

NEWSFLASH

EU Corporate
Sustainability Reporting
Legislation Adopted

December 2022



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)

01

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

02

"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.

03

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.



**NOIDA**

(Delhi NCR - Corporate Office)
A-109, Sector - 136,
Noida - 201304, India
T: +91 120 5123000

DELHI

(Registered Office) B-27,
Soami Nagar, New Delhi
– 110017, India
T: +91 0120 5123000

GURUGRAM

812-814, Tower B, Emaar Digital
Greens, Sector-61, Gurugram,
Haryana – 122102, India
T: +91 0124 430 1551

MUMBAI

11th Floor, B Wing, Peninsula Business
Park, Ganpatrao Kadam Marg, Lower
Parel, Mumbai - 400013, India
T: +91 22 61737000

CHENNAI

Prestige Palladium Bayan,
Level 5, 129-140, Greams Road,
Thousand Lights, Chennai - 600006
T: +91 44 46549201

BENGALURU

Prestige Obelisk, Level 4
No 3 Kasturba Road,
Bengaluru – 560 001, Karnataka, India
T: +91 80 2248 4555

PUNE

3rd Floor, Park Plaza, CTS 1085,
Ganeshkhind Road, Next to Pune
Central Mall, Shivajinagar,
Pune - 411005, India

DEHRADUN

1st Floor, “IDA” 46 E.C. Road,
Dehradun - 248001, Uttarakhand,
India T: +91 135 271 6300

www.nangia-andersen.com | query@nangia-andersen.com

Copyright © 2022, Nangia Andersen LLP All rights reserved. The Information provided in this document is provided for information purpose only, and should not be constructed as legal advice on any subject matter. No recipients of content from this document, client or otherwise, should act or refrain from acting on the basis of any content included in the document without seeking the appropriate legal or professional advice on the particular facts and circumstances at issue. The Firm expressly disclaims all liability in respect to actions taken or not taken based on any or all the contents of this document.

