

Corporate
Governance
Institute

CSRD - Time to Take Action

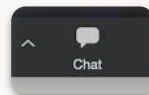
Ruth Odih

CGI Webinar

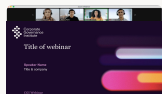
Before we get started



Today's webinar is scheduled to last **1 hour** inclusive of Q&A.



The slides will be shared and can be accessed in the **chat box**.

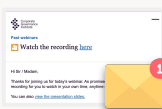


The presentation will last approximately **25 - 35 minutes**. So we will have plenty of time for your questions.

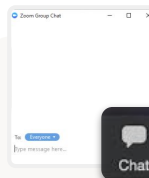
Watch webinar

Download slides

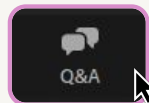
The webinar recording and slides will be available on **The Corporate Governance Institute website** tomorrow.



This webinar is being recorded and will be sent out in tomorrow's newsletter. → Please note that the slides will not be sent out today and therefore **you should access them now**.



We have a global network of members and followers. Say hello and tell us your **name and where you are** tuning in from in the **chat box**.



Have a question?

Pop it into the Q&A box, so that we can dive straight into the questions when we get to our dedicated Q&A.

Introduction & Objectives Introduction

Welcome and agenda overview

Purpose of today's session:

- o Understand the CSRD's scope, objectives, requirements, and strategic implications
- o Explore timelines, double materiality, and how to prepare



What is the CSRD

New EU directive replacing the Non-Financial Reporting Directive (NFRD)

In force since January 2024

- Aims:
 - Increase transparency
 - Improve sustainability data quality
 - Align financial and non-financial reporting
- Applies to both EU and non-EU companies with significant EU activity



How was it introduced?

The European Commission asked the European Financial Reporting Advisory Group (EFRAG) to create detailed reporting standards for the CSRD.

- These are called the European Sustainability Reporting Standards (ESRS).
- The ESRS are a key part of the new EU sustainability rules.
- Their goal is to:
 - Reduce greenwashing
 - Improve the accuracy, consistency, and comparability of sustainability reports – similar to financial reporting.
- The standards explain what information companies must report, how to report it, and where it should appear.
- After public consultation in early 2023, the first set of ESRS was officially adopted and published in December 2023.



Timeline of events/activities

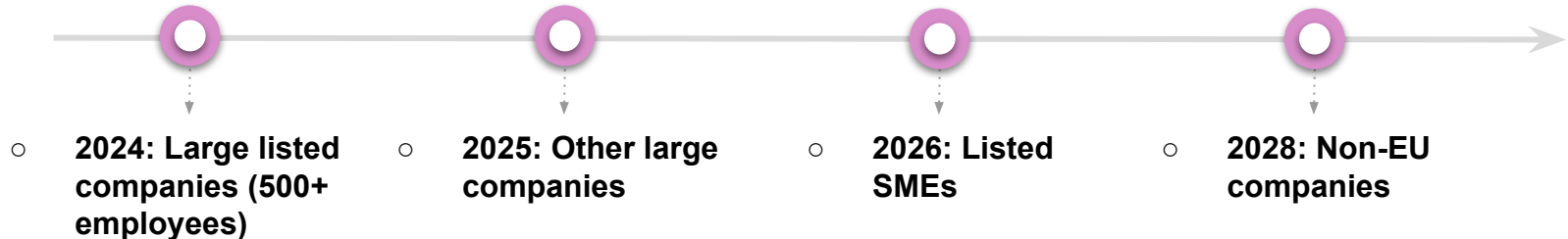
- Please see additional document – it would be great if it could be developed into a pretty timeline



Who Is Affected?

- Companies in scope based on size and activity:
 - **250+** employees
 - **€50M** revenue
 - **€25M** in assets
- Third-country companies with **€150M+** turnover in EU

- Phased implementation:



When and to whom do the ESRS apply?

When

- ESRS would be gradually applied for reporting years beginning on or after January 1, 2024.
- Phased introduction would start with EU-large PIEs and non-EU companies with securities listed on a regulated market in the EU and having more than 500 employees, and would further extend to other large companies and to listed Small and Medium-sized Enterprises (SMEs).

