



## Table of content

### Today we will address:

- *From the NFRD to the CSRD* → **Massimo**
- *CSRD and ESRS, how to use the EFRAG Standards* → **Massimo**
- *Omnibus package, what the \*\*\*\* is going on?* → **Giacomo**
- *Standards, why they are going to save your day* → **Giacomo**



Star4bbs

# CSRD and Standardization

Massimo Chiocca

CISE



## THE CSRD DIRECTIVE

### **From NFRD directive to CSRD**

European Green Deal (2019): revision and strengthening of non-financial reporting requirements introduced by Directive 2014/95/EU (Non-Financial Reporting Directive 'NFRD') Corporate Sustainability Reporting Directive 'CSRD' (EU Directive 2022/2464) General objective: to align sustainability reporting requirements with financial reporting requirements

### **Specific objectives**

- Companies more responsible for their impact on people and the environment
- Greater clarity and harmonisation of reporting requirements resulting in reduced costs for companies
- Publication of relevant, comparable and verified information
- Easier search for information
- Increased investment in sustainable enterprises



# From NFRD to CSRD

	NFRD	→	CSRD
<b>Subjected enterprises</b>	Large public interest entities > 500 employees		Largest number of enterprises
<b>Information to be communicated</b>	Environmental, social, personnel-related, human rights, anti-corruption		More detailed information relevant to sustainability issues (ESG)
<b>Information relevance</b>	Understanding business trend + impact business activity		Double relevance
<b>EU Principles of Reporting</b>	NO		YES
<b>Verify information</b>	YES verify information presentation / NO verify information content *		YES verification presentation + information content
<b>Digital format</b>	NO		YES
<b>Publication</b>	Management report / separate report		Dedicated section management report



## From NFRD to CSRD

- **EU legislative acts amended by the CSRD:** Accounting Directive (2013/34/EU), Transparency Directive (2004/109/EC), Statutory Audit Directive (2006/43/EC),  
Regulation (EU) on the statutory audit of public interest entities (537/2014)
- **CSRD Official Journal EU publication:** 16 December 2022.
- **Transposition CSRD ITALY:** September 10, 2024

# CSRD - Highlights



## Extending NFRD disclosure requirements to more firms

- Large enterprises, listed SMEs, parent companies of large groups, some non-EU enterprises

## Expanding NFRD disclosure requirements: sustainability reporting

- Double relevance, more detailed requirements

## EU Principles for Sustainability Reporting (ESRS)

- Developed by EFRAG and adopted by the Commission through acts delegates

## Digitizing sustainability reporting

- XHTML format + mark-up based on digital taxonomy (once adopted)

## Attestation of compliance sustainability reporting

- limited security level (reasonable security level in future)



## Firms subject to CSRD obligations

Including non-EU companies listed on EU regulated markets (Art. 4 transparency directive)

**NFRD enterprises (large public interest entities with more than 500 employees): fiscal year 2024 (publication: 2025)**

**Other large enterprises: fiscal year 2025 (publication: 2026)**

**listed SMEs (excluding microenterprises): fiscal year 2026 (publication: 2027)**

➤ Option "ESRS for listed SMEs" (Art. 29c)

➤ 2 years opt-out

**Non-EU firms (with net revenues in EU > EUR 150 million) and with subsidiaries in EU (subject to CSRD) or branches in EU (with net revenues in EU > EUR 40 million): fiscal year 2028 (publication: 2029)**

"ESRS full" cross-cutting and related to ESG + sectoral factors (Art. 29b)

"ESRS for certain large non-EU enterprises" (Art. 40b)



## Sustainability reporting content (Art. 19a / 29a)

**"Double relevance"**: information needed to understand the impact of the business on sustainability issues (inside-out perspective) and how sustainability issues affect business performance, situation, and performance (outside-in perspective).

- Enterprise business model and strategy
- Time-defined goals
- Role of management
- Enterprise policies
- Incentive systems
- Due diligence procedures and major negative impacts
- Main enterprise risks
- Indicators





## Sustainability reporting content (Art. 19a and 29a)

**Option for listed SMEs (Art. 19a)** > sustainability reporting limited to:

- Brief description of the company's business model and strategy;
- description of the enterprise's policies;
- major actual or potential negative impacts of the enterprise and any actions taken to identify, monitor, prevent or mitigate those actual or potential negative impacts or to remedy them;
- major risks to the enterprise and how the enterprise manages these risks;
- key indicators.



ESRS for listed SMEs



## Individual and consolidated sustainability reporting

- Large enterprises and listed SMEs (excluding micro enterprises) > **individual sustainability reporting** (Art. 19a)
- Parent companies of large groups > **consolidated sustainability reporting** (Art. 29a)
- **Exemptions** (not applicable to large listed companies):
  - Exemption individual sustainability reporting requirement for parent company publishing consolidated sustainability reporting
  - Exemption (under certain conditions) sustainability reporting requirement (individual/consolidated) if the company and its subsidiaries, if any, are included in the parent company's consolidated management report prepared in accordance with ESRS or equivalent standards



## Attestation of compliance sustainability reporting (Art. 34)

### Duty of attestation of compliance sustainability reporting ("**limited security level**")

↳ Adoption of EU principles for attestation of compliance (**limited safety level**) by **October 2026**. In the absence of EU principles, member states may apply national principles

Adoption of EU principles for attestation of compliance (**reasonable level of safety**) by **October 2028** - subject to feasibility assessment.

