



FOCUS

CSRD REGULATION (The Corporate Sustainability Reporting Directive)

Updated in January 2024

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REGULATORY EVOLUTION

The European Commission (EC) adopted on 21 April 2021 a proposal for a Corporate Sustainability Reporting Directive (CSRD) to amend the existing reporting requirements of the NFRD (Directive 2014/95/UE).

This Directive is about Reporting sustainable development of European companies.

The CSRD significantly increases the amount of quantitative and qualitative data and information that companies must produce.

The CSRD complements these other two regulations, which point in the same direction: the *Sustainable Finance Disclosure Regulation (SFDR)* and the *EU Taxonomy*.

While the European Taxonomy provides a legal framework for the classification of sustainable activities, the CSRD regulates sustainability reporting and the SFDR defines information requirements for selling financial products.

The CSRD and the SFDR are interconnected since the CSRD extends corporate reporting obligations to asset managers, while the SFDR extends the reporting obligations of asset managers to investors in their funds.

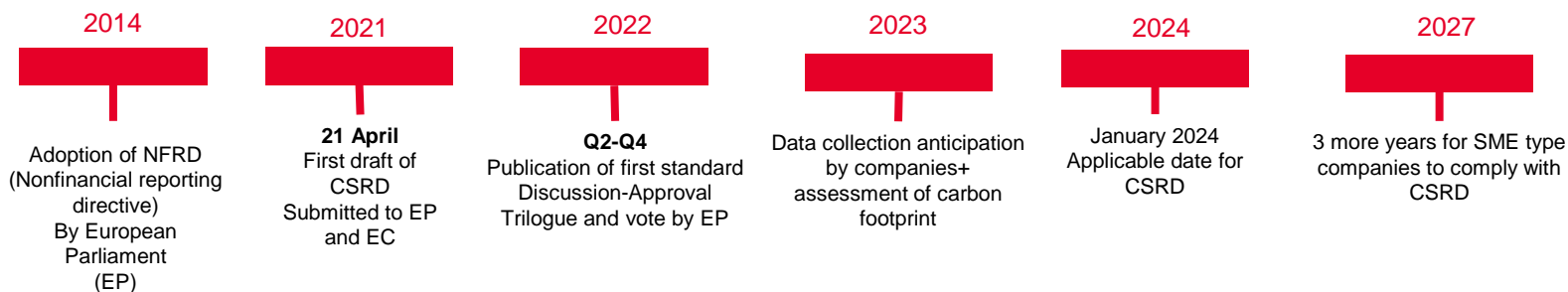
FOCAL POINTS

As from 2023, thousands of companies have to follow environmental, social and governance (ESG criteria) impacts.

Now the non-financial Reporting will follow precise standards. This is the novelty introduced by the CSRD - *Corporate Sustainability Reporting Directive* proposed in April 2021.

4 main changes have been identified:

1. Non-financial information must meet requirements of stakeholders.
2. CSRD reporting relies on double materiality. Meaning that environmental and financial performances cannot be separate.
3. Reporting based on ESG criteria (Environment, Social and Governance) ;
4. CSRD scope is wider. Number of companies submitted to the reporting goes from **11,600** to more than **50,000** companies. Before, only public interest companies (banks and insurance companies) of more than 500 employees were concerned.



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STATEMENT

- ❑ CSRD targets mainly all listed companies.
- ❑ But CSRD applies also to Companies which fulfil two of the following criteria:
 - ✓ Balance sheet of € 20 millions,
 - ✓ Turnover of € 40 millions,
 - ✓ Employ at least 250 people.
- ❑ 9 November 2022 - European Parliament voted CSRD text. Companies put in place new information in 2025.
- ❑ **28 Nov 2022 - Council gives final green light to corporate sustainability reporting directive.**
 - reporting in 2025 on the financial year 2024 for companies already subject to NFRD;
 - reporting in 2026 on the financial year 2025 for large companies that are not currently subject to NFRD;
 - reporting in 2027 on the financial year 2026 for listed SMEs (except micro undertakings), small and non-complex credit institutions and captive insurance undertakings;
 - reporting in 2029 on the financial year 2028 for third-country undertakings with **net turnover above € 150 million** in the EU if they have at least one subsidiary or branch in the EU exceeding certain thresholds
- ❑ CSRD reporting is based on the concept of *double materiality*: Organizations must disclose information on how their business activities affect the planet and its people, *and* how their sustainability goals, measures and risks impact the financial health of the business.
- ❑ All CSRD disclosures must be publicly available, and the **CSRD mandates third-party auditing** of all disclosures for accuracy and completeness.

FOR YOUR CONSIDERATION

- ❑ CSRD has for objective to impose to European Companies an extra - financial *reporting* precise and complete to integrate in a report published annually.
 - ❑ This extra financial reporting , as foreseen by this new and future directive, should permit to improve the disclosure and the communication, the reliance and the quality of information of the company on environmental, social and governance matters. CSRD will impact 50 000 companies in Europe, including financial institutions such as Banks, Asset Managers or Insurers. They must publish coherent and standardized disclosures on ESG impacts of their activities to assess the sustainability profile of their portfolios and the allocation of capital.
 - ❑ Companies need to think of how to set up a carbon footprint as required by CSRD.
- As of 7 July 2023**, the European Commission collected feedbacks regarding the draft delegated acts directive 2022/2464 on sustainability. The Commission should finally adopt the delegated acts **before the last quarter of 2023**. This first set of the draft delegated acts contains **more than 130 disclosures requirements or 600 data points**. The final version of the delegated acts will also integrate the EU Taxonomy and SFDR reporting presentation. CSRD introduces a new paradigm in terms of Environmental, Social and Governance aspects. This impactful reform will involve many companies' departments, with the introduction or reinforcement of measures such as **double materiality**, due diligence along the value chain and full greenhouse gas reporting.
- ❑ **CSRD timeline – January 2024** Companies should have a process in place for collecting required CSRD data. Those currently subject to NFRD will submit reports on 2024 data in 2025.

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 If you want to know more, refer to
Fiche To Know More

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