



Proposal for a Corporate Sustainability Reporting Directive

CORPORATE SUSTAINABILITY REPORTING : RECENT
DEVELOPMENTS

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Background

Objectives of the proposal for CSRD

A building block of the European Green Deal, a sustainable & inclusive recovery, and an economy that works for people:

- Reduce systemic risks to the financial system arising from climate change and other sustainability issues.
 - Enable the flow of capital to companies that address and do not exacerbate the sustainability crisis.
 - Make companies more accountable for their impacts on people and the environment.
 - Simplify and reduce unnecessary costs for reporting companies.
- How? Ensure that companies report the **relevant, comparable, and reliable** sustainability information needed by investors and other stakeholders.

Indicative timeline

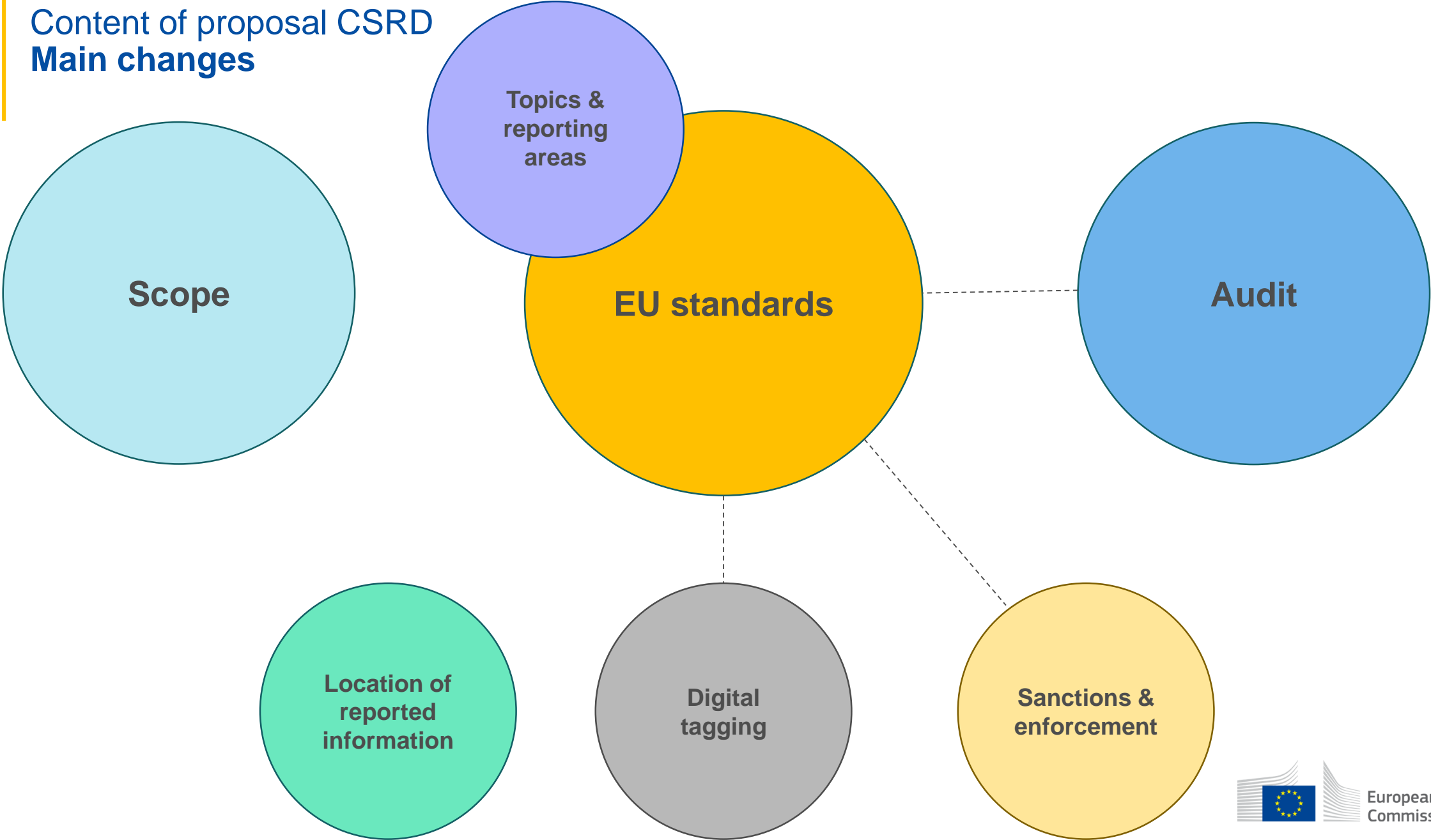
- **21 April 2021:** Commission adopts proposal
- **Q1/Q2 2022:** Co-legislators reach agreement on level1
- **Mid-2022:** first set of draft standards ready
- **End-2022:** first standards adopted in level 2 Delegated Regulations
- **2024:** companies publish first reports according to standards (covering financial year 2023)

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

Public consultations

- Fitness Check on public reporting by companies 21.03.2018 – 18.07.2018
- Initial Impact Assessment 30.01.2020 – 27.02.2020
- Public consultation 20.02.2020 – 11.06.2020
- Feedback Period 26.04.2021 – 14.07.2021
- EFRAG :
 - Due diligence process 15.06-15.09.2021
 - Working papers – climate prototype 08.09.2021

Content of proposal CSRD
Main changes



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

Why do we need European standards?

