Matheson

Corporate Sustainability Reporting Directive

Latest Updates

Corporate
Sustainability
Reporting
Directive

As the 6 July 2024 deadline for member states to transpose the Corporate Sustainability Reporting Directive ("**CSRD**") gets closer, our ESG Advisory Group continues to monitor new developments and updates.

EU institutions provisionally agree to delay reporting standards for specific sectors and third country companies

In February 2024, the Council of the European Union (the "**Council**") and European Parliament ("**Parliament**") provisionally agreed on a draft amendment to the CSRD to push out the timeline for adopting sector-specific European Sustainability Reporting Standards ("**ESRS**") and ESRS for non-EU companies ("**third country ESRS**") by two years.

This latest development does not change the timeline for the application of CSRD itself; companies that are in-scope for CSRD reporting will continue to be so in line with the deadlines specified in the CSRD and will be required to report under sector-agnostic ESRS.

We set this out in more detail below.

Reporting under ESRS

Companies that are in-scope for CSRD reporting are required to do so in line with ESRS adopted by the EU. The first tranche of ESRS (called 'sector-agnostic' ESRS) were published in the Official Journal of the EU at the end of 2023 and apply to all entities captured by the scope of CSRD generally.

Further reporting standards for companies in specific sectors and companies incorporated outside of the EU (third-country ESRS) were initially due to be adopted by 30 June 2024. However, the Council and Parliament provisionally agreed draft legislation on 7 February 2024 that would delay the adoption of the sector-specific and third-country standards for 2 years, pushing the adoption date to July 2026.

If the proposed legislation is adopted, companies that would otherwise be required to report under the sector-specific ESRS from 2024 will not need to do so until 2026.

The proposed delay in the adoption of these sector-specific and third country ESRS stems from a desire to reduce reporting requirements for companies.

Matheson corporate partner Susanne McMenamin commented: "Any measures to reduce the burden on businesses preparing for CSRD are welcome. However, it is important for companies to note that these proposed changes do not relieve companies from reporting under the sector-agnostic ESRS. Companies may not be required to report under the sector-specific ESRS until 2026, but this also creates challenges: it may be that some companies that report under the sector-agnostic ESRS for their financial year 2025 have to revisit their reporting systems and controls in light of the sector-specific ESRS when published. The EU's commitment to making the draft ESRS available as soon as possible is therefore welcomed."

Matheson corporate senior associate Michael Sinnott commented: "While the adoption of ESRS for non-EU companies has been delayed to 2026, there has been no corresponding delay in the timeline for mandatory CSRD reporting by non-EU ultimate parent companies. The delay in adoption may mean that non-EU parent companies have less time to consider and prepare with the third country ESRS before they need to report."

Ireland's Implementation of CSRD

The Irish Government department with responsibility for the implementation of CSRD in Ireland (the Department of Enterprise, Trade and Employment) recently confirmed that it is continuing to work with the Office of the Parliamentary Counsel to draft the legislation to transpose CSRD into Irish law. This national law will govern how important aspects of CSRD will function for Irish companies, including the penalties for non-compliance.

The Irish government expects that this much awaited legislation will be published in the coming months, and in advance of the 6 July transposition deadline.

Our ESG Advisory Group will continue to monitor developments on CSRD and its implementation in Ireland. For more information on the above, or for further information on CSRD generally, please contact Susanne McMenamin, Michael Sinnott or your usual Matheson contact.