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FAQ on Sustainability Reporting by EU and Non-EU companies

The legal framework for sustainability reporting in Europe is being fundamentally revised by the Corporate Sustainability Reporting Directive (CSRD). This EU directive came into force at the beginning of 2023 and must be implanted in national law by the EU member states by July 2024. A draft bill has been submitted in Germany. This provides for a 1:1 implementation of the CSRD. It is already foreseeable that in the future more than 50,000 companies in Europe will have to publish an annual sustainability report based on the requirements of the CSRD. Non-EU companies may also be affected by these obligations. In the following, we have summarized the most frequently asked questions on the applicability of the CSRD to EU and non-EU companies.

Which EU companies are required to publish a sustainability report according to the CSRD?

EU companies will be covered by the CSRD in three steps. From 2025 onwards, companies that are already obliged to report under the predecessor regulation NFRD must submit a sustainability report for the 2024 financial year in accordance with CSRD requirements. These are large companies of public interest (financial service providers, insurance companies or listed companies) with more than 500 employees that exceed either a balance sheet total of EUR 25 million or net turnover of EUR 50 million. As of 2026, all large companies that exceed two of the following three criteria: (1) balance sheet total: EUR 25 million, (2) net turnover: EUR 50 million, (3) employees: 250, are required to report for their fiscal year 2025. As of 2027, the reporting requirement then also applies to listed small and medium-sized companies that exceed two of the following three criteria: (1) balance sheet total: EUR 450,000, (2) net turnover: EUR 900,000, (3) employees: 10.

Do all subsidiaries of a group have to publish their own reports or is a joint report permitted?

Subsidiaries and also sub-subsidiaries can be exempted from their own reporting obligations in certain cases, insofar as they are included in the consolidated sustainability report of their EU or non-EU parent company. The exempted companies then refer to the parent company's sustainability report, which provides information on the sustainability of all global group companies either in accordance with CSRD or another equivalent reporting standard, and also addresses any special features of individual subsidiaries.

Is there an obligation for group-wide sustainability reporting in the CSRD?

Group-wide, consolidated sustainability reporting will be mandatory from 2026 for the 2025 financial year for large groups with an EU parent company for which consolidated financial statements must be prepared anyway and which exceed two of the following three characteristics on a group-wide, consolidated basis: (1) balance sheet total: EUR 25 million, (2) net turnover: EUR 50 million, (3) employees: 250.

What are the reporting obligations of EU subsidiaries of non-EU parent companies?

EU subsidiaries of non-EU parent companies are obliged to report if the CSRD thresholds are exceeded (see question 1). This reporting obligation can be fulfilled by each subsidiary individually, which is, however, costly in the case of a larger number of EU subsidiaries in a group. This is where the group privilege comes in. According to this all EU subsidiaries are exempt from the reporting obligation under certain conditions, provided that the non-EU parent company voluntarily publishes a report according to the CSRD or an equivalent reporting standard (see question 2). In addition, through a transitional arrangement until the beginning of 2030, the EU subsidiary with the highest turnover can also publish a consolidated sustainability report instead of the non-EU parent company, which exempts all EU subsidiaries from the individual reporting obligation. This consolidated sustainability report of the EU subsidiary with the highest turnover does not have to contain any information on the global subsidiaries of the non-EU parent company, but only on the sustainability of the EU subsidiaries in the group.

Is a non-EU parent company itself also required by the CSRD to prepare a report?

Indirectly yes, because as of 2029, non-EU parent companies will also be covered by the CSRD for the 2028 financial year. The prerequisite is that this non-EU parent company generates a net turnover in excess of EUR 150 million on a consolidated basis or at group level in the EU and either has an EU subsidiary that itself exceeds the thresholds of the CSRD or an EU branch with a net turnover in excess of EUR 40 million. In this case, a sustainability report must be prepared from the global perspective of the non-EU parent company, whereas its publication must be made by an EU subsidiary or the EU branch.

Is the CSRD relevant for non-EU subsidiaries or non-EU business partners of a reporting EU (parent) company?

A sustainability report must contain information on the sustainability aspects of the company's own subsidiaries and the companies in its own value chain. Non-EU subsidiaries or business partners will therefore be confronted with data collection requirements in accordance with the CSRD by EU (parent) companies subject to reporting obligations, even if they themselves are not legally obliged to prepare a sustainability report.

What are the consequences of an EU listing for non-EU issuers according to the CSRD?

Issuers domiciled in an EU or non-EU country whose securities are listed on a regulated market in the EU are subject to a sustainability reporting obligation equivalent to that of an EU company if the relevant thresholds are exceeded.

These FAQ represent a selection of topics that arise in connection with the applicability of the CSRD. The specific application must always be examined on a case-by-case basis. We would be pleased to explain whether your individual company is affected by the CSRD and which measures are recommended next in this context.

I look forward to hearing from you.

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