

## **Internationally aligned sustainability reporting requirements are key**

An endorsement process for the global baseline on sustainability standards of the ISSB is needed

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## Introduction

On 21 April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) amending the reporting requirements of the Non-Financial Reporting Directive. The proposal will not only extend the scope of the Directive to all large companies and all companies listed on regulated markets, but also introduce more detailed reporting requirements for businesses.

The new CSRD, together with the EU taxonomy regulation and the corresponding delegated acts as well as the current developments in standards development will massively change the sustainability reporting landscape. The overall ambition of the CSRD is to be welcomed regarding today's challenges of climate change and the necessary transition to a resource-conserving and climate-neutral economy.

However, the new reporting requirements will present companies with massive implementation challenges. Consistency and streamlining of the different EU sustainability reporting regulations, full alignment and interoperability with the global baseline Sustainability Standards of the ISSB and the proportionality of the reporting obligations are therefore essential.

Most importantly, an endorsement mechanism or a similar process for the global baseline Sustainability Standards of the ISSB has to be ensured from the beginning. Only a fully-fledged orientation towards a global baseline can offer European companies a truly comprehensive framework for effective sustainability reporting and prevent double implementation effort, which would come along with two separate (non-complementary) sets of standards. In addition, this is the only way to achieve a level-playing field for preparers and to allow the EU financial sector to comprehensively incorporate ESG matters in their investment decisions and comply with their specific EU sustainability reporting requirements.

The timeline for developing the standards is too ambitious as long as the Commission does not prioritize with regard to which issues have to be addressed first. The climate prototype should clearly be first on the agenda, as there is an urgent need to make progress on climate, but also because this would be aligned with the ISSB's timeline and enable EFRAG to ensure full alignment and interoperability with the global baseline from the beginning.

## 1 CSRD Proposal

### 1.1 The requirements of sustainability reporting have to be clear cut and aligned with other sustainability regulations

The CSRD proposal comprehensively addresses environmental, social and governance issues. A long list of reporting areas with a set of complex requirements have to be covered. This poses not only challenges for companies that have to report for the first time but also for companies doing sustainability reporting for a long time.

#### 1.1.1 Different EU regulations in sustainability reporting should be aligned

In order to get the desired results with the reporting, e.g. reliable and comparable data, it is necessary to ensure that the different EU sustainability regulations are aligned. Currently, the European Union is working on different initiatives in the field of sustainability reporting. The proposal of the CSRD, the upcoming reporting requirements from the EU taxonomy regulation and other initiatives will change the reporting landscape intensely. Coherence between the CSRD, the EU taxonomy, the SFDR and other sustainability regulations that contain rules on reporting, must be achieved in order to ensure user-friendliness and legal certainty.

Until now, an alignment of the different reporting requirements was not really successful. The CSRD should be consistent with the EU taxonomy framework, in particular the reporting obligations arising out of Article 8 of the taxonomy regulation. Furthermore, the above-mentioned initiatives must be checked with existing EU environmental legislation, including for example the review of the Renewable Energy Directive RED II(I).

Additionally, there are also inconsistencies regarding the reporting obligations because of the different timetables of entry into force of EU legislation.

Examples:

- MiFID II and SFDR. The requirement to ask customers about preferences on sustainability-related ratios from Q3 2022 onwards, which are, however, not yet reported as the SFDR RTS were postponed to 1 January 2023.
- SFDR and CSRD: SFDR RTS reporting as of 1 January 2023 on investees held by a fund while investees would report the data under the CSRD earliest from 1 January 2024, i.e. if a) CSRD is not delayed and b) CSRD includes all SFDR-relevant requirements.

### 1.1.2 Regulation on level 1 and level 2 needs to be clarified

The requirements of the CSRD have to be clear cut. E.g. in Article 19a, paragraph 2 the text says: “The information referred to in paragraph 1 shall contain in particular”. “In particular” has to be deleted otherwise it leaves too much room for interpretation what else has to be reported. This would leave it to the European Standard Setter EFRAG to close the gap which would not be in alignment with the democratic procedures set in place for the EU legislation.

As the CSRD proposal is a level 1 regulation it is adopted within the co-decision procedure involving EU Parliament and Council. Technical concretization is done through level 2 delegated acts. In the case of delegated acts, no adequate involvement of the EU institutions is possible as the EU Council and the European Parliament can only reject or approve the delegated acts. The political decisions on reporting requirements have to be dealt with on CSRD level. In order to ensure democratic control of the new regulation, the CSRD should be precise in defining the sustainable reporting requirements.

