

Corporate Sustainability Reporting Directive FAQ

What is the CSRD?

The Corporate Sustainability Reporting Directive (CSRD) is a new European Union law requiring corporate sustainability disclosures. The CSRD increases the number of companies within the scope of the EU's reporting regime, as well as the detail and extent of the sustainability disclosures that companies must publish. Reporting must be done to mandatory European Sustainability Reporting Standards, which cover environmental, social and corporate governance matters.

Which companies are subject to the CSRD?

1. **"Large" EU companies**, including EU subsidiaries of non-EU parent companies, meeting at least two of the following three criteria on the balance sheet date:
 - Balance sheet total: 25 million euros
 - Net turnover: 50 million euros
 - Average number of employees during the financial year: 250

Note: Where the EU company is, itself, a parent company, each of these criteria must be assessed on a consolidated group basis.
2. **Non-EU parent companies** generating, at the group level, a net turnover of at least 150 million euros in the EU and that have at least one subsidiary in the EU that is itself covered by the CSRD or a branch in the EU that generated a net turnover of more than 40 million euros.
3. **Listed EU and non-EU companies** whose securities, including depository shares, are admitted to trading on a regulated market in the EU. This includes small- and medium-sized companies (SMEs) – but excludes micro-undertakings.
4. Certain credit institutions, insurance undertakings and companies designated by member states as "public interest entities" (PIEs).

Will companies outside the EU be subject to the CSRD?

Yes. EU subsidiaries of non-EU companies that meet the thresholds will need to report from 2026 for financial year (FY) 2025.

Depending on their size, non-EU companies with securities admitted to trading on an EU regulated market will need to report as early as 2025 for FY 2024.

Non-EU parent companies that satisfy the thresholds will then be required to report at the group level from 2029 for FY 2028.

What are some key aspects of the CSRD?

- For listed and EU entities (including EU subsidiaries of US and other non-EU parents), reporting on a broad range of sustainability topics that are much more expansive than the Securities and Exchange Commission proposals and most companies' voluntary reporting under frameworks, such as the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).
- Reporting for listed and EU entities will include disclosures on five environmental standards, including Scopes 1 – 3 greenhouse gas (GHG) emissions, four social standards (including the entity's own workforce and workers in the value chain), and corporate governance.
- Different reporting standards will apply to non-EU parent companies and SMEs.
- Reporting will include a company's broader value chain.
- A "double materiality" threshold.
- Assurance (audit) of reporting by an independent third party.
- EU member states will implement and enforce the CSRD.

When will the CSRD apply?

When companies will be required to report to the CSRD varies depending on the category of company:

- **FY 2024** (reporting in 2025) – Entities already required to report under the EU's current nonfinancial reporting directive (NFRD).
- **FY 2025** (reporting in 2026) – Large EU companies and parents of large EU groups not currently subject to the NFRD, including subsidiaries of non-EU companies and large non-EU companies with securities admitted to trading on an EU regulated market.
- **FY 2026** (reporting in 2027) **with an opt out available until FY 2028** (reporting in 2029) – EU and non-EU SMEs with securities admitted to trading on an EU regulated market, as well as SMEs that are PIEs.
- **FY 2028** (reporting in 2029) – Non-EU parent companies reporting on a consolidated basis for the entire group.

My company is not subject to the CSRD. Will we still be impacted by these new reporting requirements?

Even if your business is not covered by the CSRD, we anticipate that companies will receive potentially significant data requests and diligence questionnaires from in-scope customers, suppliers and counterparties in connection with their own compliance. This is because the CSRD expands reporting boundaries to cover sustainability matters in the upstream and downstream value chain, and so covered companies will need this information for their own CSRD reporting. This is much broader than traditional nonfinancial reporting in the EU. For example, companies will need to be prepared to respond to requests for their GHG emissions data.

How does Cooley help our clients prepare for the CSRD?

Companies need to identify whether they are subject to CSRD reporting and determine what those requirements will entail, well in advance of the required reporting date. If your company is covered, you will need to build the governance, processes and internal controls to comply with the reporting obligations. Cooley can help your company to:

- Work out whether any of your business entities are covered by the CSRD – and from when.
- Prepare an overall compliance strategy.
- Understand which reporting standards apply.
- Conduct materiality assessments to determine reporting obligations.
- Report, including drafting assistance and review.
- Offer training and education sessions.
- Track regulatory updates and developments to the CSRD, including as implemented in EU member states, and non-EU reporting standards.