Summary of the position of the Council, 24 February 2022, regarding the “Corporate Sustainability Reporting Directive (CSRD)”

The Council has now defined its position on the *Corporate Sustainability Reporting Directive (CSRD)*.

The CSRD draft guideline complements the European strategy for sustainable finance.

The CSRD is in fact a building block of the EU taxonomy. It is about creating a European regulatory framework for “sustainable finance”.

Who should originally comply with the CSRD?

- Companies with more than 250 employees or stock market listed companies

What is required of the companies concerned?

- Reporting in standardized, reasoned and certified information documents
- about environmental, social and corporate governance policy

Iron-clad goals of the EU are

- To create more transparency for citizens, consumers and investors.
- Companies should be better able to fulfill their role in society.
- Greenwashing should be prevented.
- Set "ambitious" standards for non-financial reference values of companies, in line with the EU's environmental and social ambitions.

Changes in the Directive now revised by the Council

- **Extension of the scope** to all large companies and
  all companies listed on a regulated market
  (except stock market listed micro-enterprises (SMEs);
- **Requirement for an audit** of sustainability reporting;
- **More detailed and standardized requirements** towards corporate disclosure requirements;
- **Disclosure requirements**, which the Council calls improving access to information, in a separate section of companies' management report.

Consequences

- Expansion of the CSRD, disclosure of non-financial information
- Digital availability of sustainability information becomes mandatory
- Increased accountability
- Mandatory EU-wide standards
- The EU defines what sustainable management is

Who contributed to the CSRD?

Technical advice to the EU Commission provided by the European Financial Reporting Advisory Group (EFRAG) and several European Agencies, adopted by means of a Delegated Act.

Further timeline

The European Commission presented the proposal for the CSRD on April 21, 2021. On February 24, 2022, the Council completed what it believes to be the general approach, thereby giving its mandate for further talks with the European Parliament.

Negotiations with Parliament are scheduled to begin in spring 2022.

Risks and dangers as well as assessment from the point of view of the TAE

Although the European Commission wants to prevent the reporting obligations for SMEs from becoming too burdensome and the companies concerned should be "granted sufficient time to adapt to the new regulations", we know from our experience to date that on the one hand information about new EU obligations is often noticed very late and, on the other hand, that the deadlines set by the EU seem sufficient for them, but in practice will not be sufficient for companies. An example for this is the implementation of the EU General Data Protection Regulation.

The affected companies face additional burdens due to high implementation costs and new bureaucratic burdens.

With the adjustment, four times as many companies are now covered by the new regulation.

Experience shows that sooner or later such EU standards will be extended.

If sustainability reporting only applies to companies in the EU, then European companies face disadvantages in international competition.

The question of sanctions for incomplete or incorrect information on sustainability is left completely open. The consequences for companies that do not operate sustainably according to EU guidelines are also left open. Do they then have to pay penalties (additional taxes or duties) or, in the worst case, are they no longer allowed to offer their products and services on the market at all? It is also unclear how this will then affect the external financing of the companies concerned.

As is unfortunately so often the case, there is no comprehensive regulatory impact assessment by the EU. It doesn't seem to matter at all what costs EU directives trigger for companies and whether the goals are proportionate or economically sustainable. In the end, consumers pay for it through higher prices or, if companies cannot pass on the costs, there is great pressure to rationalize with corresponding job losses. In the worst case, companies have to shut down and disappear from the market.

Sources

Interinstitutional dossier: 2021/0104(COD)

https://data.consilium.europa.eu/doc/document/ST-6292-2022-INIT/en/pdf

Council press release of 24 February 2022

https://www.consilium.europa.eu/en/press/press-releases/2022/02/24/council-adopts-position-on-the-corporate-sustainability-reporting-directive-csrd/

Corporate Sustainability Reporting website of the EU Commission

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

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