#### Other examples:

Recital 24 of the proposal

The list of sustainability matters on which undertakings are required to report should be **as coherent as possible** with the definition of ‘sustainability factors’ laid down in Regulation (EU) 2019/2088. The above words in bold should be replaced by “aligned”.

Recital 37

In order to minimize disruption for undertakings that already report sustainability information, sustainability reporting standards **should take account** of existing standards and frameworks for sustainability reporting and accounting where appropriate. The above words in bold should be replaced by “should be consistent with”.

Article 19b

An endorsement mechanism (or a similar process, e.g. direct incorporation in EU standards by EFRAG) of the global baseline of the ISSB has to be developed. The EU delegated acts should only represent the „supplementary standards“ (see Chapter 2.1.). In the case that no endorsement process will be introduced, the sustainability standards of EFRAG and ISSB must be aligned.

If this were the case, the following must apply: The Commission shall, at least every three years after its date of application, review any delegated act adopted pursuant to this Article, taking into consideration the technical advice of the European

Financial Reporting Advisory Group (EFRAG), and where necessary shall amend such delegated act to **take into account relevant developments, including developments with** regard to international standards. The above words in bold should be replaced by “align it with”.

## 1.2 Timeline

The timeline for finalizing and adopting the CSRD is very ambitious. The deadline for the CSRD is in October 2022 and the Member States shall implement the Directive until end of December 2022. This seems to be highly unrealistic if indeed the entire scope of the CSRD shall be covered in companies’ reporting upon first implementation and based on a first set of EU standards to be developed by EFRAG.

As has been seen with the also very ambitious timelines of the Taxonomy Regulation the EU Commission is putting a lot of time pressure on the Sustainable Finance Regulations under which the legislation process and the legal texts are suffering. In our opinion the legislation process would benefit from realistic timelines as the ones foreseen in the CSRD proposal.

## 1.3 Secure legal framework required

Open legal questions arising from the new CSRD must be clarified quickly.

### 1.3.1 Intangibles should not be part of the CSRD

These include, for example, the question of why the new reporting requirements also apply to intangible assets. If, as suggested in Recital 28, the intention is to close the gap between book and market value, this would be an issue to be clarified in the context of financial reporting and not sustainability reporting.

We believe it is not the right place to generally report on intangibles within the sustainability reporting framework on a comprehensive basis. The discussion should rather be held within the financial reporting framework. Even there, no consensus yet on how to approach intangibles has been found. Thus, intangibles should only be covered to the extent that there is an actual (material) link to ESG matters. For this purpose, listing intangibles broadly and separately in the CSRD is neither appropriate nor necessary.

In any case, intangibles are not (yet) of highest priority with regard to sustainability reporting. Additionally, including intangibles within the CSRD is critical as no safeguard clause for companies as regards to commercial sensitive information has been proposed. We would suggest to focus on high priority reporting topics like environment and leave intangibles out of the reporting for now. In the meantime,

further assessments as well as a comprehensive public outreach as to how to best address intangibles are needed.

### 1.3.2 Double materiality – more guidance is needed

On the issue of double materiality, there is still need for clarification as to how companies should report on the inside-out perspective. The addressee group covered by the CSRD proposal with all interested parties is huge. A filter process should be put in place.

### 1.3.3 Evaluation has to be done in longer time periods

Reliability of the rules is also of great importance for a secure legal framework. The EU Commission's proposal to review and adapt the rules of the CSRD in a regular cycle of three years harbors the danger of a constant change in the law. This leaves little time for companies to adopt the new requirements and make their own adjustments based on experience. The evaluation should therefore take place over longer periods of time.

### 1.3.4 Proof of 1.5 degrees path

The CSRD draft foresees that the plans of the undertaking to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement. If this remains in the draft, this might need specification on how companies have to proof this.

### 1.3.5 Unprecise definition of sustainability matters

The term 'sustainability matters' is too vague and generic and should be specified. Please note also, that Article 19b para 2 subparagraph c lit. i) concerning the delegated act for sustainability reporting standards reads 'including' with regard to sustainability matters:

'(c) specify the information that undertakings are to disclose about governance factors, including information about:

the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition'.

It is unclear if 'including' is supposed to even extend the vague scope of the aforementioned Article 19a.

## 1.4 Publication of sustainability information in a separate report should still be an option

In terms of its function, a company's management report is aimed at investors. The new CSRD reporting requirements will change its nature. The new sustainability reporting requirements expand the range of addressees of the management report to include a large number of stakeholder groups that are on an equal footing with the providers of capital. In combination with the double materiality – above all the inside-out perspective – companies subject to reporting requirements will in future likely be confronted with an almost unmanageable number of reporting topics or reporting spheres. The already published EFRAG prototypes demonstrate that the upcoming reporting requirements can be expected to be very comprehensive.

