

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 both the number of companies that are within the scope of the EU’s reporting regime and 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 subs of non-EU parent companies, meeting at least two of the following three criteria on the balance sheet date:
  - Balance sheet total: 20 million euros
  - Net turnover: 40 million euros
  - Average number of employees during the financial year: 250
2. **Non-EU parent companies** generating a net turnover of at least 150 million euros in the EU and that have at least one subsidiary or branch in the EU that is itself covered by the CSRD
3. **Listed EU companies**, whose securities are admitted to trading on a regulated market in the EU (including small- and medium-sized listed EU companies but excluding micro-undertakings)
4. Certain credit institutions, insurance undertakings and companies designated by member states as “public interest entities”

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 2025.

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

What are some key aspects of the CSRD?

- For EU entities (including EU subs 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 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.
- Reporting will include a company’s broader value chain.
- “Double materiality” threshold
- Assurance (audit) of reporting by 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
  - **FY 2026** (reporting in 2027) – Small- and medium-sized EU public interest entities
  - **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