



Proposal for a Corporate Sustainability Reporting Directive

Background

The need for new rules

Problems for users

- Some companies report no information
- Relevant information not reported
- Comparability
- Reliability
- Findability and usability (digital)



**Missing information for investors,
financial market participants**

**Limited capital flows to sustainable
companies**

Accountability deficit

Problems for preparers

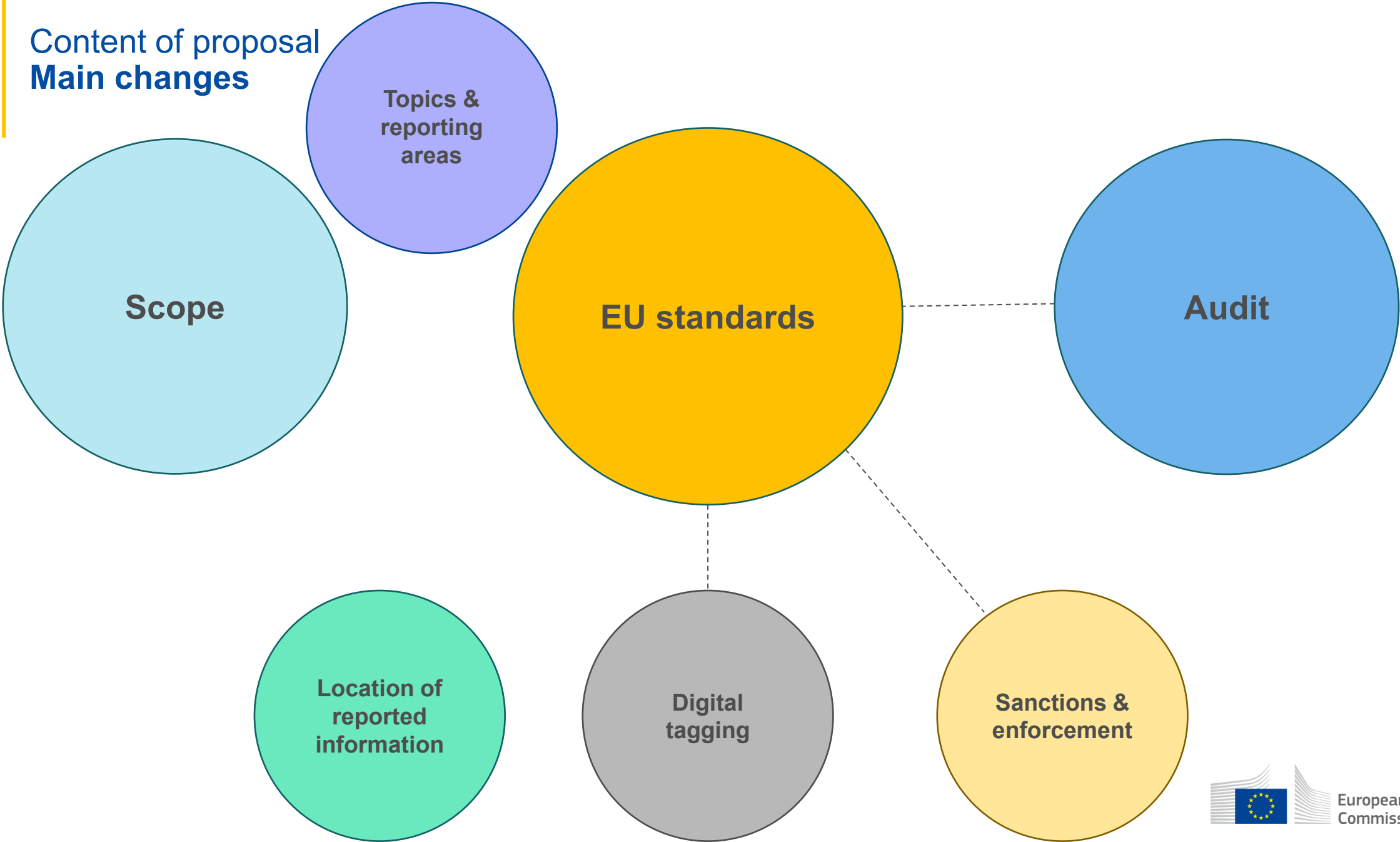
- Uncertainty about what to report
- Additional/differing information requests
- Cannot get adequate information from own suppliers and clients