- **Timing:** to meet needs of SFDR and Taxonomy Regulation, we need adequate standards faster than any international initiative can ensure.
- **Content:** need to align with requirements of EU legal framework coming from SFDR, Taxonomy Regulation, and future corporate governance & due diligence legislation.
- **Materiality perspective:** need both inside-out and outside-in (IFRSF outside-in only).
- **All ESG issues:** we need to cover full range of sustainability issues (IFRSF climate only).
- **Oversight and accountability at EU level:** given the political salience of climate, human rights, etc.

BUT

- **International level is critical too.** Need coordination and cooperation between any EU initiative and global level initiatives.

Content of proposal CSRD 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**

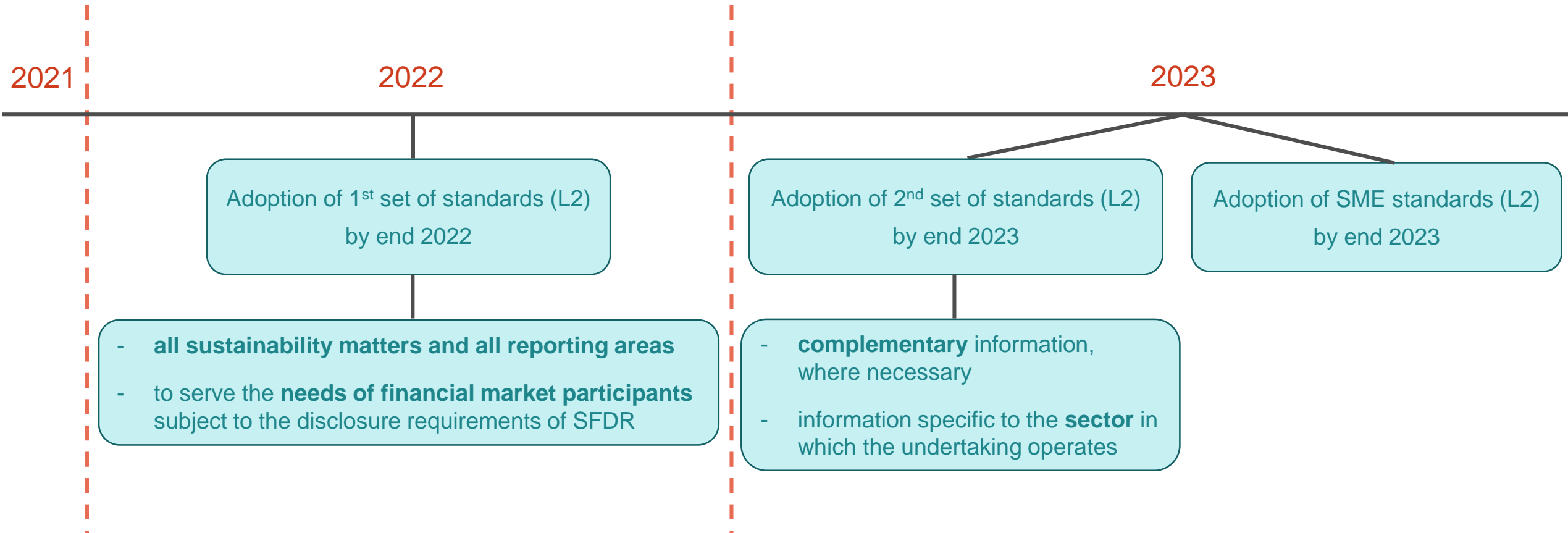
Content of proposal CSRD Standards

- ✓ meet quality criteria
- ✓ cover detailed E, S and G topics
- ✓ take account of EU legislation and initiatives
- ✓ take account of global standard-setting initiatives

