



ARTICLE

CSRD: HEADING TOWARDS THE ADOPTION OF ESRS AND A POTENTIAL INCREASE IN THE THRESHOLDS OF THE ACCOUNTING DIRECTIVE



European Law | 17/11/24 | Emmanuelle Mignon Marc Mossé

On July 31, 2023, the European Commission adopted a delegated regulation "complementing Directive 2013/34/EU of the European Parliament and of the Council concerning sustainability reporting standards" (*European Sustainability Reporting Standards - ESRS*). As a reminder, the ESRS, which are **European standards for sustainability information**, were prepared by EFRAG in accordance with the directive regarding sustainability reporting by companies (*CSRD*).

On October 11th, certain parliamentarians belonging to conservative political groups submitted a "resolution proposal" requesting the Commission to "*submit a new delegated act*" taking into account certain recommendations. Through a plenary vote on October 18, 2023, **the European Parliament rejected this resolution proposal**.

Therefore, considering that the review period for the delegated act ran until October 21, 2023, and neither the European Parliament nor the Council of the European Union requested an extension of this review period, the ESRS adopted on July 31, 2023, should be applicable according to the schedule outlined in the CSRD. **This means they will come into effect from the financial year 2024 for the first wave of affected companies** (i.e., those already subject to the NFRD, which the CSRD amends).

https://www.europarl.europa.eu/doceo/document/B-9-2023-0426_EN.html

In line with what was announced last September by President Ursula von der Leyen in her State of the Union address, the European Commission adopted a delegated directive on October 17, 2023, regarding "adjustment of size criteria for micro, small, medium, and large enterprises or groups."

The Commission deemed it necessary, in order to account for inflation, **to increase the thresholds specified in the accounting directive (2013/34/UE) by 25%**, which, as a result, would mean that certain companies would no longer fall directly within the scope of the CSRD.

The delegated directive should apply, at the latest, to financial years beginning on or after January 1, 2024. However, the sixth recital of this text provides that member states may allow companies to apply these provisions to financial years beginning on or after January 1, 2023, or after that date.

The delegated directive must now undergo a **two-month review phase** by the European Parliament and the Council of the European Union before it can be published in the Official Journal of the European Union.

[https://ec.europa.eu/transparency/documents-register/detail?ref=C\(2023\)7020&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2023)7020&lang=en)

On October 17, 2023, the European Commission also adopted a proposal for a decision amending the accounting directive "*regarding the deadlines for the adoption of sustainability information standards for certain sectors and for certain third-country companies*."

As a reminder, the CSRD stipulates that by **June 30, 2024**, the European Commission is to adopt: (i) sector-specific ESRS, concerning information specific to the sectors in which a company operates, and (ii) ESRS for non-European companies with activities in the EU.

The Commission's proposal suggests postponing the adoption of these ESRS by two years, **until June 30, 2026**.

According to the Commission, this measure will allow companies to focus on implementing the first set of ESRS adopted on July 31, 2023, and give EFRAG time to develop effective sector-specific ESRS. It aims to limit information obligations to the minimum necessary.

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023PC0596>