The CSRD proposal provides little guidance here. It is essential to think about a filtering process to identify overarching reporting topics that are relevant for all stakeholder groups.

There is also a risk of an imbalance between financial indicators and sustainability information in the management report, as the latter must be reported in great abundance. The European legislator must counteract this with focused reporting requirements.

We deem it necessary to ensure flexibility for companies regarding the location of the sustainability information. The CSRD should still permit member states the option of allowing reporting companies to publish sustainability information in parallel, yet in a separate sustainability report. This does not counteract an audit with limited assurance. Apart from this, many companies prepare separate sustainability reports in which they present voluntary and mandatory information together. This is of great benefit to the reader.

## 1.5 Audit requirements

The CSRD proposal starts with a limited assurance requirement. There will be a requirement for the company's statutory auditor to grant limited assurance of the reported sustainability information. Reasonable assurance should take effect after the Commission adopted sustainability assurance standards. If the standards have been adopted, the legal requirement would automatically become a requirement for reasonable assurance instead of limited assurance.

### 1.5.1 Adoption of assurance standards is too early

The Commission shall not adopt any assurance standard for sustainability reporting in the 5 years after the entry into force of the Directive. An evaluation of the implementation of the EU taxonomy and the – not yet adopted – CSRD should take



place before new assurance standards are published. Assurance standards cannot yet be properly defined as long as no experience of the implementation has been gained. Only after the work on the CSRD and the sustainability standards has been completed can the development of the assurance standards begin.

### 1.5.2 Pragmatic approach on audit is needed

However, when the process of the development of assurance standards is started, it is of utmost importance that relevant stakeholders, such as companies, are closely involved into the process in order to provide expertise.

Furthermore, with regard to the audit, the question arises as to how, in the case of an integrated report, the reported sustainability information is to be integrated by the auditor with "limited assurance", even if other components of the integrated report are audited with "reasonable assurance". This seems to be efficiently implementable only with the option of a closed chapter, as also foreseen in the CSRD. Companies need clarity on this at an early stage.

The requirement for information on future impacts is very vaguely formulated. Forward-looking disclosures are problematic because they are questionable from a legal point of view and for reasons of a "clean" audit. This applies to both "limited assurance" and "reasonable assurance".

The costs associated with the audit cannot be predicted at present, as it is not clear what additional data will be required in the future and whether new internal systems will have to be set up within the companies. Audit costs for additional data will be incurred in any case.

## 1.6 Corporate Governance issues

### 1.6.1 Flexibility for the supervisory board is needed

We suggest not to assign exclusively the audit committee with certain tasks with regard to the assurance of sustainability reporting. Supervisory boards should be free to choose the appropriate committee, which often will be the audit committee. There is no regulation needed.

### 1.6.2 Different levels of assurance of Corporate Governance reporting should be avoided

There should not be a different assurance level of corporate governance reporting if sustainability or general information is concerned: According to Art. 19a para. 2 subparagraph c 'a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters' shall be included in the management report. This resembles art. 20 para. 1 subparagraph f) of directive

2013/34/EU concerning information to be given in the corporate governance statement on ‘the composition and operation of the administrative, management and supervisory bodies and their committees.’. This information is, according to Article 20 paragraph 3 not to be audited.

Information given in the corporate governance statement will include relevant information also concerning sustainability, like information on the work of sustainability committees. Information on the bodies should not be artificially separated and stay in the management report. So, Art. 19a paragraph 2 subparagraph c, should be deleted.

Also, different levels of assurance of corporate governance information with regard to sustainability (limited assurance) and general information (check if the information has been provided) is to be avoided.

### **1.7 Tagging of sustainability information should be put on hold**

The CSRD proposal anticipates the increased digitalization of sustainability information. Companies would be required to prepare their financial statements and the management report in XHTML format. They would also have to tag the reported sustainability information according to a digital categorization system.

After the experience made from the first application of the European Single Electronic Format (ESEF) for financial data in 2020 and the fact that there are still too many open questions regarding the implementation of the ESEF, the electronic tagging of sustainability reports should be put on hold as long as similar questions and concerns could arise for sustainability information. It is also questionable how sustainability information could be tagged given its often qualitative nature.

