

# MILESTONES AND DEVELOPMENTS IN CORPORATE SUSTAINABILITY REPORTING

ESG remains firmly in the spotlight in the corporate law arena. Despite some elements of the green agenda yielding to political pushback in 2023, Matheson expects the corporate sustainability landscape to be transformed in the coming years, with far-reaching reporting, enhanced transparency and closer alignment with global sustainability initiatives.

“AS THE JUNE 2024 TRANSPOSITION DEADLINE APPROACHES, WE LOOK FORWARD TO ANALYSING DRAFT IMPLEMENTING IRISH LEGISLATION AND ASSISTING CLIENTS IN GEARING UP FOR THE REGIME AHEAD.”

GARRET FARRELLY, HEAD OF MATHESON’S ESG ADVISORY GROUP



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The landmark Corporate Sustainability Reporting Directive (“CSRD”) was adopted in January 2023 but has since seen some of its more ambitious features curtailed. CSRD introduces, on a phased basis, a wide-ranging sustainability reporting regime for tens of thousands of companies across the EU and beyond, eventually putting sustainability reporting on an equal footing to traditional financial reporting. Companies in scope will have to report information on a full range of environmental, social and governance issues. CSRD is designed to revise and expand the regime introduced by the EU Non-financial Reporting Directive (“NFRD”) which was transposed into Irish law in 2017.

The related Corporate Sustainability Due Diligence Directive remains locked in trilogue negotiations between the EU Commission, Parliament and Council, as those institutions attempt to bridge the significant policy differences that exist between them.

## CORPORATE SUSTAINABILITY REPORTING REDEFINED

2024 will be a landmark year in the evolution of corporate reporting, being the first reporting year for the initial wave of in-scope companies under the CSRD.

2023 saw the evolution of the European Sustainability Reporting Standards (“ESRS”) which contain the detailed reporting metrics under the CSRD. EFRAG, as technical adviser to the Commission, developed a set of sector-agnostic ESRS which were adopted by the Commission in July 2023. Despite an unsuccessful attempt in the Parliament to vote down the delegated legislation adopting them, the ESRS were deemed to have been adopted by the EU co-legislators in October 2023 and are now formally part of the EU corporate sustainability framework.

## CURRENT STATE OF PLAY

As well as the proposal to increase the applicability thresholds under the CSRD, proposals to dilute the ESRS and delay key deadlines under the CSRD have been advanced, one such being

the Commission proposal to defer the adoption deadline for the sector-specific ESRS from 30 June 2024 to 30 June 2026.

Preparing for CSRD is a considerable undertaking. The resourcing and cost will depend on the size, complexity and geographic spread of your business. Systems and controls for reporting should be in place by the beginning of the financial year which is being reported on. Matheson estimates up to 18-month lead in time from beginning of preparations for CSRD to CSRD readiness.

Information correct as of 6 December 2023.

## CSRD THRESHOLDS AT A GLANCE

These are the current thresholds under CSRD but, on 13 September 2023, the Commission announced proposals to increase these thresholds in light of inflation:

- EU stock exchange listed companies and large companies (meeting two or more of the following criteria: a balance sheet total of €20m, net turnover of €40m, at least 250 employees)
- SMEs with securities admitted to trading on an EU regulated market (other than micro undertakings)
- Non-EU companies with substantial activity in the EU (generating an annual net turnover of €150m in the EU and with at least one subsidiary or branch in the EU).

The new reporting requirements will be phased in over stages as follows:

- From 1 January 2024 (reporting year 2025) for companies already in scope of the NFRD;
- From 1 January 2025 (reporting year 2026) for companies not currently in scope of the NFRD;
- From 1 January 2026 (reporting year 2027) for listed SMEs, small and non-complex credit institutions and captive undertakings but SMEs can opt out until 2028; and
- From 1 January 2028 (reporting year 2029) for non-EU companies in scope.