GBTA Global Business Travel Association

Many Voices. One Purpose.

Corporate Sustainability Reporting Directive (CSRD)

Q&A

What is the EU trying to achieve?

Under the European Green Deal, the EU is looking to make companies more sustainable and aware of their human rights impact. The new CSRD rules would further corporate transparency and accountability in the EU by requiring companies to disclose information about the impact of their activities on people and the environment.

What is the CSRD?

The CSRD revises previous EU rules on non-financial reporting, deemed insufficient to properly inform investors and stakeholders about the impact of companies on people and the environment. It mandates large companies to report on issues such as environmental, social, human rights and governance factors in a dedicated section of their management reports. The CSRD also makes it mandatory for companies to have the sustainability information they report audited and to publish it in a digital format.

What companies are covered in the scope?

The new rules apply to all large and listed companies, meaning approximately 50,000 companies in total. These companies are also responsible for assessing the information at the level of their subsidiaries. The rules also apply to listed SMEs, though they have the option of starting to report later, as of 2028.

For non-European companies, the requirement to provide a sustainability report applies to all companies generating a net turnover of €150 million in the EU (for the last two consecutive financial years) and which have at least one listed EU subsidiary or a branch in the EU with a net turnover of €40 million. These companies must provide a report on their ESG impacts, namely on environmental, social and governance impacts, as defined in this directive.

What will be the impact of the CSRD on Business Travel?

The Corporate Sustainability Reporting Directive (CSRD) introduces substantial changes to the reporting and management of environmental impact for companies, including those involved in business travel. The directive requires complying companies to report on their business travel emissions, encompassing flights, hotel stays, and rental cars, commonly known as Scope 3 emissions.

This necessitates travel managers to compile and report comprehensive sustainability data concerning business travel. Alignment of corporate travel policies with broader sustainability objectives becomes imperative. Furthermore, specific targets for business travel emissions in the years 2025, 2030, and 2050 must be included in the reporting.

Beyond environmental reporting, CSRD includes a social element, which will prompt travel managers to access information related to human rights and workers' treatment in supply chains.

In addition to CSRD, travel managers need to be cognizant of other environmental, social, and corporate governance (ESG) regulations introduced by the EU. To ensure compliance with CSRD, travel managers should collaborate closely with CSR/ESG colleagues, identify and address gaps in data collection, assess the capabilities of current travel providers to meet reporting requirements, and establish partnerships with providers capable of furnishing the necessary emission data.

What are the reporting standards?

The European Commission has recently published standards applicable to the EU companies within the scope of CSRD, the European Sustainability Reporting Standards (ESRS). The European Financial Reporting Advisory Group (EFRAG), supporting the Commission, is developing these standards and provides guidance on the ESRS to stakeholders via a dedicated Q&A platform.

Sector-specific standards and sustainability standards for non-EU companies will be published by 2026 (the European Commission has recently proposed to delay the publication of these guidance documents by 2 years).

The details of the process to develop these sector-specific standards are provided in their dedicated webpage. EFRAG is seeking feedback from stakeholders on the current version of the draft ESRS – SEC1 Sector Classification and is organising a series of online workshops in February 2024.

The purpose of these workshops is to allow participants to provide comments on the following:

1. The overall adequacy of the proposed classification (i.e., the proposed grouping of NACE economic activities).
2. The existing sector descriptions and definition.
3. The proposed divisions into groups and ESRS sectors.

The European Commission also intends to publish, via an implementing act, a list of standards from third countries that are deemed equivalent. However, no clear date is set for this, and some legal experts consider that US standards such as SEC rules might not be sufficient to meet the CSRD requirements.

In what format should information be reported?

Currently, most of the rules pertaining to the channels and formats of disclosure of corporate reporting information are set out by EU Member States' legislation. The CSRD only requires that information is submitted in standardised European Single Electronic Format (ESEF) (XHTML format). In parallel, an EU-wide system for submitting public financial and sustainability-related information, the European Single Access Point, is currently under development.

Companies will also need to disclose CSRD information in their management reports, meaning that financial and sustainability information will be published together.

How will the reporting be audited?

The CSRD requires audit (assurance) of reported information. The reporting of non-European companies must also be certified, either by a European or recognized third-country auditor. This can be the same or different than the one auditing the company's financial statements.

How are other companies approaching the new requirements?

While most companies are looking closely at their ESG reporting, certain studies have found that most are not yet reporting at the level required by the new rules under CSRD. While by no means a requirement, some companies are looking to hire external support (auditing and law firms) to ensure processes are in place for data collection and reporting.

How is the CSRD linked to other EU initiatives on sustainable finance?

The CSRD is aligned with other EU initiatives on sustainable finance, in particular the Taxonomy Regulation. The EU Taxonomy aims to provide a classification system for determining how environmentally sustainable economic activities are. Companies affected by the CSRD must include in their report the EU Taxonomy-aligned share of their turnover, capital expenditures (CapEx), and operating expenditures (OpEx) generated by their economic activities.

How is CSRD different from the CSDDD?

The Corporate Sustainability Due Diligence Directive (CSDDD) will introduce new requirements for companies to identify, prevent and mitigate human rights and environmental violations throughout their value chains. There will be major implications for supply, procurement, and operations in Europe and globally. There will also be some overlap with CSRD.

Companies will likely have to adapt company-wide due diligence policies and monitor and report on these in the form of an annual statement – many obligations will extend throughout the supply chain. The proposed rules are currently in the final stages of inter-institutional negotiations and could be adopted later this year. Once adopted, Member States would have two years to transpose the directive into national law, before it becomes applicable.

What kind of penalties do companies face if they fail to comply with the CSRD?

Member States are responsible for the provision and enforcement of penalties. Beyond reputational damage, non-compliance will lead to national administrative and/or criminal penalties, depending on the country.

National penalties for breach of EU non-financial reporting rules will be strengthened as the CSRD is transposed into Member State law. However, the currently applicable penalties can already be significant.

For example, in Ireland, a breach of the NFRD may lead to six months imprisonment for company directors and/or a €5,000 fine. In Italy, the penalty is a fine of between €20,000 and €150,000, and in Germany, companies face fines of up to either €10 million, 5% of the total annual turnover or twice the total profits made/losses avoided due to the breach.

When will companies need to comply with CSRD?

The transition timeline stipulates that companies adhering to the Non-Financial Reporting Directive (NFRD) must transition by January 1, 2024, with the first CSRD reports due in 2025. Large companies not previously subject to NFRD will commence compliance from January 1, 2025, with their first annual CSRD-compliant annual report published in 2026. Listed SMEs have until January 1, 2026, to conform with their first annual CSRD-compliant report published in 2027. An opt-out may be possible for listed SMEs, exempting them from reporting until 2028.

In addition, the Council and European Parliament agreed in February 2024 to delay the adoption of sustainability reporting standards for the mining, oil and gas sectors and for third-country companies by two years. This pushes the adoption date to June 2026, providing companies with more time to implement the European Sustainability Reporting Standards (ESRS) and prepare for sector-specific standards.