# Update on CSRD Implementation in Luxembourg

**12 November 2024**

On 25 October 2024, Luxembourg's Parliament submitted certain amendments to the national bill of law 8370 (please see further information about this bill of law here) implementing Directive (EU) 2022/2464 as regards corporate sustainability reporting ("CSRD") to the *Luxembourg Conseil d'Etat* for review (the "Submission").

The Submission's amendments are being proposed by the Parliament's Finance and Justice Committees addressing an opinion that was issued by the Conseil d'Etat in July of this year (which can be accessed here) and opinions of certain other institutions in Luxembourg (including the *Chambre des Métiers* and the *Chambre de Commerce*).

Importantly, the Submission includes a statement concerning the position of holding companies and consolidation of sustainability information under CSRD. This is relevant for asset managers using holding company structures for their investments, in particular in private equity.

**Uncertainty regarding exemption of holding companies from sustainability reporting**. As financial market participants with operations in the EU are in the process of completing their scoping analysis with respect to their sustainability reporting obligations under CSRD, many private equity and other asset managers considered the position of "below the fund" holding companies, and in particular the scope of consolidation for sustainability reporting for holding companies. The EU Accounting Directive includes an exemption from financial consolidation for holding companies, which are undertakings which hold shares in subsidiaries exclusively with a view to their subsequent resale. CSRD does not specify whether such exemption is also available for sustainability reporting purposes.

A response of the EU Commission in its frequently asked questions on the implementation of CSRD (question 10 of the FAQs available here) to a related question did not shed light on this question about consolidation of sustainability reporting by "holding companies" (as defined herein), but instead emphasized the principle that sustainability reporting should be considered independently from financial reporting.

**The Luxembourg Parliament's helpful view**. In the Submission, the Luxembourg Parliament has helpfully expressed its view that the exemption under the Accounting Directive for holding companies for financial reporting purposes should also apply to sustainability reporting by holding companies and stated this is in line with the EU Commission's response in the FAQs mentioned above. The current wording already permits such view, but the Parliament also suggested, to the extent the Conseil d'Etat considers it necessary, to include an express provision in the law implementing CSRD to confirm such exemption.

**Conclusion and next steps**. Whether such clarification makes it into the final draft or not, the Luxembourg Parliament's statement in the Submission is very helpful which will give legal certainty and significantly benefit asset managers with holding company structures. Where holding companies are exempt from consolidated financial reporting, private equity sponsors with Luxembourg holding companies now have more comfort applying the same exemption to sustainability reporting.

Even if the Luxembourg legislator decides not to include an express provision confirming this point in the final text of the bill implementing CSRD, the Luxembourg Parliament's statement in the Submission well supports managers taking the same view, with respect to holding companies in Luxembourg and other EU jurisdictions.

***On November 13th, we are hosting the LPEA for its "Luxembourg Private Equity Seminar" in New York. It's not too late to sign up – see all details here.***

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