



Mandatory corporate sustainability reporting: *What businesses need to know*

Paul White

30 May 2023

A&L Goodbody



Sustainability Reporting | What's all this about?

- ❑ What does the sustainability reporting directive actually require?
- ❑ Who does it apply to?
- ❑ When does reporting begin?
- ❑ What happens if you don't comply?
- ❑ Is this an additional "*check the box*" exercise, or will it fundamentally change how companies report?



DRAFT EUROPEAN SUSTAINABILITY
REPORTING STANDARDS
Cover letter



TCFD

Feeling LOST?



CSRD | What's involved?

Annual Directors' Report (in annual report) 1

Legal obligation to do so for in-scope businesses

Reporting by businesses on **ESG impacts** - *does not set conduct standards*

Report on ESG impact against standards 2

12 ESRSs in draft – more expected

Double materiality –

- impact “on” the business
- Impact “of” the business

Supply-chain / value-chain included 3

3 Year transition period

Sustainability reports to be audited 4

New types of auditor a possibility

CSRD | Who?

“Reporting under NFRD”

1

An entity which on its balance sheet date has an average of 500 employees **and** meets at least one of the following criteria:

- (ii) balance sheet > €20m
- (iii) net turnover > €40m

and is a ‘public interest entity’, which means:

- A. Listed on an EU regulated market
- B. Credit institution or insurance company
- C. Otherwise designated as a public interest entity by Member state

“Large EU Company”

2

An entity which on its balance sheet date exceeds at least two of the three following criteria:

- (i) average # of employees – 250
- (ii) balance sheet > €20m
- (iii) net turnover > €40m

“Large EU Group”

3

Groups consisting of parent and subsidiary undertakings which, on a consolidated basis, exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

- (i) average # of employees – 250
- (ii) balance sheet > €20m
- (iii) net turnover > €40m

“In scope non-EU entity”

4

The ultimate parent of:

- (i) at least one EU subsidiary in the EU subject to CSRD or
- (ii) where there are no such subsidiaries, at least one branch in the EU that had a net turnover of more than €40m, with a net turnover > €150m in the EU for each of the last two consecutive financial years

CSRD | When?

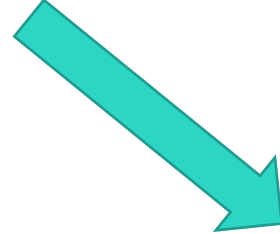
Type of entity	Reporting year
Those companies already subject to the reporting obligations under the NFRD	2025 in respect of the 2024 financial year
All large EU companies whether listed or not that are not subject to the reporting obligations under the NFRD	2026 in respect of the 2025 financial year
SMEs with securities listed on an EU regulated market (excluding listed micro-enterprises), small and non-complex institutions and captive insurance/reinsurance undertakings	2027 in respect of the 2026 financial year, noting there is optionality for the 2027 and 2028 reporting years
In scope non-EU companies	2029 in respect of the 2028 financial year

CSRD | Non compliance



Legal Consequences

- Sanctions
- Fines
- Penalties



Reputational Consequences

- Leadership
- Market
- Investments
- Procurement processes

CSRD | “*check the box*” or something fundamental?

- ❑ In Scope?
- ❑ Familiarisation with ESRs
- ❑ Information gathering
- ❑ Materiality & Double Materiality
- ❑ Value Chain
- ❑ Group Governance: Group roles and functions through to Board of Directors

CSRD | Practical issues arising

01

In-scope?

Who is in scope – especially international groups?

02

Resourcing

Roles and responsibilities within the business

Systems, controls and assurance

03

Gap analysis for ESRs

What data is available, what needs to be obtained – or needs a system to obtain it?

Value chain considerations

Contractual considerations

04

Project planning

Resources

Data collection and management

Analysis of ESRs

Other ESG reporting, and interoperability



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