Who

- Ultimately, the ESRS will be applied by (exemptions may apply):
 - large EU companies;
 - listed EU companies (except micro companies);
 - non-EU companies listed in the EU (except micro companies); and
 - ultimate non-EU parent companies⁴ that meet certain criteria.
- To define the size of reporting entities, the CSRD uses the three size criteria as defined in the Accounting Directive: balance sheet total, net turnover, and average number of employees during the financial year.
- Please, check questions 03 and 04 for more details on non-EU companies obligations



What Companies Must Disclose

- **Based on three layers:**
 - Sector-agnostic (for all companies)
 - Sector-specific (under development)
 - Company-specific
- **Covers four reporting areas:**
 - Governance
 - Strategy
 - Impacts, Risks & Opportunities (IRO)
 - Metrics & Targets



Mandatory vs. Voluntary Disclosures

- General disclosures (ESRS 2) are always mandatory
- Material topics identified through double materiality must be disclosed
- Sector-specific disclosures will also become mandatory for relevant industries





The Core of CSRD – Double Materiality

- **Impact materiality:** How the company impacts the environment and society
- **Financial materiality:** How ESG issues affect the company
- Companies must assess and report on both
- **Examples:** Climate risk, labour practices, water use

Key Reporting Requirements

- Must follow European Sustainability Reporting Standards (ESRS)
 - 12 standards across:
 - ✓ **Environmental (e.g. climate, biodiversity)**
 - ✓ **Social (e.g. workforce, community)**
 - ✓ **Governance (e.g. ethics, board diversity)**
- Information must be:
 - Forward- and backward-looking
 - Quantitative and qualitative
 - Value chain inclusive
- Mandatory third-party assurance
- Limited assurance now, reasonable assurance later

Timeline & Phase-In Approach

- *Delays under EU “Omnibus Package” could extend deadlines by one year.*

Year	Who Reports
FY2024 (reports in 2025)	Large EU PIEs (>500 employees)
FY2025 (reports in 2026)	Other large companies
FY2026 (reports in 2027)	Listed SMEs
FY2028+	Non-EU parents meeting criteria



Integration and Digital Reporting

- Reports must be part of the Management Report
- Must use European Single Electronic Format (ESEF)
- Requires iXBRL tagging for digital comparability
- Promotes standardised, machine-readable disclosures



Assurance Requirements & Integration with Financial Statements

Assurance Requirements

- Limited assurance required from first reporting year
 - Aim to move to reasonable assurance later
- Covers taxonomy info, governance, and materiality assessment

Integration with financial statements

- Sustainability info must appear in the management report
- Direct and indirect links with financial performance must be explained
- Double materiality helps bridge sustainability and financial relevance

Strategic and Compliance Implications



Challenges:

- Scope and scale of data required
- Need for internal ESG expertise
- Value chain transparency
- Target setting and tracking



Opportunities:

- Enhanced reputation
- Better risk management
- Access to sustainable finance
- Competitive advantage through early compliance



Regulatory Developments – Omnibus Proposal

- February 2025 EU proposal:
 - Possible 2-year delay for waves 2 & 3
 - Reduced scope: now +1,000 employees + €50M turnover or €25M assets
 - Sector-specific ESRS delayed to 2026
- Many SMEs and listed entities no longer in scope

EU Delays Sustainability Reporting Legislation

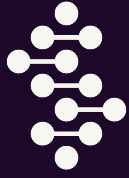
- **European Parliament Vote (3 April 2025):**
 - Overwhelming support to delay CSRD and CSDDD rollout
(531 in favour, 69 against, 17 abstentions)
- **CSRD Deadline Extensions:**
 - Transposition into national law: **July 2027**
 - Compliance for large companies (>5,000 employees / €1.5bn turnover): **2028**
 - SMEs: **2029**
- **CSDDD Extension:**
 - One-year delay for both transposition and application
- **Part of EU's 'Omnibus Package':**
 - Broader simplification effort to boost competitiveness
 - Includes proposals to narrow CSRD scope and remove sector-specific reporting



What Should Companies Do Now?

- Assess whether your company is in scope
- Begin double materiality assessments
- Start aligning reporting with ESRS
- Identify and close data gaps
- Engage auditors early
- Monitor evolving regulations and EU guidance

Questions?



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Thank you

info@thecorporategovernanceinstitute.com
www.thecorporategovernanceinstitute.com