Costs and administrative burden

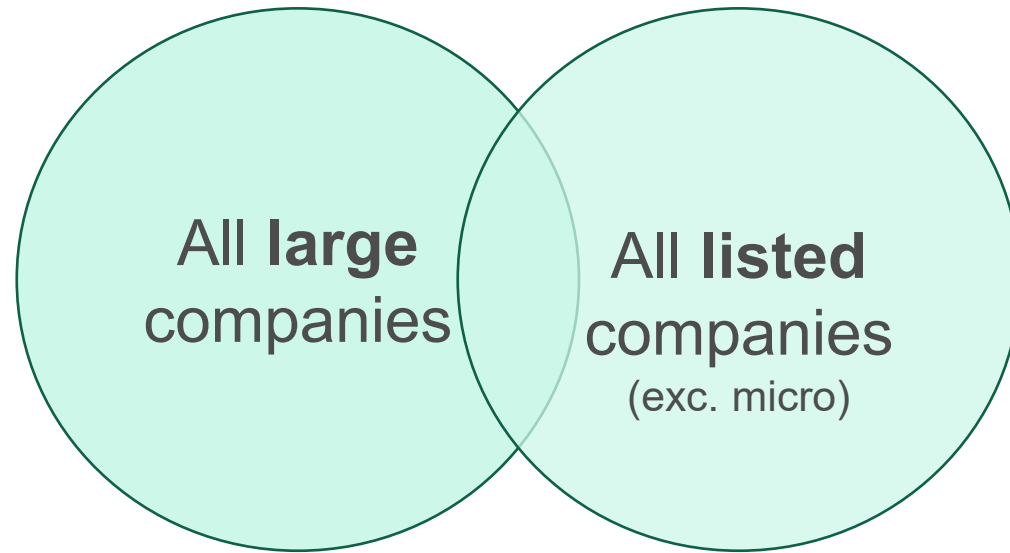
**Situation highly dynamic:
problems for users & costs
for preparers will increase
with no EU action**

Content of proposal
Main changes



Content of proposal

Scope: which companies?



- Includes non-EU companies listed on EU regulated markets.
- Listed SMEs: 3 year phase-in, and simpler reporting regime.
- Subsidiary exempted if parent reports according to EU requirements (or equivalent if non-EU company).

Content of proposal

Coverage of sustainability topics

Environment

1. Climate change mitigation
2. Climate change adaptation
3. Water & marine
4. Resource use & CE
5. Pollution
6. Biodiversity & ecosystems

