

### **Sustainable economy: The European Parliament adopts new reporting rules for multinationals**

Mexico City, December 13, 2022

During the session of the 10<sup>th</sup> of November of the present year, the European Parliament adopted the Corporate Sustainability Reporting Directive ("CSRD") with 525 votes in favor, 60 votes against and 28 abstentions.

Said document aims to make businesses more publicly accountable by obliging them to regularly disclose information about their societal and environmental impact. The document also seeks to strengthen the European Union's social market economy and lay the foundations for sustainability reporting standards at global level.

#### **I. New sustainability standards in the European Union**

The rules established in the CSRD addresses shortcomings in existing legislation on the disclosure of non-financial information, often perceived as insufficient and unreliable. The Directive introduces more detailed reporting requirements on companies' impact on the environment, human rights, and social standards. These new standards are aligned with the European Union's climate goals and the first set of standards will be adopted by June 2023.

The companies to which the Corporate Sustainability Reporting Directive applies will be obliged to:

- a) Submit themselves to external and independent audits and certifications, in order to ensure that the information they share is reliable.
- b) Guarantee digital access to the sustainability information they provide.
- c) Report financial and sustainability information on an equal footing, so that investors can count on reliable and comparable information.

## **II. Companies that will have to comply with the new rules**

The European Parliament established that the new EU reporting requirements will apply to all large companies (over 500 employees) that carry out activities within the European Union, whether listed on stock markets or not. Non-European companies with substantial activity in the European Union (with a turnover over 150 million euros) will also have to comply. Finally, listed small and medium-sized enterprises will also be obliged by the Directive, but they will have more time to adapt to the new rules.

## **III. Entry into force**

The proposal was approved on November 28 and it is pending to be signed and published in the European Union's Official Journal. The directive will then enter into force 20 days after its publication. The rules will start applying between 2024 and 2028, that depends on the size of companies.

- 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.

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