# Nangia Andersen LLP



EU Corporate Sustainability Reporting Legislation Adopted

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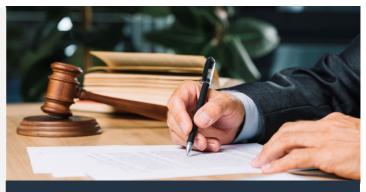


# **EU Corporate Sustainability Reporting Legislation Adopted**

### **Background**

The European Commission presented the Corporate Sustainability Reporting Directive (CSRD) proposal on 21 April 2021 as part of the European Green Deal and the Sustainable Finance Agenda.

On 28 November 2022, Council of the EU gave its final approval to the CSRD to be signed and published in the EU Official Journal to come into force.



The parliament expects almost 50,000 companies in the EU to be covered by the new directive

#### **Overview**

CSRD amends the reporting requirements of Non-Financial Reporting Directive (NFRD) and extends the scope of the existing sustainability reporting requirement set out in directives and regulations. NFRD currently requires that "public interest" entities with over 500 employees, including large EU listed entities, credit institutions, insurance companies, and other entities designated report certain sustainability information on an annual basis.

CSRD will materially broaden the scope of sustainability information and closed to stakeholders, increase the number of entities required to report such information, and introduce a new limited audit assurance requirement prior to 1 October 2026 and a new reasonable assurance requirement prior to 1 October 2028.

CSRD will oblige companies to regularly disclose information on the social and environmental impacts of their business activities. In addition, the sustainability reports are to be subject to an external audit by an accredited independent auditor in the future. This will for the first time put sustainability reporting on an equal footing with financial reporting.

CSRD will have extra-territorial effect, as it will apply to non-EU companies that generate a net turnover of more than € 150 million in the EU and which have a subsidiary or a branch in the EU which meets the specified criteria. The extra-territoriality requirements will apply from 1 January 2028.

#### **Timeline Chart**

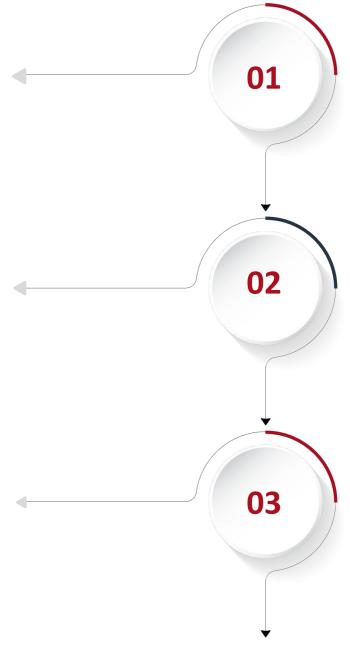
Reporting in 2025 for financial year 2024 for companies already subject to the NFRD (currently 11,700 companies are under the ambit)

Reporting in 2026 for financial year 2025 for large companies that are not presently subject to the NFRD.

"Large" companies mean those satisfying at least two of the following three criteria:

- a balance sheet total exceeding €20,000,000;
- a net turnover exceeding €40,000,000; and
- in excess of 250 employees on average during the financial year.

Reporting in 2027 for financial year 2026 for listed small and medium-sized enterprises (SMEs), small and non-complex credit institutions and captive insurance undertakings.



## **How CSRD affects Indian Companies?**

Indian companies generating a net turnover of € 150 million in the EU and having at least one subsidiary or branch in the EU would be required to provide a report on their ESG impacts.

Furthermore, Indian companies who form part of the supply chain of large EU companies will have to report precise defined key figures about their sustainability. This entails an enormous amount of work to be done today by the Indian companies to enable them to report when their customer/ investor based out of EU requires them to report.





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