

# ESG Corporate Reporting Obligations: Key Considerations for Company Directors and Officers

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ESG related reporting requirements for companies are putting an ever-increasing emphasis on non-financial factors, with recent regulatory developments ensuring that sustainability is now a key risk, strategy and management issue for companies and their directors and officers (D&O).

In this article, we will consider the Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive. For detailed discussion on the Sustainable Finance Disclosure Regime (SFDR) please see the Dillon Eustace three part video series, available [here](#).

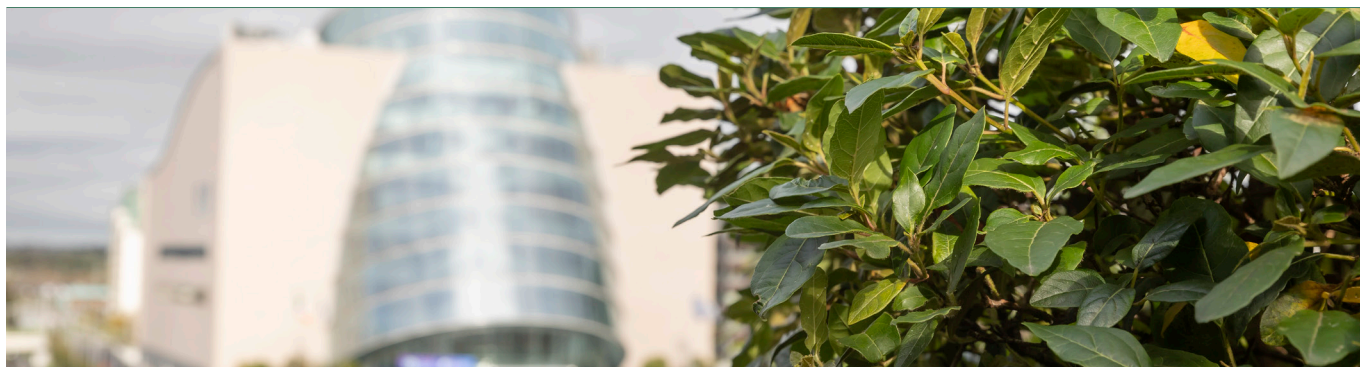
## Corporate Sustainability Reporting Directive

On 6 July 2024, [the European Union \(Corporate Sustainability Reporting\) Regulations 2024 \(Regulations\)](#) came into operation, transposing into Irish Law the Corporate Sustainability Reporting Directive (CSRD).

As part of the EU's Green Deal, the CSRD places obligations on in-scope firms to disclose climate, environmental and social data on, what is referred to as, a double materiality basis that covers both the risks the company faces on account of climate change and other ESG matters and also the impact they themselves have on climate and society.

The CSRD is replacing the Non-Financial Reporting Directive





and requires sustainability information to be disclosed annually in a dedicated section within the management report. It has expanded non-financial reporting obligations to a wider range of firms and will apply on a phased basis to listed entities and large companies.

In addition, while non-listed SMEs are not in-scope of the CSRD directly, they may be required to provide information to companies that are in-scope, if they are part of the value chain. This could apply, for example, to suppliers of an in-scope firm. Reporting on the value chain can be phased in over a three period.

Reporting under the CSRD must comply with The European Sustainability Reporting Standards (**ESRS**), which set out general reporting requirements and general disclosures in two cross-cutting standards, that apply to all the topics under the CSRD, as well as ten topical standards, including in areas such as climate change, resource use and the circular economy.

In order to comply, applicable companies will need to fully consider their ESG impact, which will require comprehensive review and assessment of their operations and procedures. Compliance with CSRD obligations will increase transparency for customers, shareholders and investors allowing them to access data on a company's ESG record. As such, in addition to the requirement to comply with CSRD, D&Os will potentially face increased scrutiny from stakeholders on a company's ESG performance.

## Corporate Sustainability Due Diligence Directive (CSDDD)

On 5 July 2024, the Corporate Due Diligence Directive (**CSDDD**) was published in the official journal of the EU. Ireland will be required to transpose it into national law by July 2026. One year later, the rules will start to apply to in-scope companies.

The CSDDD will require in-scope firms to conduct due

diligence on the actual and potential human rights and environmental impact of the company's own operations, that of its subsidiaries and also certain business partners in its value chain.

Due Diligence requirements will include:

- integrating due diligence systems into policies and management systems;
- identifying and assessing adverse human rights and environmental impact of a company;
- preventing, ceasing or minimising those actual and potential human rights and environmental impacts;
- assessing the effectiveness of measures adopted;
- communication with stakeholders and providing remediation; and
- adopting transition plans for climate change mitigation which are aligned to EU climate neutrality targets.

The CSDDD will first apply to companies with more than 5,000 employees that reach certain turnover thresholds, with the scope expanded on a phased basis between 3 and 5 years after entry into force.

## Conclusion

As ESG related reporting obligations on companies increase, so does the likelihood of negative legal and commercial consequences if the disclosures are found to be incorrect or misleading, for example, regulatory enforcement, negligence claims, breach of statutory duties and from a commercial perspective, investment and financing issues and procurement obstacles. D&Os will need to consider their exposure to regulatory enforcement and ESG related litigation, as legislators follow the lead of shareholders and consumers in focusing on corporate practices that contravene

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sustainability standards.

Companies will need to determine whether they are in-scope of the different regulatory regimes, likely to come within scope in the future or if obligations will arise by virtue of engagement with other in-scope entities. Adherence to reporting deadlines will be just one element of what is required, with significant work, planning and governance needed in order to ensure compliance.

Our dedicated cross-departmental ESG team are available to assist companies navigating this changing and challenging regulatory landscape. Please reach out to John O’Riordan and Anthony Quinn or your usual Dillon Eustace contact for further information.

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