



CAPITAL MARKETS

New corporate sustainability reporting rules

The Directive on Corporate Sustainability Reporting (“CSRD”) has been approved. This new Directive amends the Non-Financial Reporting Directive (“NFRD”), which sets out rules on corporate sustainability reporting.

This new Directive amends the Non-Financial Reporting Directive, which sets out rules on corporate sustainability reporting.

With the amendment introduced by the CSRD, the scope of the Directive is extended to include:

- Large undertakings not covered by the NFRD¹ – reporting in 2026 in respect of the financial year 2025;
- Small and medium-sized undertakings whose securities are admitted to trading on a regulated market in a Member State – reporting in 2027, in respect of the financial year 2026.
- Non-EU companies that generated a net turnover exceeding EUR 150 million in the European Union, if they have at least one subsidiary or branch in the European Union exceeding certain thresholds – reporting in 2029, in respect of the financial year 2028.

Large undertakings which are public-interest entities, already covered by the NFRD, must complete the reporting under the terms of the CSRD in 2025, for the financial year 2024.

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¹ Under Article 3(4) of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013, large undertakings are undertakings which, at the balance sheet date, exceed at least two of the following three criteria:
a) Balance sheet total: EUR 20 000 000
b) Net turnover: EUR 40 000 000
c) Average number of employees during the financial year: 250.

Undertakings covered by the CSRD must include in the management report the information necessary to understand the undertaking's impact on sustainability matters and how sustainability matters affect the development, performance and the position of the undertaking. By sustainability matters, we mean environmental, social, human rights and governance factors. Thus, a dual perspective is adopted:

- **Outside-in perspective:** how sustainability matters impact the undertaking
- **Inside-out perspective:** how the undertaking impacts sustainability matters

The range of information to be reported has been expanded to include, among other issues:

- The undertaking's plans to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with limiting global warming to 1.5 °C, in line with the Paris Agreement and the goal of achieving climate neutrality by 2050.
- How the undertaking's business model and strategy take into account the interests of the undertaking's stakeholders and the undertaking's impact on sustainability matters.
- How the undertaking's strategy has been implemented with respect to sustainability matters.
- A description of the targets set by the undertaking in relation to sustainability matters and the progress made by the undertaking towards achieving these targets.
- A description of the undertaking's policies in relation to sustainability matters.
- A description of the due diligence process applied with respect to sustainability matters, as well as the major actual or potential adverse impacts associated with the undertaking's own operations and value chain. This includes the undertaking's own operations, its products and services, its business relationships and its supply chain, and any measures taken, and the outcome of such measures, to prevent, mitigate, correct or halt actual or potential adverse impacts.
- A description of the key risks to the undertaking in terms of sustainability matters, including the undertaking's key dependencies in relation to these issues, and how the undertaking manages these risks.

The CSRD provides for exemptions from certain reporting obligations, for small and medium-sized undertakings, among others.

The Commission is to introduce delegated acts to establish standards for sustainability reporting. This should include sector-specific information and specific reporting for small and medium-sized undertakings obliged under the CSRD.

Regardless of the adaptation deadlines for new entities covered by the CSDR, this Directive has to be incorporated into national law no later than eighteen months after its entry into force, which is 20 days after its publication in the Official Journal of the European Union. ■