### **1.8 Entry into force of the CSRD for companies with 250 to 500 employees should be postponed**

The CSRD proposal would extend sustainability reporting requirements to all large companies and all listed companies on regulated markets, including listed SMEs. The existing reporting requirements by the Non-Financial Reporting Directive (NFRD) apply to large public interest entities with more than 500 employees. In Germany currently, 500 companies are covered by the reporting obligations under the NFRD. According to initial estimates by the Accounting Standards Committee of Germany (ASCG), the CSRD will in future cover almost 15,000 companies from the sustainability reporting obligation in Germany alone. This would mean an increase of more than 30-fold.

All these Companies that have not been subject to the reporting obligation so far must familiarize themselves with the reporting requirements. They have to build up the human and organizational resources for comprehensive sustainability reporting. As sustainability reporting is quite a complex matter and still a quite new line of work it is not easy to find trained staff. The situation is even more tightened as also the governments, the auditors and the EU institutions are looking for qualified staff. Companies have to be given time to train the employees in the sustainability matters.

These companies will also be subject to the taxonomy requirements when the CSRD enters into force. We urge that the group of companies with 250 to 500 employees fall within the scope of the CSRD at a later time if the EU and EFRAG foresee comprehensive reporting standards on all ESG matters from the beginning (as seems to be the case based on EFRAG's "Batch 1" publication). This would give these companies the necessary time to adjust to the requirements. Alternatively, as outlined above, the EU could start with a climate-focused, prioritized set of standards while other sustainability topics are tackled step-by-step over the next years.

## **1.9 Amendments proposed by Pascal Durand**

### **1.9.1 Sustainability reporting has to remain on group level**

The amendment proposal regarding the sustainability reporting on level of the subsidiaries by the rapporteur is not constructive. Sustainability reporting on group level reflects the financial reporting where it is sensible as the financial data is aggregated at group level.

Subsidiaries generally follow group strategy, processes etc. Any obligation to report on subsidiary level would create additional reporting burden with no further added value than on group-level. The costs for sustainability reporting on subsidiary level is highly disproportionate to the expected benefits for this kind of reporting.

A meaningful statement regarding the sustainability requirements of Art. 19a of the CSRD can only be provided on group level as the subsidiaries are not able to make purposeful statements on business model or strategy.

### **1.9.2 No requirement for different auditors for financial and sustainability reports**

Two different statutory auditors would contradict the aim of integrating financial and sustainability reporting. Also, the requirement would lead to even more concentration in the audit market that is already very tight.

As large companies generally have framework contracts with one auditor which allows synergies between the various audits, it should be allowed to have one auditor on financials and non-financials. Sustainability and financial information are very much interlinked (e.g. dynamic materiality concept, internal financial reporting processes leveraged for internal sustainability reporting processes, etc.) so that requiring different parties to conduct respective audit procedures does not seem reasonable and would lead to significant additional costs.

### **1.9.3 Supply chain and Sustainable Corporate Governance should not be addressed in the CSRD**

For the sake of regulatory coherence, legislators should await the release of the planned due diligence and sustainable corporate governance act, tackling specifically the issues mentioned in the amendment. Otherwise, two potentially divergent sets of rules will be adopted.

Corporate governance codices across Europe apply successfully comply or explain mechanisms. The CSRD should also not anticipate the directive on gender balance in company board that is expected in 2022.

Compromise 16 includes a paragraph 5 to Article 19a: “5. In accordance with applicable EU and national legislation and practice, the appropriate workers' representative bodies shall be consulted on the design of the reporting system. A report on this consultation should be presented to the administrative, management and supervisory bodies or the audit committee of the supervisory board. [Where the workers or their representatives provide a written opinion, it shall be appended to the sustainability report.]

We wonder what the added benefit to this is. Are workers specialists in reporting systems? Why should a dissenting opinion have to be published? There are many cases where different views may be balanced in companies with codetermination. For good reasons such discussions are held within the board. There should not be an exemption in this case. Therefore, the above-mentioned clause should be deleted.

We oppose the extension of the ‘Bilanzzeit’/statement of accuracy to sustainability reporting. It should be first evaluated whether the capital markets will build up confidence in sustainability reporting. We therefore consider it premature to strengthen this confidence by extending the ‘Bilanzzeit’/statement of accuracy to sustainability reporting as soon as it is introduced.

