

Company law: time limits for the adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings

2023/0368(COD) - 17/10/2023 - Legislative proposal

PURPOSE: to amend Directive 2013/34/EU as regards the time limits for the adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings.

PROPOSED ACT: Decision of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: reporting requirements play a key role in ensuring proper monitoring and correct enforcement of legislation. Reporting requirements can however also impose disproportionate burdens on stakeholders, particularly affecting SMEs and micro-companies, also given organisational and technological developments that call for original reporting requirements to be adjusted. Their cumulation over time can result in redundant, duplicating or obsolete obligations, inefficient frequency and timing, or inadequate methods of collection.

Streamlining reporting obligations and reducing the administrative burden are therefore a priority.

Article 29b(1), third subparagraph, of the **Accounting Directive (2013/34/EU)** of the European Parliament and of the Council requires the Commission to provide for sustainability reporting standards by means of delegated acts by 30 June 2024 specifying the information that undertakings are to report with regard to sustainability matters and the reporting areas specific to the sector in which an undertaking operates, in addition to the information that undertakings are already to provide under Commission Delegated Regulation (EU) XX/XXX.

To reduce the reporting burden on undertakings, it is provided that undertakings should be allowed to focus first on the implementation of sustainability reporting requirements laid down in Delegated Regulation (EU) XX/XXX.

In addition, Article 40b of the Accounting Directive sets the adoption date for the ESRS to be used by certain non-EU companies with business in the Union by 30 June 2024. Considering that the reporting requirements for these non-EU companies only applies from financial year 2028 and considering the 2-year postponement of the deadline for adopting the sector specific ESRS, the adoption deadline for these standards should also be postponed by 2 years. This will allow more resources to be dedicated to the development of effective and proportionate sector-specific ESRS, while still giving enough time for these non-EU companies to prepare ahead of financial year 2028.

In line with the Commission's Communication on '[Long-term competitiveness of the EU: looking beyond 2030](#)', this proposal is part of a first package of measures to rationalise reporting requirements. This is a step in a process looking comprehensively at existing reporting requirements, with a view to assess their continued relevance and to make them more efficient.

CONTENT: the proposal intends to **postpone time limits for the Commission** to adopt delegated acts for sustainability reporting standards for certain sectors and for certain third-country undertakings.

This initiative has the primary objective of allowing companies to focus on the implementation of the first set of ESRS adopted on 31 July 2023, ensure that EFRAG has time to develop sectoral ESRS that are efficient, and limit the reporting requirements to the minimum necessary. Postponing the deadlines for the adoption by the Commission of the sustainability reporting standards for certain sectors - as well as for certain third-country companies - would achieve this objective while leaving sufficient time for companies to prepare for these additional reporting requirements.

More precisely, Directive 2013/34/EU is amended as follows:

- the deadline for the Commission to adopt sector-specific ESRS by way of delegated acts under Article 29b(1), third subparagraph, is set by **30 June 2026** (instead of by 30 June 2024);
- the deadline for the Commission to adopt ESRS for non-EU companies meeting certain thresholds by way of delegated acts under Article 40b is set by **30 June 2026** (instead of by 30 June 2024).