

Sustainability Reporting

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The CSRD has come into effect: In April 2021, the EU Commission had published a draft directive for the further development of statutory non-financial reporting towards comprehensive sustainability reporting (Corporate Social Responsibility Directive; in short: CSRD). The final version of the CSRD was adopted by the European Council on November 28, 2022 and published in the Official Journal of the European Union on December 16, 2022. It must now be transposed into national law by the member states.

The planned new regulations will ensure a drastic shift in the weighting of reporting in the management report of the companies concerned. The European Financial Reporting Advisory Group (EFRAG) is working out the details. The first set of (industry-independent) draft standards was published at the end of November 2022. These are expected to be finalized by the end of June 2023. You can view the draft standards [here](#).

Expansion of reporting requirements

Of particular importance is the significant expansion of the statutory reporting requirements. From the 2024 reporting year, this will apply to listed companies that were already affected by non-financial reporting and, from the 2025 reporting year, to all large corporations and limited partnerships, i.e. companies that exceed two of the following three criteria on two consecutive balance sheet dates:

- Balance sheet total: 20m EUR
- Annual sales: 40m EUR
- Employees: 250

Later, other companies are to be added, such as subsidiaries of groups not based in the EU. A cascading effect on small and medium-sized enterprises that are not directly affected by the reporting obligation will occur anyway, provided that supply relationships exist with originally affected companies.

Scope of reporting

In the sustainability report, companies are to report on sustainability aspects using standardized, high quality and comparable information. The required information relates to the areas of environment, social affairs and governance and includes both qualitative and quantitative data. The information must be reported both retrospectively and prospectively. The sustainability report must be presented in a separate section of the management report. The so-called double materiality principle must be taken into account in reporting. Companies must report both on the impact of the environment on the company and on the impact of the company on the environment.



Machine-readable format and audit requirement

In addition to expanding the scope of reporting, the CSRD introduces a new machine-readable format for annual financial statements and management reports to make information much easier to compare for potential investors and lenders (so-called "digital tagging").

The new sustainability reporting is also to be subject to the statutory audit requirement, initially with a so-called limited assurance ("auditor's review").

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