Sustainable economy: Parliament adopts new reporting rules for multinationals

- Transparency on environmental, social affairs and governance matters to become the norm for large firms
- EU to become front-runner in global sustainability reporting standards
- Around 50 000 companies to be covered by new rules, up from the current 11 700

All large companies in the EU will need to disclose data on the impact of their activities on people and the planet and any sustainability risks they are exposed to.

The Corporate Sustainability Reporting Directive (CSRD), adopted today with 525 votes in favour, 60 votes against and 28 abstentions, will make businesses more publicly accountable by obliging them to regularly disclose information on their societal and environmental impact. This would end greenwashing, strengthen the EU's social market economy and lay the groundwork for sustainability reporting standards at global level.

New EU sustainability standards

These rules address shortcomings in existing legislation on the disclosure of non-financial information (NFRD), perceived as largely insufficient and unreliable. The CSRD introduces more detailed reporting requirements on companies’ impact on the environment, human rights and social standards, based on common criteria in line with EU’s climate goals. The Commission will adopt the first set of standards by June 2023.

To ensure companies are providing reliable information, they will be subject to independent auditing and certification. Financial and sustainability reporting will be on an equal footing and investors will have comparable and reliable data. Digital access to sustainability information will also have to be guaranteed.

Extending the scope

The new EU sustainability reporting requirements will apply to all large companies, whether listed on stock markets or not. Non-EU companies with substantial activity in the EU (with a turnover over €150 million euro in the EU) will also have to comply. Listed SMEs will also be
covered, but they will have more time to adapt to the new rules.

For nearly 50 000 companies in the EU, collecting and sharing sustainability information will become the norm, compared to about 11 700 companies covered by the current rules.

**Quote**

During the debate, the rapporteur Pascal Durand (Renew, FR) said: "Europe is showing the world that it is indeed possible to ensure finance, in the narrow sense of the word, does not govern the entire global economy."

**Next steps**

The Council is expected to adopt the proposal on 28 November, after which it will be signed and published in the EU Official Journal. The directive will enter into force 20 days after publication. The rules will start applying between 2024 and 2028:

- From 1 January 2024 for large public-interest companies (with over 500 employees) already subject to the non-financial reporting directive, with reports due in 2025;
- From 1 January 2025 for large companies that are not presently subject to the non-financial reporting directive (with more than 250 employees and/or €40 million in turnover and/or €20 million in total assets), with reports due in 2026;
- From 1 January 2026 for listed SMEs and other undertakings, with reports due in 2027. SMEs can opt-out until 2028.

**Background**

The Commission presented its proposal on a Corporate Sustainability Reporting Directive in April 2021. Back in 2018, Parliament called for a revision of the NFRD and in 2020 set out its recommendations on sustainable corporate governance. The CSRD is one of the cornerstones of the European Green Deal and the Sustainable Finance Agenda and part of a wider EU policy to commit companies to respect human rights and reduce their impact on the planet.

**Further information**

Committee on Legal Affairs
Adopted text (click on 10.11.2022)
Video of the plenary debate (9.10.2022)
Procedure file
Profile of the rapporteur
EP study: Improving corporate sustainability reporting (27-07-2021)
Commission Q&A
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