

Fact Sheet on the EU Corporate Sustainability Reporting Directive

Background

The EU's Corporate Sustainability Reporting Directive (CSRD) significantly broadens existing non-financial disclosure requirements currently covered by the Non-Financial Reporting Directive (NFRD). The CSRD will progressively apply to large public and private companies with activities in the EU. In-scope companies will have to publish annual sustainability reports with information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.



Which Companies Are in Scope of the CSRD, and When Do They Have to Report?

Entity	Criteria	Application
Companies already subject to the NFRD	Large "public interest" entities	FY 2024, for reports published in 2025
Large EU companies, including subsidiaries of non-EU companies	<p>Large company: Meets at least two of the following: i) >250 employees; ii) balance sheet of >€25 million; and iii) net turnover of >€50 million.</p> <p>This includes the EU parent of a large group that meets the above criteria on a consolidated basis.</p> <p>These thresholds apply regardless of whether the entity is listed.</p>	FY 2025, for reports published in 2026
Small- and medium-sized enterprises (SMEs) listed on European regulated markets (includes U.S. entities)	<p>Entities that meet two of the following:</p> <p>i) balance sheet of >€450,000; ii) net turnover of >€900,000; and iii) >10 employees.</p>	FY 2026, for reports published in 2027, with the option to opt-out for a further two years, i.e. FY 2028, for reports published in 2029 at the latest
Other non-EU companies in scope due to "significant activities" in the EU	<p>Non-EU companies that have an EU net turnover of >€150 million for each of the last two financial years, and either:</p> <p>i) an EU subsidiary that is a large company (as above) or has listed securities in the EU; or ii) a branch in the EU with >€40 million net turnover in the previous financial year.</p>	FY 2028, for reports in 2029

What Will Companies Have to Disclose?

The sustainability report will need to contain information on a wide range of environmental, social, and governance issues including:

- A description of the company's business model and strategy.
- Identification of sustainability linked risks and opportunities.
- The impact of the company's business model and strategy on sustainability and stakeholders.
- Plans on aligning business model and strategy with the Paris Agreement and the objective of climate neutrality by 2050.
- Description of time bound targets related to sustainability matters including GHG emission reduction targets for 2030 and 2050.
- Description of sustainability linked governance structures.
- Description of sustainability policies and due diligence processes



The disclosure will have to follow European Sustainability Reporting Standards (ESRS) and be accompanied by third party assurance.

There are currently 12 ESRS standards, two of which are cross-cutting and generally applicable. ESRS 2 – General Disclosures standard is mandatory while the 10 topical ESRS standards covering environmental, social and governance information are subject to a materiality assessment.

What Is “Double Materiality”?

The standard for materiality is called “double materiality”. Companies will have to disclose not only how their actions regarding the environment, for instance, create either financial opportunities or risks for them (“financial materiality”), but also how these actions cause material positive or negative impacts for people or the environment (“impact materiality”). The disclosure requirements not only apply to the operations of the company and its subsidiaries, but also to their whole value chain i.e., relevant upstream and downstream business relationships.



Enforcement and Fines

It is up to the Member States to decide who will act as a supervisory authority as part of their implementation until July 2024. The CSRD states that sanctions shall be “effective, proportionate and dissuasive” and encourages the Member States to target the members of administrative, management or supervisory bodies of the in-scope company. Member States could choose to copy existing regimes applicable to the NFRD, which entail substantial fines and even potential criminal liability in some Member States. In any case, even reports of non-compliance may cause severe reputational damage.



First Steps Towards Compliance

As reporting obligations begin in January 2025, companies should start preparing now to ensure future CSRD compliance. Companies operating in the EU should assess whether they fall within the scope of the CSRD and determine the reporting compliance period. Then, they will have to assess whether the information likely to be required is easily collectible or not, determine phase-in timings and establish a roadmap for implementation. Establishing effective internal processes now will help to ensure timely compliance, especially for private companies having little experience with public reporting.



If you have any questions regarding compliance with the CSRD, please contact [Jindrich Kloub](#) or [Deirdre Carroll](#) from Wilson Sonsini's [antitrust](#) practice.

Julius Giesen contributed to the preparation of this fact sheet.

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