

Fact Sheet on the EU Corporate Sustainability Reporting Directive

Background

The EU's Corporate Sustainability Reporting Directive (CSRD) significantly broadens existing nonfinancial disclosure requirements currently covered by the Non-Financial Reporting Directive (NFRD). The CSRD will progressively apply to large public and private companies with activities in the EU. In-scope companies will have to publish annual sustainability reports with information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.



Which Companies Are in Scope of the CSRD, and When Do They Have to Report?

Entity	Criteria	Application
Companies already subject to the NFRD	Large "public interest" entities	FY 2024, for reports published in 2025
Large EU companies, including subsidiaries of non-EU companies	<p>Large company: Meets at least two of the following: i) >250 employees; ii) balance sheet of >€20 million; and iii) net turnover of >€40 million.</p> <p>This includes the EU parent of a large group that meets the above criteria on a consolidated basis.</p> <p>These thresholds apply regardless of whether the entity is listed.</p>	FY 2025, for reports published in 2026
Small- and medium-sized enterprises (SMEs) listed on European regulated markets (includes U.S. entities)	<p>Entities that meet two of the following:</p> <p>i) balance sheet of >€350,000; ii) net turnover of >€700,000; and iii) >10 employees.</p>	FY 2026, for reports published in 2027
Other non-EU companies in scope due to "significant activities" in the EU	<p>Non-EU companies that have an EU net turnover of >€150 million for each of the last two financial years, and either:</p> <p>i) an EU subsidiary that is a large company (as above) or has listed securities in the EU; or ii) a branch in the EU with >€40 million net turnover in the previous financial year.</p>	FY 2028, for reports in 2029

What Will Companies Have to Disclose?

The sustainability report will need to contain information on a wide range of environmental, social, and governance issues including:

- a description of the company's business model and strategy;
- identification of sustainability-linked risks and opportunities;
- the impact of the company's business model and strategy on sustainability and stakeholders;
- plans on aligning business model and strategy with the Paris Agreement and the objective of climate neutrality by 2050;
- a description of time-bound targets related to sustainability matters including greenhouse gas emission reduction targets for 2030 and 2050;
- a description of sustainability-linked governance structures; and
- a description of sustainability policies and due diligence processes.



Disclosures will need to follow European Sustainability Reporting Standards (ESRS) and be accompanied by third-party assurance.

There are currently 12 ESRS standards, two of which are cross-cutting and generally applicable. While one standard covering general disclosures is mandatory, there are 10 topical ESRS standards which are subject to a materiality assessment. Sector-specific standards are being prepared.

What Is “Double Materiality”?

The standard for materiality is “double materiality.” Companies will have to disclose not only how their actions regarding the environment, for instance, create either financial opportunities or risks for them (“financial materiality”), but also how these actions cause material positive or negative impacts for people or the environment (“impact materiality”). The disclosure requirements apply to the company group, but also to the whole value chain, i.e., relevant upstream and downstream business relationships.



Enforcement and Fines

The CSRD needs to be implemented into the national laws of EU Member States by July 2024. Member States will need to designate a national supervisory authority, further specify reporting obligations, and determine the applicable sanctions for noncompliance. Notably, the CSRD encourages Member States to hold the members of the administrative, management, and supervisory bodies of a company collectively responsible for compliance. Member States could choose to copy existing sanctions applicable to the NFRD, which entail substantial fines and even potential criminal liability in some Member States. In any case, even reports of noncompliance may cause severe reputational damage.



First Steps Towards Compliance

Companies operating in the EU should already assess whether they fall within the scope of the CSRD and by when they will need to report. As a priority, companies will need to assess whether the information likely to be required is readily available and easy to compile and establish a roadmap for compliance. Establishing effective internal processes now will help to ensure timely compliance, especially for private companies with little experience of such disclosures.



If you have any questions regarding compliance with the CSRD, please contact [Jindrich Kloub](#) or [Deirdre Carroll](#) from Wilson Sonsini's [antitrust](#) practice.

Julius Giesen contributed to the preparation of this fact sheet.

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