Mirrors EU Taxonomy

Social

1. Equal opportunities
2. Working conditions
3. Human rights

1 & 2 build on European Pillar of Social Rights

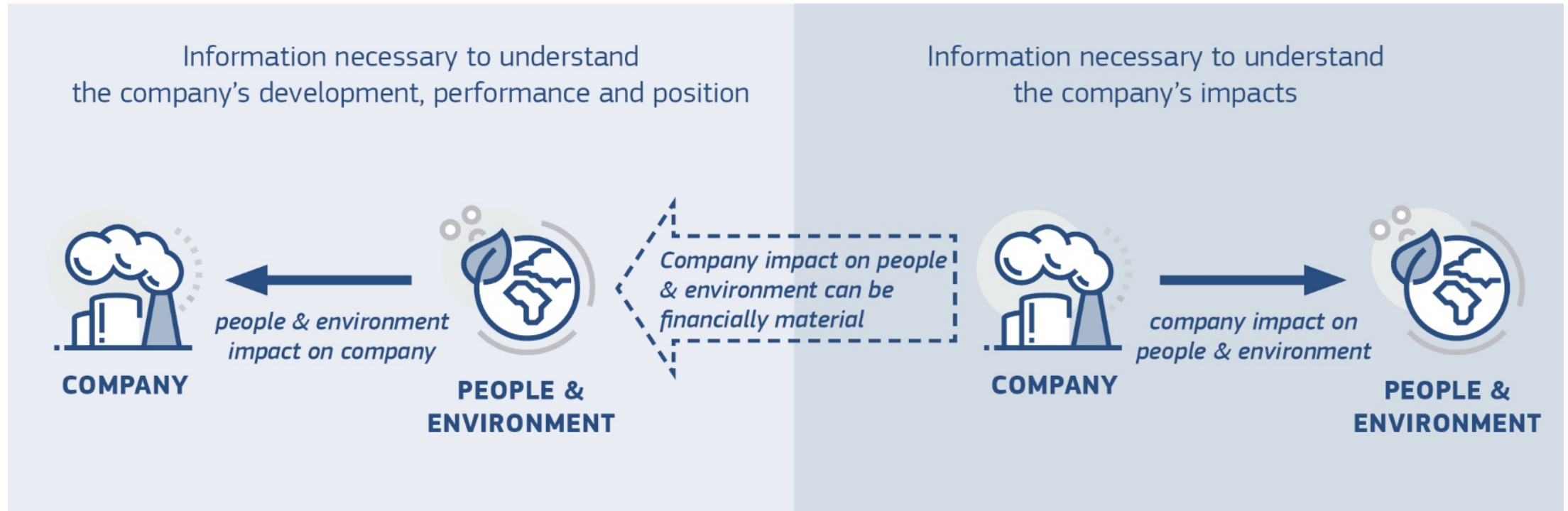
Governance

1. Role & composition of board and management
2. Ethics & corp. culture (inc. bribery & corruption)
3. Political engagements
4. Business relationships
5. Control & risk management

Content of proposal

Double materiality

THE CSRD CLARIFIES THAT REPORTING IS REQUIRED BOTH ON:



Content of proposal

Required reporting areas

Business model and strategy...

- resilience
- opportunities
- transition plans
- interests of stakeholders
- impacts
- strategy implementation

And...

- targets and progress
- role of board & management
- policies
- due diligence process
- principal adverse impacts
- actions taken to prevent, mitigate or remediate adverse impacts
- principal risks and risk management
- indicators
- process to identify information reported
- intangibles

- Article 1, paragraphs 3 and 7
- Recital: 26-31

Content of proposal

Standards

- Standards for large companies → Mandatory
- Standards for SMEs
 - Mandatory - for **SMEs under scope** (with securities listed on EU regulated markets)
 - Voluntary - for **all other SMEs**

Content of proposal

Standards

- ✓ meet quality criteria (understandability, relevance, reliability, verifiability, faithful representation)
- ✓ cover detailed E, S and G topics
- ✓ take account of EU legislation and initiatives (information that FMP need to comply with their obligations in SFDR, criteria of the TR...)
- ✓ take account of global standard-setting initiatives

- ✓ European Financial Reporting Advisory Group (**EFRAG**) develops **draft standards**
- ✓ **Commission** adopts standards as **Delegated Acts** after consulting relevant EU bodies

Content of proposal

Assurance

What?

- **'Limited assurance'**
- **'Reasonable assurance'** if Commission adopts assurance standards for reasonable assurance
- Including **Article 8 TR** disclosures

Who?

- **Statutory auditor** (amendments to the Audit Directive)
- Any **other accredited independent assurance services provider**, provided that it is subject to requirements that are consistent with those set out in the Audit Directive, as regards the assurance of sustainability reporting

Content of proposal

Supervision and penalties

Non-listed companies

- Minimum set of sanctions specified

Listed companies

- Clarifies that National competent authorities (**NCAs**) are responsible for enforcement
- **ESMA guidelines** for NCAs to promote convergent supervision

(Minimum set of sanctions is already specified)

Content of proposal

Main changes compared to existing provisions

	Existing provisions NFRD	Proposed CSRD
Scope	Large PIEs, with more than 500 employees	All large and all listed (ex. listed micros, inc. non-EU listed)
Double materiality	Some ambiguity	Clarity: both perspectives to be addressed in their own right
Topics	Environmental, social and employee matters, respect for human rights, anti-corruption & bribery	Environment, Social, Governance (in effect, as for NFRD plus governance)
Reporting areas	Restricted list	More detailed and extensive list
Standards	Companies disclose if they use a standard	Mandatory EU standards for large companies. Simpler standards for SMEs (mandatory for listed SMEs, voluntary for all other SMEs).
Location	Management report by default, but MS may allow separate report	Management report
Assurance	Existence check only	Limited assurance. Reasonable assurance should COM adopt assurance standards for reasonable assurance
Digital	No requirement	Mark-up sustainability information
Supervision & penalties	Listed companies: lack of clarity about role of NCAs Non-listed companies: no specific sanctions	Listed: Clarify role NCAs, and ESMA guidelines for NCAs Non-listed: minimum sanctions

Indicative timeline

- **21 April 2021:** Commission adopted proposal
- **Q2 2022:** Co-legislators reach agreement on level 1
- **Mid-2022:** first set of draft standards ready
- Agreement to be reached on remaining timetable

The development of standards will begin in parallel to negotiations on the level 1 legislation.

Thank you

© European Union 2022

Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.