Report of) attestation of compliance carried out by statutory auditor or **independent compliance attestation service provider "IASP" accredited in accordance with Regulation (EC) 765/2008** (in member states where it is allowed).



## **Attestation of compliance sustainability reporting (Art. 34)**

**Independent reviewer, qualified and competent** (professional examination, apprenticeship, continuing education, etc.). Sustainability auditors subject to obligations equivalent to those in the Auditor Directive.



**More reliable information, greater transparency, greater user confidence**



## Publication of sustainability reporting (Art. 30 dir. accounting / Art. 4 dir. transparency)

- Appropriate section within the management report
- Publication in company register/website company (Transparency Directive: officially established mechanism for storage) together with the report on compliance attestation within 12 months after the balance sheet date (Transparency Directive: 4 months after the end of the financial year)



## ESRS Principles.

There are 3 categories of ESRS:

- 1) Cross-cutting standards (ESRS 1 ESRS 2)
- 2) Topical standards (Environmental ESRS(E), ESRS(S) Social and ESRS (G) Governance)
- 3) Sector specific standards

**ESRS1** describes the architecture of the **ESRS** principles. **ESRS1** describes the minimum reporting requirements so that it's easy to understand a company's impacts, risks, and opportunities related to ESG aspects. This covers topics such as governance, strategy, business model, risk management, and company objectives.

It also outlines other information required about a company and its organization, what information is not yet mandatory to report, and what is meant by double materiality (more on this soon).



## ESRS Principles.

**ESRS 2** details the disclosure requirements for preparing a thorough sustainability statement and applies to all companies. It requires information on governance structures, strategies, materiality assessments, and performance indicators and targets, including the value chain coverage.

**Topical standard ESRS: environment, social, governance:** are broken down into specific themes, sub-themes.

As of now, the ESRS **doesn't include sector-specific standards**. EFRAG is expected to introduce sector-specific standards as part of the second set of ESRS, although their publication has been delayed by two years and is now anticipated around mid-2026. These will provide more detailed and relevant reporting content for different industries.



# ESRS - OVERVIEW

**ESRS 1**

General  
Requirements

**ESRS 2**

General  
Disclosures

**ESRS E1**

Climate  
Change

**ESRS E2**

Pollution

**ESRS E3**

Water & Marine  
Resources

**ESRS E4**

Biodiversity and  
Ecosystems

**ESRS E5**

Resource use &  
circular economy

**ESRS S1**

Own workforce

**ESRS S2**

Workers in the  
value chain

**ESRS S3**

Affected  
communities

**ESRS S4**

Consumers and  
end-users

**ESRS G1**

Business  
conduct





## General requirements

General principles – ESRS 1

Strategy, governance, materiality - ESRS 2

**GENERAL  
FRAMEWORK OF  
REPORTING  
PRINCIPLES**

Sustainability Reporting  
Prerequisite.

**IS THE ONLY SET OF  
MANDATORY INDICATORS  
THAT MUST BE  
MANDATORILY REPORTED  
REGARDLESS OF  
MATERIALITY**

# THEMATIC ESRS - ENVIRONMENT

THEMATIC Principles -			
Environment		Social	
<b>E1</b> Climate change	<b>E2</b> Pollution	<b>S1</b> Working Conditions	<b>S2</b> Workers in the value chain
<b>E3</b> Water and Marine Resources	<b>E4</b> Biodiversity and Ecosystems	<b>S3</b> Affected Communities	<b>S4</b> Consumers and End Users
<b>E5</b> Circular Economy			
Governance			
<b>G1</b> Business conduct			



## DEFINING MATERIALITY: THE PATH OF THE CSRD

The identification of **material issues (Materiality)** is the starting point for determining the material information to be disclosed in the sustainability report: the material information to be disclosed in the sustainability statement on material IROs related to these issues. Material IROs related to environmental, social and governance issues that must be reported are those related to the operations of the company itself, as well as in its upstream and downstream value chain. By definition, reporting excludes non-material issues. If the MA process is not designed appropriately, the enterprise could provide incomplete reporting (with relevant IROs not disclosed).

<https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/Draft%20EFRAG%20IG%201%20MAIG%20231222.pdf>



## THE CONCEPT OF MATERIALITY

In order for the company to identify relevant impacts, risks, and opportunities to be disclosed, a materiality assessment (Impact Relevance and Financial Relevance) must be conducted.

The **materiality assessment is the starting point for sustainability reporting under the ESRS.**

Dual relevance has two dimensions, namely: impact relevance and financial relevance.

The assessment of impact relevance and that of financial relevance are interconnected, and the interdependencies between these two dimensions must be taken into account. In general, the starting point is the assessment of impacts, although there may also be relevant risks and opportunities unrelated to the impacts of the enterprise.

Materiality is:

- Basis for defining the content of sustainability
- Supporting stakeholder decision making

