Enhanced Decision-Making:** Stakeholders can make more informed decisions with visibility into the company's risk management practices, aligning with their values and objectives.

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## Conclusions: Advancing Corporate Sustainability Reporting

- **Overview:** The Corporate Sustainability Reporting Directive (CSRD) represents a significant step forward in advancing corporate transparency, accountability, and sustainability practices within the European Union.
- **Key Achievements:** CSRD expands reporting requirements, enhances standardization and quality assurance, promotes digitalization, and integrates sustainability reporting with financial reporting.
- **Impact:** The directive aims to reduce climate risk, improve overall sustainability, and align with global sustainability initiatives such as the European Green Deal and climate neutrality goals.

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# Conclusions: Key Takeaways

- **Embracing Sustainability:** CSRD encourages companies to embrace sustainability as a core business principle, aligning their operations with environmental, social, and governance (ESG) considerations.
- **Stakeholder Confidence:** Proactive adoption of CSRD enhances stakeholder confidence by providing transparency, accountability, and reliable sustainability information.
- **Market Leadership:** Companies that lead in sustainability reporting not only comply with regulatory requirements but also differentiate themselves in the market, attracting investors, customers, and partners.

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# Conclusions: Looking Ahead

- **Continuous Improvement:** As companies implement CSRD requirements, continuous improvement in sustainability reporting practices is essential to meet evolving stakeholder expectations and address emerging sustainability challenges.
- **Global Impact:** CSRD sets a precedent for global sustainability reporting standards, influencing international efforts to promote corporate transparency, accountability, and sustainability.
- **Collaboration and Innovation:** Collaboration between policymakers, businesses, investors, and civil society is crucial to drive innovation, accelerate sustainability transitions, and achieve long-term sustainable development goals.

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# Relevant legislation - A

Corporate Sustainability Reporting Directive (CSRD) - 2022/2464/EU

## Basic information

- [Text of the CSRD \(2022/2464/EU\)](#)

## Delegated and implementing acts

- [Delegated and implementing acts to the CSRD](#)

## Legislative history

- [Original legislative proposal for the CSRD](#)
- [Impact assessment accompanying the legislative proposal for the CSRD](#)
- [Executive summary of the impact assessment accompanying the legislative proposal for the CSRD](#)
- [More on the legislative proposal for the CSRD](#)
- [Legislative initiative on corporate sustainability reporting](#)

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# Relevant legislation - B

## Non-Financial Reporting Directive (NFRD) - 2014/95/EU

### Basic information

- [Text of the NFRD \(2014/95/EU\)](#)
- [Summary of the legislation: Disclosure of non-financial and diversity information by large companies and groups](#)

### Transposition by EU Member States

- The NFRD was transposed by all EU Member states into their national law.
- [Transposition history of the NFRD by EU Member States](#)

### Legislative history

- [Original legislative proposal for the NFRD](#)
- [Impact assessment accompanying the legislative proposal for the NFRD](#)
- [Executive summary of the impact assessment accompanying the legislative proposal for the NFRD](#)

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