



Corporate Sustainability Reporting

Corporate Advisory - Guides

THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

In an attempt to increase **Corporate Social Responsibility** and corporate economic sustainability, the EU Identified that disclosure of non-financial information is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection. In this context, disclosure of non-financial information helps the measuring, monitoring and managing of undertakings' performance and their impact on society.

To this effect the European Parliament and Council of the European Union passed Directive 2013/34/EU, commonly referred to as the Non – Financial Reporting Directive or 'NFRD', which amended Directive 2013/34/EU, to oblige large undertakings (with over 500 employees) whose securities are listed on a regulated market in the EU ('public interest entity') to include a non-financial statement in their annual audited accounts.



What is the Non-Financial Reporting Directive?

The Non-Financial Reporting Directive (NFRD) requires companies to provide disclosures on: their efforts to protect the environment, how they treat their employees, how they plan to adhere to general human rights, how they mitigate corruption or bribery, and how they promote diversity in their workplace. Further, companies must outline what their risks are with regards these issues, the resulting policies that the company has adopted in an effort to mitigate these risks, and the outcome of these policies. Companies can adopt a variety of benchmarks / key performance indicators (KPIs) to help them complete the disclosure process, for example this may be a mix of national, international and EU guidelines.

What is the Corp. Sustainability Reporting Directive?

After evaluating information collected by the NFRD, in 2022 the European Parliament and Council of the European Union passed Directive (EU) 2022/2464, commonly referred to as the Corporate Sustainability Reporting Directive or 'CSRD' (amending Directive 2013/34/EU and effectively replacing the NFRD), aiming to improve the disclosure process and provide investors and consumers simpler, more consistent way to understand and compare the environmental, social and governance (ESG) impact of an organization's activities, and allow better-informed decision making based on sustainability data.

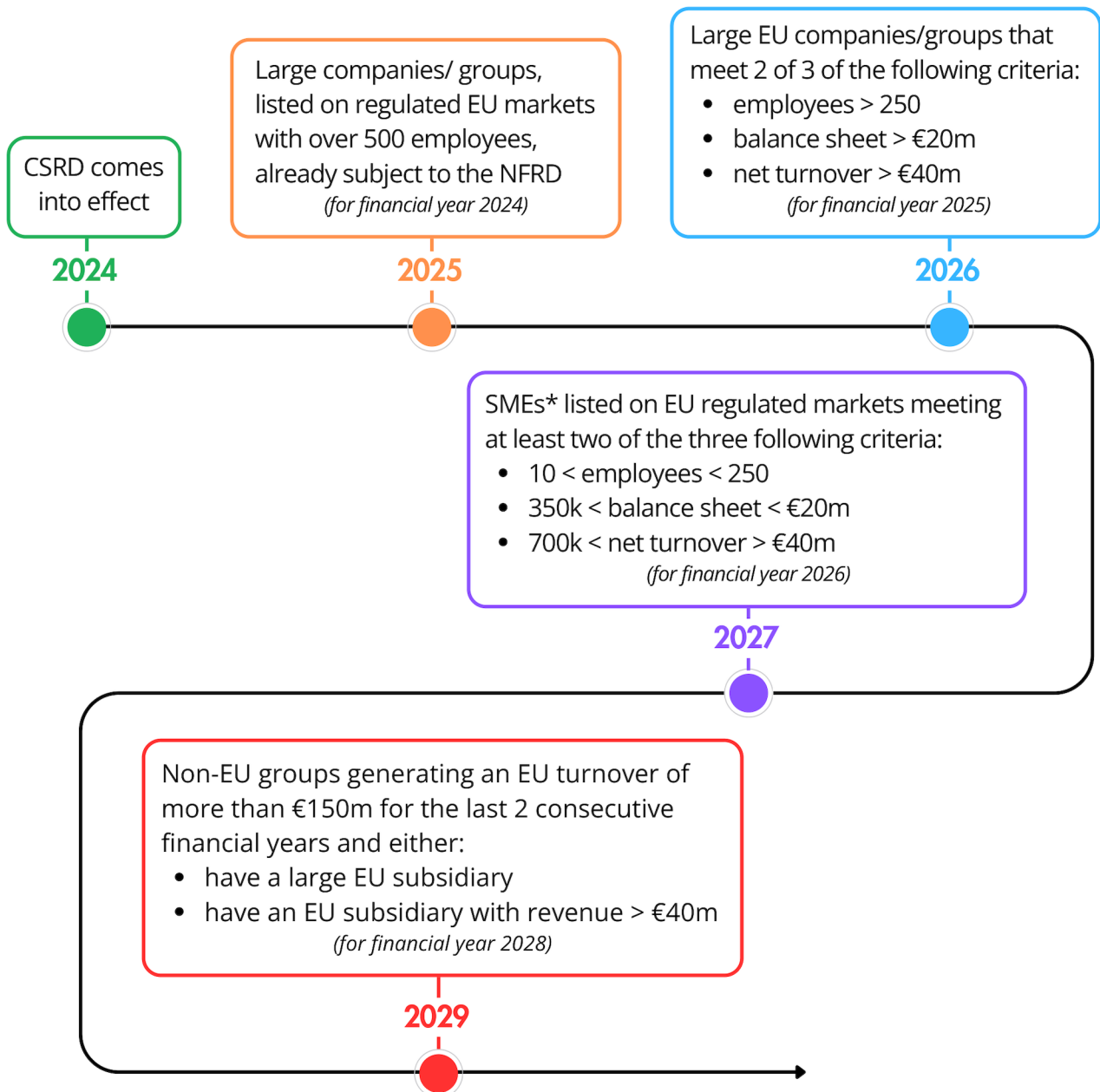
The **CSRD** also expands the scope of these reporting requirements to a broader set of companies, as below:

- all listed companies on EU regulated markets, including listed SMEs (but not micro-enterprises).
- all large companies that exceed two of the three following criteria:
 - 250 employees during the financial year,
 - balance sheet of more than EUR 20 million,
 - net turnover of more than EUR 40 million.
- non-EU companies generating a net turnover of more than EUR 150 million and either having a large subsidiary in the EU or a branch/subsidiary in the EU generating more than EUR 40 million net turnover.

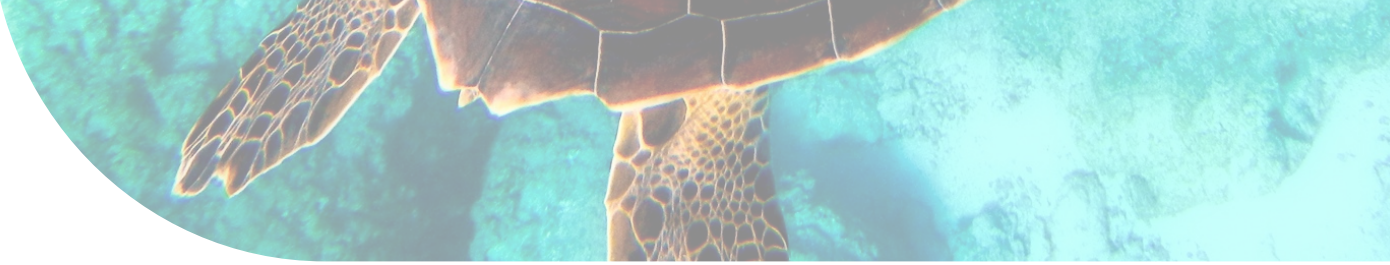
Transposition

When will the CSRD enter into effect?

The CSRD entered into force on January 2024 and the rules will start applying between 2024-2028 as below:



* SMEs listed on regulated EU markets have exemption rights for a transitional period of two (2) years and therefore will not be obliged to disclose any information until January 2028. This is because, SMEs are likely to struggle due to their size in obtaining resources to develop such strategies and implement the required actions.



CSRD

Reporting requirements

Companies must disclose the impact of sustainability topics on the company's value (financial materiality), impact on the economy, the environment, and people (impact materiality), and how they are interconnected. Companies must provide qualitative and quantitative information on their:

- business model and strategy including its resilience to sustainability risks, opportunities, and transition plans;
- targets and the progress made towards achieving them;
- role of the administrative, management and supervisory bodies and their expertise and skills to fulfil these roles;
- policies, processes, and incentive schemes;
- adverse impacts and actions to prevent, mitigate and remediate them;
- principle risks and their management.

Relevant information includes intangibles, including intellectual, human, as well as social and relationship capital. Information about the company's value chain will also be required where appropriate. The information should be forward-looking and retrospective, qualitative and quantitative, and cover short, medium and long-term horizons.

Prudens Ltd

A bit about us

Our team of professionals has a combined experience of over 100 years in the financial industry in Cyprus and in doing so has built and maintained strong relationships with all regulatory bodies in Cyprus as well as a strong and extensive network of external associates. Although Prudens is a well established fiduciary and corporate service provider in Cyprus, we run our shop more like a boutique than a large corporation, taking a hands-on and more personal approach to our clients, putting their needs first and striving to create long lasting relationships and value from within. Please feel free to contact one of our officers at Prudens Ltd at [+35722020500](tel:+35722020500), send us an email at info@prudensgroup.com, or visit our website at prudensgroup.com.