

Updates regarding the Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (the “**CSRD**”) created the EU’s sustainability reporting regime, which requires in-scope companies to include extensive disclosures in their annual report. The CSRD applies to many EU companies, EU-subidiaries of businesses headquartered outside of the EU and even certain non-EU companies that have a subsidiary or branch in the EU. The vast majority of companies to which the CSRD applies are now in their first reporting year ie, they will be required to include disclosures in their annual report for their 2025 financial year.

Many financial services companies are automatically in-scope for FY2025 reporting, as they are deemed large: acknowledgement of gold-plating by the Irish government

The Irish CSRD regulations were introduced in Ireland last **July** and amended in **October** 2024. Most Irish companies come into-scope for CSRD reporting obligations by virtue of hitting certain size thresholds, which make a company “large”. However, Ireland has deemed many Irish companies in the financial services sector to be “large”, irrespective of whether they hit the relevant size thresholds. This means that the affected companies are automatically “large” and are subject to CSRD reporting obligations in respect of their first financial year commencing on or after 1 January 2025, even if they do not exceed the relevant turnover, balance sheet or employee tests. Over the Christmas period, the Department for Enterprise, Trade & Employment issued updates to their **FAQs** on the Irish regulations, acknowledging that these companies (called “ineligible entities”) are in-scope for FY2025 onwards.

This Irish ‘gold-plating’ of the CSRD affects many Irish financial services companies, including many insurance intermediaries, asset managers, investment firms, SPVs that are incorporated as plcs and many other businesses that are authorised by the Central Bank of Ireland (entities that are authorised as UCITS or AIFs are exempt from the CSRD, but this exemption does not apply to SPVs or other entities in which they invest).

Ireland’s CSRD laws present a significant challenge for affected businesses, who are facing the costs of compliance with the new reporting regime. Matheson has been involved in the industry efforts to seek to change the law in this regard, but there is no guarantee that the law will be changed before companies are obliged to publish their first CSRD report. If you are affected by this issue, we recommend reach out to your industry body and / or your usual Matheson contact.

Omnibus proposal

In November 2024, at a press conference held in Budapest, the President of the European Commission, Ursula von der Leyen announced proposals to reduce ‘red tape’ and mentioned, in particular, the possibility of revisiting the CSRD, as well as the Corporate Sustainability Due Diligence Directive (the “**CS3D**”) and the EU Taxonomy Regulation. We understand that at the time, Commissioner von der Leyen’s comments were unexpected among her EU colleagues and other EU institutions. While there are suggestions that the EU is keen not to amend the content of the legal requirements, there is a concern that re-opening political consideration of these laws could lead to more significant changes.

This uncertainty presents a significant challenge to businesses throughout the EU, that have spent considerable time and resources in preparing for the CSRD.

An ‘Omnibus Simplification Package’ is expected to be published by the Commission on 26 February 2025 (although it is rumoured that this may be delayed until into March). It is currently not clear what substantive changes will be proposed to the CSRD, the CS3D and the EU Taxonomy Regulation. However, at the end of last month, the European Commission unveiled its ‘Competitiveness Compass’ which provides an insight into what we can expect from the Omnibus Simplification Package.

The Competitiveness Compass says that the Omnibus will cover simplification in the fields of sustainable finance reporting, sustainability due diligence and taxonomy. It acknowledges that the Commission will, amongst other things, ensure obligations proportionate to the scale of different companies and highlights that a new definition of “small mid-cap” companies will soon be proposed to ensure proportionate regulation that is adapted to company size. The aim of such an approach may be to allow thousands of entities that are bigger than “SMEs” but smaller than “large” companies to benefit from tailored regulatory simplification.

The Commission is in the process of consulting with stakeholders. While some companies have complained about the regulatory burden involved in preparing for the CSRD, many other companies (particularly those that have made considerable investment in preparing for the CSRD) argue that the uncertainty that the EU has created by reopening laws may be worse for business.

For now though, the CSRD remains law in the EU and Ireland and any changes that are proposed are unlikely to pass through the legislative process in advance of most companies being required to publish their first reports.

Matheson continues to monitor the position in Europe on the Omnibus Proposal and will continue to update its clients and contacts. If you have any questions on these recent European developments or the CSRD more generally, please do reach out to our CSRD team below, or your usual Matheson contact.

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