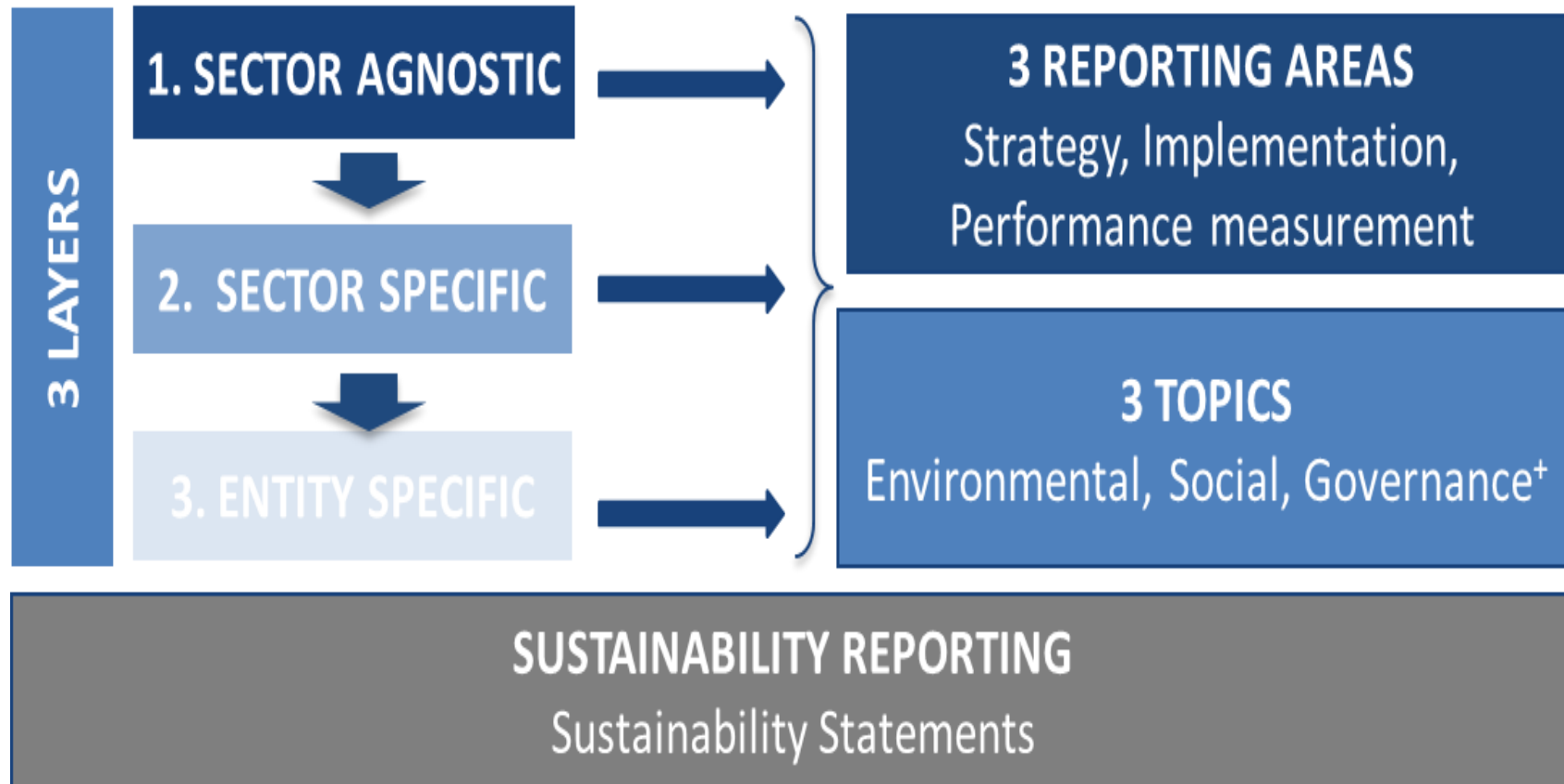
- ✓ European Financial Reporting Advisory Group (**EFRAG**) develops **draft standards**
- ✓ **Commission** adopts standards as **Delegated Acts** after consulting relevant EU bodies

Assuming co-legislators agreement in Q1/Q2 2022

Standards – Indicative timeline



Reporting standards architecture



Due Process Procedures for the development of EU Sustainability Reporting Standards

- EFRAG's legitimacy build on transparency, governance, due process, public accountability, thought leadership. EFRAG serves due European public interest
- Due process principles:
 - Transparency
 - Public meetings
 - Meeting papers
 - Public consultation
 - Analysis of Impacts

New EFRAG Structure

- EFRAG PTF – mandate until March 2021
- 25.08.2021 – call for experts
- 5.11.2021 – appointment of Experts Working Group Members
- EFRAG new structure
- Call for EFRAG members: 16 November
- Creation of the sustainability pillar:
 - Sustainability Reporting Board
 - Sustainability Reporting TEG

NEXT STEPS

- Next steps:
- publication of feedback statement and final draft due process procedures after approval by enlarged EFRAG General Assembly, prepared by the EFRAG Administrative Board - January.
- Public consultation on draft ESRS – February/March 2022

Procedures for the development of EU Sustainability Reporting Standards

- Please check the EFRAG website for ongoing work on the development of reporting standards:
- [Sustainability reporting standards interim draft - EFRAG](#)
- EFRAG Project Task Force:
- [European Lab PTF on European sustainability reporting standards \(PTF-ESRS\) – EFRAG](#)

How to improve reporting – best practises

Europeab LAB reports:

- **HOW TO IMPROVE CLIMATE-RELATED REPORTING**
- **A summary of good practices from Europe and beyond**
- <https://www.efrag.org/Activities/2010051119418610/Climate-related-reporting#>
- **Reporting of non-financial risks and opportunities and linkage to the business model – good practises**
- <https://www.efrag.org/Activities/2010051121466598/Risks-opportunities-and-business-model#>
- <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/EFRAG%20PTF-RNFRO%20-%20Main%20Report.pdf>

Thank you



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