

18 August 2023

Adoption of the Final Delegated Act on the First Set of European Sustainability Reporting Standards (“ESRSs”)

1.0 Background

The [Corporate Sustainability Reporting Directive](#) (“CSRD”) ¹ was published towards the end of 2022 and entered into force on 05 January 2023. The CSRD broadens the scope of the [Non-Financial Reporting Directive](#)² (“NFRD”) and continues to push forward the green agenda by promoting capital inflows towards sustainable activities within the EU.

The CSRD enhances reporting on various fronts, such as, the resilience of the business model and strategy in relation to risks concerning sustainability matters as well as any plans that the entities are expected to follow to ensure that the underlying business model and strategy are compatible with the transition towards a sustainable economy.

In terms of scope, the CSRD requires all large companies and all listed companies (except listed micro-enterprises) within scope to *inter alia* report information on the impact on and of sustainability matters, using the “double materiality” perspective.³

The CSRD prescribes that the information required to be reported, in accordance with Articles 19a and 29a of the [Accounting Directive](#)⁴, shall be specified through common sustainability reporting standards emanating from supplementing delegated acts. The aim is to ensure that companies report information on sustainability matters in a comparable and reliable manner.

¹ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

² Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups

³ Undertakings are required to report both on the impacts of the activities of the undertaking on people and the environment, and on how sustainability matters affect the undertaking.

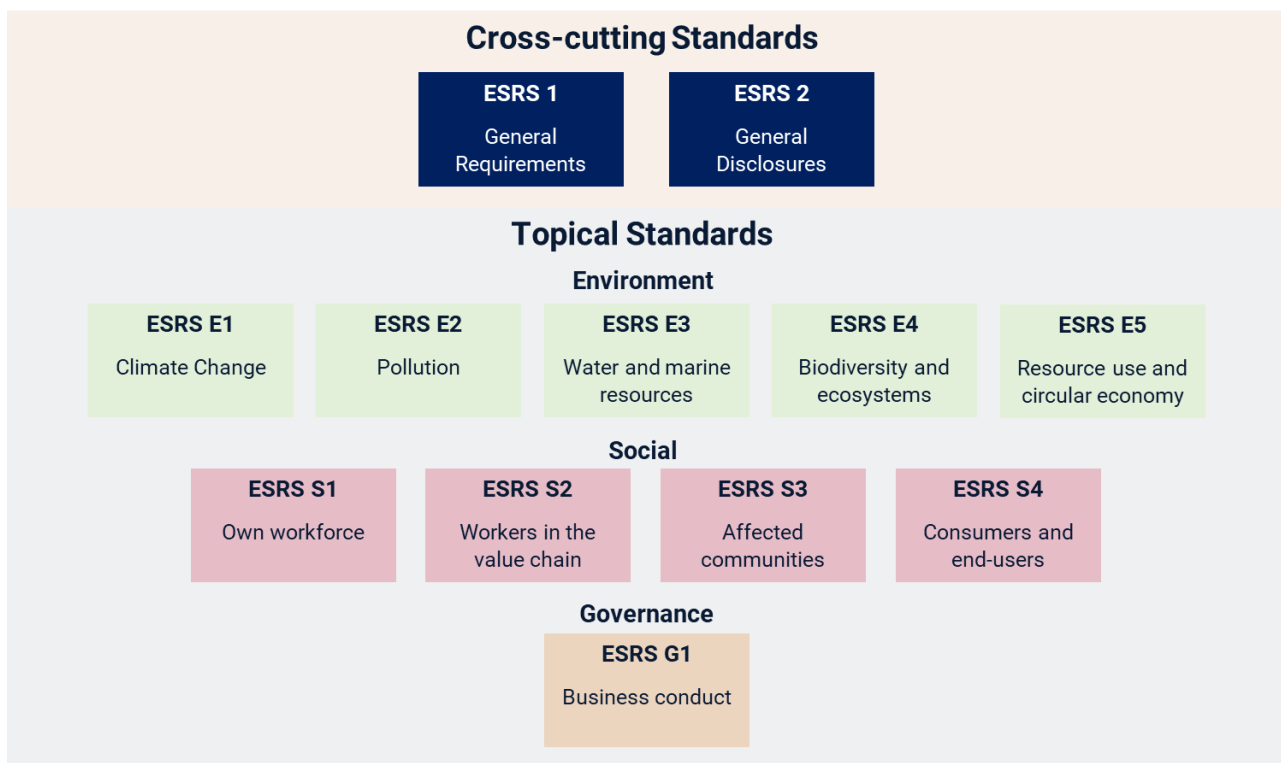
⁴ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

2.0 First Set of ESRs

The European Financial Reporting Advisory Group (“EFRAG”) was appointed as the technical adviser to the European Commission in developing the European Sustainability Reporting Standards (“ESRSs”). Following the necessary exposure drafts and consultations, on 31 July 2023, the European Commission adopted the [final delegated act on the first set of ESRs](#) (the “ESRSs Delegated Act”).

On the day of adoption, the European Commission also published [a set of ‘Questions and Answers’](#), with further guidance on the ESRs Delegated Act.

In this regard, Annexes I and II of the ESRs Delegated Act set out the first set of ESRs, including two cross-cutting standards and ten topical standards, as illustrated in the below diagram:



3.0 Additional Guidance

Whilst the Authority strongly encourages stakeholders to keep abreast with the latest developments on the CSRD and the ESRs, reference is made to guidance that may be published periodically by EFRAG. In this respect, and by way of example, we refer to the [educational information issued by EFRAG earlier this year](#), including by way of videos on the first set of draft ESRs at the time.

4.0 Next Steps

The ESRs Delegated Act is still subject to a scrutiny period and shall then enter into force on the third day following its publication in *Official Journal of the European Union*.

Companies within scope of the CSRD are reminded that they shall be required to start reporting under ESRs as from the 2024 reporting period, which mandatory applicability will be phased in over time depending on the companies' category:

- Companies previously subject to the NFRD (including large Listed Companies with more than 500 employees), and large non-EU Listed Companies with more than 500 employees: **Financial Year 2024**, with the corresponding sustainability statement to be published in 2025;
- Other Large Companies: **Financial Year 2025**, with the corresponding sustainability statement to be published in 2026; and
- Listed SMEs: **Financial Year 2026**, with the corresponding sustainability statement to be published in 2027. Nonetheless, SMEs may opt out of the reporting requirements for a further two years, that is, until **Financial Year 2028**, with the corresponding sustainability statement to be published in 2029. The draft versions of proportionate sustainability reporting standards for listed SMEs are currently being developed by EFRAG.

Moreover, non-EU companies that meet certain thresholds and criteria within the EU will be required to report on sustainability matters as from Financial Year 2028, with the corresponding sustainability statement to be published in 2029, in accordance with a separate set of sustainability reporting standards as will be applicable.

5.0 Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt.