Corporate Sustainability Reporting Directive

2021/0104(COD) - 22/03/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Legal Affairs adopted the report by Pascal DURAND (Renew Europe, FR) on the proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.

The proposal for a corporate sustainability reporting Directive (CSRD) aims to improve the flow of sustainability information in the corporate world. Investors need to know about the impact that companies have on people and the environment to meet their own disclosure requirements and be better informed on sustainability risks.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Scope

Given that a guaranteed level playing field and equal treatment for undertakings operating in Europe should be a guiding principle of this revision, the new CSRD rules should cover:

- all large companies, including undertakings organised as foundations, trusts or franchises;

- non-EU companies operating in the internal market;

- small and medium-sized undertakings whose transferable securities are admitted to trading on a trading venue of any Member State;

- small and medium sized undertakings carrying out high-risk economic activities.

SMEs not carrying out high-risk economic activities and non-listed SMEs can also choose to use these proportionate standards on a voluntary basis.

High-risk sectors

Certain business activities operating in ‘risky’ sectors are already subject to enhanced transparency requirements (e.g. conflict minerals) or even bans on access to the European market (e.g. timber from illegal forestry) on account of the significant and repeated impact of these activities on human rights, the environment and good governance. However, the effective implementation of these sectoral policies is hampered by a lack of access to information and unreliable information.

The text also asks the Commission to establish additional reporting criteria for companies with relevant activities in high-risk sectors. The Commission should be empowered to adopt delegated acts to establish and amend a list of activities that include economic activities in the following high-risk sectors:

- garment and footwear, including manufacturing of textile;

- agriculture, including manufacturing of food and beverage,

- extractive sector (mining, oil and gas industries);

- minerals, including tin, tantalum, tungsten and gold, as well as all other mineral resources.

EU sustainability standards

The information which undertakings currently provide about their policies is not always clear and consistent. There are many internationally developed ‘measurable, science-based indicators’ which can improve the quality of these reports. The report proposes further developing the definitions of the provisions on these measurable indicators while leaving it to the Commission, subject to supervision by the co-legislators, to reach a precise definition as to what needs to be reported.

The text clarifies reporting rules for companies by introducing more detailed reporting requirements into the revamped Non-Financial Reporting Directive, in accordance with the European Green Deal. Disclosed information should be audited, more easily accessible, reliable and comparable, according to Members.

The European Financial Reporting Advisory Group (EFRAG) would be tasked with developing the mandatory EU sustainability-reporting standards, covering environmental matters, social affairs, including gender equality and diversity, and governance, including anti-corruption and bribery, which the Commission would then adopt by delegated acts. To achieve this, Members propose that EFRAG’s funding should be increased to at least 75% and annual discussions held with Parliament.

Evaluation mechanism

According to the amended text, the sustainability reporting standards should include an evaluation mechanism, based on qualitative information and indicators, which makes the disclosed sustainability information comparable between companies and allows for the quantitative rating of corporate sustainability performance as a basis for public procurement, State aid and other policy measures.