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CSRD REPORTING FOR NON-EU GROUPS: WHAT CHANGED ON 3 JULY, AND WHY 2029 IS CLOSER THAN IT LOOKS

Aug 19, 2026

Summary

For many large US or UK groups, mandatory CSRD reporting has likely been on the back burner, even where ESG reporting is already conducted voluntarily. Indeed, the first group-level report for non-EU groups under the ESRS-40a is not due until 2029, comprising figures from the 2028 financial year.

However, on 3 July 2026 the Commission adopted a revised set of European Sustainability Reporting Standards (“ESRS”), the detailed rules that sit under the Corporate Sustainability Reporting Directive. These revised standards capture EU companies, and may include a non-EU group’s EU subsidiaries. The revised ESRS standards sit separately from the Article 40a global reporting mechanism, which is expected to operate as a separate third-country regime and is currently evolving.

What changed on 3 July - the revised ESRS

On 3 July 2026, the Commission adopted the revised ESRS, together with a voluntary reporting standard for smaller companies under the CSRD. The revision represents a notable simplification: any EU subsidiaries in scope (large enough to be caught in their own right) could benefit from it. According to the Commission's own figures, it cuts the number of mandatory data points by more than 60 per cent and should reduce reporting costs by more than 30 per cent per company.

The ESRS revisions are not yet in force. The delegated act is now subject to review by the European Parliament and the Council of the European Union for a scrutiny period of two months, which can run to four months. If the revised ESRS clears scrutiny, it is expected to apply to financial years beginning on or after 1 January 2027, although companies already in scope of the current ESRS (Wave 1) can opt into the revised standards a year early, for the 2026 financial year.

Reporting: Article 40a vs Article 19a/29a

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Article 40a

The fully revised ESRS apply to EU undertakings and EU parent undertakings of large groups (within the scope of CSRD). By contrast, Article 40a of the Accounting Directive 2013/34/EU, as amended by the Omnibus I Directive, (the "Accounting Directive"), provides for a separate standard that in-scope non-EU parent companies reporting at a group level will use. That standard has not yet been adopted. However, the European Financial Reporting Advisory Group's board has now published a draft for consultation (ESRS-40a ED) and expects to deliver technical advice on it to the Commission by January 2027.

Unlike EU companies, whether the Article 40a reporting requirements apply does not depend on headcount. Rather, the test is cumulative and based on turnover and EU presence. A group is in scope, under Article 40a of the Accounting Directive if:

1. the third-country undertaking generates more than €450 million of net turnover in the EU in each of the last two consecutive financial years; <u>and</u> the undertaking is either

2. the ultimate parent of an EU subsidiary (or subsidiaries) with more than €200 million of net turnover in the preceding financial year or has an EU branch (or branches) with more than €200 million of net turnover in the preceding financial year.

Both limbs of the test must be met and there is no employee threshold for the non-EU parent.

If both limbs are met, the first reports fall due in 2029, based on the 2028 financial year. The Article 40a report broadly requires reporting on the group's global activities. However, under the ESRS-40a Exposure Draft as it currently stands, reporting on topics other than climate may focus on EU-related impacts. Reporting under Article 40a of the Accounting Directive will be mandatory for qualifying third-country undertakings.

Article 19a & 29a

Many large non-EU groups have an EU subsidiary that is large enough to be caught on its own under Articles 19a or 29a of the Accounting Directive, as amended by the Omnibus I.

Broadly speaking, under Articles 19a and 29a, certain EU-based undertakings and parent undertakings of large groups, respectively, which exceed an average number of 1,000 employees and have more than €450 million of net turnover during the financial year are required to report. Here, the subsidiary must produce an individual sustainability report (where no exemptions apply), under the revised ESRS, for the 2027 financial year in 2028, a year before the group's Article 40a deadline.

Three reporting routes, two different standards

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A non-EU group can defer reporting until the simplified Article 40a third-country regime applies in 2029 (reporting on 2028 financial year data). However, where an EU subsidiary is caught in its own right, the double mandatory standards under Article 40a and Articles 19a and 29a create three reporting routes:

Route one: report at EU subsidiary level under the revised ESRS, and report globally under the Article 40a standard in 2029

Under this route, the global report would be filed under Article 40a in 2029 only, (based on the 2028 financial year). However, reporting under Article 40a would not itself exempt the EU subsidiary from reporting in its own right under Articles 19a or 29a, creating parallel mandatory reporting from 2029 onwards. The rationale is that the future ESRS applicable under Article 40a will be lighter than the revised ESRS applicable under Article 19a/29a.

Route two: report globally, at parent level, for the whole group, as early as 2028

The non-EU parent could report in 2028 using the figures from the 2027 financial year by voluntarily filing a single consolidated group statement under the revised ESRS. This approach may allow an in-scope subsidiary to rely on exemptions, so that it does not need to report on its own. It also effectively anticipates a structure that becomes mandatory in 2029, (albeit with simplified ESRS under Article 40a as indicated above). The non-EU parent could opt to continue the same single reporting structure beyond 2029. The trade-off here would be choosing to prefer opting in as early as 2028, for a consolidated reporting at group level by applying the revised ESRS across the entire group. The benefit would be a seamless structure from 2028 and one set of standards (the revised ESRS) across the entire platform.

Delivering a voluntary parent level report earlier than this, for 2026, is unlikely to be effective because there would not yet be a subsidiary obligation for a group report to absorb.

Route three: consolidate EU reporting into a single filing via “artificial EU consolidation” (Article 48i of the Accounting Directive)

A non-EU group with several in-scope EU subsidiaries does not need each subsidiary to report separately, due to a transitional relief. Until 6 January 2030, one EU subsidiary of the non-EU parent company (which is subject to Articles 19a or 29a) can submit a single consolidated report, covering all in-scope EU subsidiaries. The practical benefit would be limited to reporting in 2028 and 2029, on the 2027 and 2028 financial years respectively. This releases those subsidiaries from reporting individually, but it does not affect the non-EU parent's global obligation under Article 40a of the Accounting Directive which as indicated above, will apply from the 2029 reporting year. The principal benefit here is the choice between individual and consolidated reporting for all EU subsidiaries caught in their own right under the revised ESRS.

Deciding on a route

Non-EU groups should consider whether early reporting is advantageous. Notably, a non-EU group's subsidiary may, subject to conditions in Articles 19a(9) and 29a(8) of the Accounting Directive, be exempt from preparing its own sustainability statement. This is where it is included in the consolidated statement prepared under Article 29a in accordance with the full ESRS or in accordance with a standard the Commission recognises as equivalent.

By contrast, a statement under Article 40a acts under a separate regime, and therefore does not carry the same exemption. Accordingly, a voluntary global report under the lighter standard does not spare the subsidiary from reporting separately under the full revised ESRS.

The preferable route may depend on group structure, i.e. how turnover sits across the group, how far the data already reaches, and whether a lighter global report later is worth carrying separate subsidiary reporting alongside it.

Supplier information requests

The voluntary standards for smaller companies, also adopted on 3 July, cannot function as a shield against reporting obligations. The standards introduce a cap on the sustainability data that in-scope companies can demand from smaller businesses in their value chains in relation to CSRD driven requests. A company with fewer than 1,000 employees that is not itself in scope can refuse requests that go beyond the capped set. This should be kept in mind when suppliers push back against reporting obligations.

A word on the EU taxonomy

Taxonomy reporting attaches to an in-scope EU subsidiary's report under the revised ESRS through the Article 8 disclosures required under the EU Taxonomy Regulation (Regulation (EU) 2020/852). Accordingly, undertakings within the scope of Articles 19a and 29a must include Article 8 Taxonomy disclosures in their sustainability statements.

Under the currently proposed standards, undertakings reporting under Article 40a do not have to include Article 8 Taxonomy disclosures in their reports, although this is dependent on the finalisation of ESRS-40a.

What to do now

Given the imminent implementation of the revised ESRS and the ongoing development of reporting standards for third-country undertakings, non-EU groups should begin preparation by mapping sustainability data, starting the double materiality work and modelling reporting routes described above for their group structures, and deciding which routes are applicable.

Given the same information also feeds sustainability reporting beyond the EU, including national regimes, and customer requests, a single, well-structured repository can serve far more than CSRD

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reporting alone.

Related Capabilities

- ESG Governance, Compliance and Reporting

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