



ESRS APPLICABILITY AND TIMELINES

OVERVIEW

The adoption of the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD) marks a significant shift in corporate sustainability reporting within the European Union. This comprehensive regulatory framework aims to enhance the transparency and accountability of companies' environmental, social, and governance (ESG) practices. The ESRS/CSRD adoption applies to a wide range of companies and follows a structured timeline to ensure a smooth transition to the new reporting requirements.

DETAILS

The CSRD expands the scope of companies required to comply with its reporting standards, significantly broadening the reach compared to its predecessor, the Non-Financial Reporting Directive (NFRD).

The key categories of companies affected by the CSRD include:

1. Large Companies:

All large companies, regardless of whether they are publicly listed, must comply with the CSRD. A large company is defined as one that meets at least two of the following criteria: having more than 250 employees, a net turnover exceeding €40 million, or total assets exceeding €20 million.

2. Listed SMEs:

Small and medium-sized enterprises (SMEs) that are publicly listed on EU-regulated markets are also required to adhere to the CSRD. However, to ease the transition, listed SMEs will have simplified reporting standards and will be granted additional time to comply fully.

3. Non-EU Companies:

Non-EU companies with significant operations in the EU are also subject to the CSRD. Specifically, non-EU companies generating a net turnover of more than €150 million in the EU and having at least one subsidiary or branch in the EU will be required to report on their ESG impacts according to the ESRS.

4. Parent Companies of Large Groups:

Parent companies of large groups, including those with subsidiaries across different jurisdictions, must ensure that consolidated sustainability reporting is in place, covering the entire group in line with ESRS requirements.

Timelines for ESRS/CSRD Adoption

The implementation of the CSRD follows a phased approach to provide companies with adequate time to prepare and align their reporting practices with the new standards. The key timelines for the adoption of the ESRS/CSRD are as follows:

1. 2024 Reporting Year:

Companies already subject to the NFRD will be the first to report under the new CSRD framework. These companies must apply the ESRS standards for the financial year starting on or after January 1, 2024, with the first reports to be published in 2025.

2. 2025 Reporting Year:

Large companies not previously subject to the NFRD will begin reporting under the CSRD for the financial year starting on or after January 1, 2025, with reports to be published in 2026.

3. 2026 Reporting Year:

Listed SMEs, small and non-complex credit institutions, and captive insurance undertakings will start reporting under the CSRD for the financial year starting on or after January 1, 2026, with reports to be published in 2027. To facilitate their transition, listed SMEs have the option to opt-out of the CSRD requirements until 2028.

4. 2028 Reporting Year:

Non-EU companies meeting the specified criteria must start reporting for the financial year beginning on or after January 1, 2028, with reports to be published in 2029.



The phased adoption timeline ensures that companies have sufficient time to adapt to the new requirements, integrate ESG considerations into their reporting processes, and build the necessary internal capacities for compliance.

In summary, the ESRS/CSRD adoption applies to a broad range of entities, including large companies, listed SMEs, non-EU companies with significant EU operations, and parent companies of large groups. The adoption timeline is structured to ensure a smooth transition, with initial reporting starting in 2025 for NFRD companies and extending to 2029 for non-EU companies. This regulatory evolution underscores the EU's commitment to enhancing corporate sustainability practices and providing stakeholders with reliable and comparable ESG information.

For more detailed information on the applicability and timelines of ESRS/CSRD adoption, please refer to the [European Financial Reporting Advisory Group \(EFRAG\)](#) website, or alternatively, contact us at info@envionas.com.