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# EUROLAB Special Briefing

## Corporate Sustainability Reporting

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On 21 June 2022, the Council and European Parliament reached a provisional political agreement on the corporate sustainability reporting directive (CSRD). The proposal aims to address shortcomings in the existing rules on disclosure of non-financial information, which was of insufficient quality to allow it to be properly taken into account by investors.

The EU is set to adopt the CSRD in October 2022, amending the previously applicable Non-Financial Reporting Directive (NFRD), as a supporting measure to the European Green Deal.

The CSRD aims to ensure that companies publicly disclose adequate information about the sustainability risks and opportunities they face, as well as the impacts they have on people and the environment (i.e., principle of double materiality). The scope of the directive is considerably extended to apply to more European and non-European companies listed and operating in the EU regulated markets. Companies already covered will start reporting under the CSRD from 2024 in line with mandatory EU sustainability reporting standards and alongside an external assurance of sustainability reporting.

### **Scope of the proposed directive**

#### *EU companies*

1. The directive will apply to all companies listed on the EU regulated markets, except for listed micro companies. SMEs have until 1 January 2026 to comply with the reporting requirements.
2. It will apply to a “large undertaking” that is either an EU company or an EU subsidiary of a non-EU company.
3. The CSRD will apply to insurance undertakings and credit institutions regardless of their legal form.

To respect the principle of proportionality, the European Commission will adopt mandatory sustainability reporting standards for large companies and separate, proportionate standards for SMEs.

#### *Third-country companies*

Non-European companies with substantial activity in the EU market and which have at least one subsidiary or branch in the EU are required to draft a sustainability report at the consolidated level of the ultimate third-country undertaking. In order to ensure the quality and reliability of the reporting, the sustainability reports of third-country undertakings should be published alongside an assurance opinion by a person or firm

authorized to give an opinion on the assurance of sustainability reporting, either under national law of the third-country undertaking or of a Member State.

### **Defining EU sustainability reporting standards**

When companies report under the directive, they will need to use a set of sustainability reporting standards currently under development by the European Financial Reporting Advisory Group (EFRAG). In March 2021, EFRAG published a detailed roadmap for developing the new sustainability standards, as well as proposals for mutually reinforcing cooperation between the global and EU standard-setting initiatives. In 2022, EFRAG set the new Sustainability reporting pillar with the creation of the EFRAG Sustainability Reporting Board (SRB) and the EFRAG Sustainability Reporting Technical Expert Group (SR TEG).

A consultation on a first batch of draft standards was launched in April 2022. The Commission aims to adopt a first set of sustainability reporting standards, developed by EFRAG, by 30 June 2023.

### **Focus on: ESG-SDGs Rating:2022<sup>®</sup>**

ESG-SDGs Rating:2022<sup>®</sup> is the first Italian standard for sustainability certification, developed to evaluate how the management system of an organisation or a product could reach the expected goals in terms of ESG, measuring the path of the business or product towards a sustainable development.

The purpose of this new Sustainability Certification is to assess the positive or negative impact that businesses have on sustainability through their activities and/or products. The organisation that achieves the Certification gets through an overall evaluation of the ESG Rating, established through the measurement of each ESG component, the alignment with GRI and SDGs standards, and conformity with the requirements of ISO's management system standards.

More: <https://www.accredia.it/altre-attivita/sostenibilita/>

Source: [https://www.ey.com/en\\_es/assurance/how-the-eu-s-new-sustainability-directive-will-be-a-game-changer](https://www.ey.com/en_es/assurance/how-the-eu-s-new-sustainability-directive-will-be-a-game-changer)

Should you have any further comments or questions, please do not hesitate to contact the EUROLAB Secretariat at [laura.martin@eurolab.org](mailto:laura.martin@eurolab.org), or [martina.razzaboni@eurolab.org](mailto:martina.razzaboni@eurolab.org).