### **1.9.4 No new sub-category of high-risk sectors**

The inclusion of the new sub-category of high-risk sectors should not be taken up. The vague definition opens the floor to an indefinite range of companies being

included and cannot be handed over to the Commission by yet another delegated act. (see above regarding clear distinction of level 1 and level 2)

For companies in the scope of the CSRD, the risks can easily be addressed via the sector-specific part of the EU standards and correspondingly (extensive) requirement(s), if necessary, e.g. via the look-through principle for the financial sector (where necessary beyond the SFDR). For additional (SME) companies that would additionally come into the CSRD scope via such a categorization, we consider the CSRD and the EU standards (at least based on our current impression of EFRAG's work) to be very and likely too far-reaching and not adequate against the background of proportionality. If necessary, this is a topic that can be taken up again in the context of the SME-specific standards that are to follow three years later (in the sense of mandatory application for certain sectors), if deemed necessary. This should be subject to in-depth impact assessments.

#### 1.9.5 Sustainability reporting standards

According to Article 19(b) of the CSRD proposal, sustainability reporting standards shall specify information that undertakings are to disclose about governance factors, including information about business ethics and corporate culture, including anti-corruption and anti-bribery and internal arrangements within the undertaking for protecting whistle-blowers, animal welfare and combating food waste.

Sustainability reporting standards should however be principles-based and not pick arbitrarily certain topics. With regard to the whistle-blower aspect, the whistle-blower directive is in the process of national implementation and therefore no special treatment of these aspects should be foreseen in the CSRD. This is also relevant for the other aspects where European legislation is in the making or in place, e.g. European Roadmap for Food Waste Reduction Targets.

However, if the legislator decides to keep this provision, "if relevant" should be added because these topics might not be relevant for all reporting companies.

#### 1.9.6 Targets should be determined on entity level

According to Article 19(a) of the rapporteur's compromise proposals, sustainability reporting should include "how the undertaking's strategy has been implemented with regard to sustainability matters, climate change and associated targets."

From our point of view, target-setting should remain entity-specific; thus, if a company has no ESG targets at all, it should disclose this information, but not be required by the CSRD or EU standards to set targets. In our view, this cannot be the role of a reporting directive or reporting standards. However, the relevant guidance on targets could recommend to use science-based targets where available /

relevant for steering (including justification). However, in our view, this would not be relevant for level 1.

### 1.9.7 No obstacles for integrated reporting

The amendment proposal states that a specific place should be set aside for sustainability reporting in the management report. If this would get effective, integrated reporting would be made more difficult or impossible. Therefore, the possibility for companies of integrated reporting should remain. It would be a big step backwards for companies that already do integrated reporting to move away from integrated reporting.

## 2 Sustainability reporting standards

The CSRD proposal foresees the development of standards for sustainability reporting. It specifies that the European Commission would adopt a first set of standards by the end of October 2022. A second set of standards would be adopted by the end of October 2023.

### 2.1 Endorsement of the ISSB Standard

The still to be developed European standard should build on existing and well-established international sustainability reporting guidance. Provisions from different standards and frameworks should be harmonized and consolidated as much as possible. There is a need for universally valid, internationally recognized sustainability reporting standards in order to be able to make comparable and robust statements that can also be verified by an independent third party.

Standard setting is not limited to the EU itself. Rather, global ESG topics require global solutions. European companies are operating globally, and their economic success is the backbone of the EU's economic strength. The Commission supports initiatives by the G20, the G7, the Financial Stability Board and others to generate international commitment to develop a baseline of global sustainability reporting standards that would build on the work of the Task Force on Climate-related Financial Disclosures. The G20 Leaders, the Financial Stability Board and IOSCO have welcomed the International Sustainability Standards Boards (ISSB) work program to develop global baseline standards for sustainability disclosures.

These baseline global reporting standards should be integrated into the European sustainability reporting standards following a clearly defined endorsement process. The Commission shall adopt a delegated act defining the endorsement process to

transpose any baseline global reporting standard into European sustainability reporting standards, which can be complemented by supplementary standards, if necessary considering the particularities of the European legal framework and ensuring that the European public good is preserved.

The establishment of an endorsement process for international sustainability reporting standards of the ISSB would promote global baseline to achieve better compatibility with standards applied elsewhere in the world.

Only a fully-fledged orientation towards a global baseline can offer European companies a truly comprehensive framework for effective sustainability reporting. In addition, this is the only way to achieve a level-playing field for preparers and to allow the EU financial sector to comprehensively incorporate ESG matters in their investment decisions and comply with their specific EU sustainability reporting requirements.

## **2.2 Prioritization within the development of the EU sustainability standards**

To achieve the European Commission's ambitious timeline in regards to the standards development, we deem adequate prioritization within the present work of the PTF-ESRS to be of crucial importance. Prioritization must, as mentioned above, already take place in the CSRD, since the standards only implement what is specified in the Directive. The standards should not go beyond what has been specified in the CSRD.

EFRAG should be ambitious in tackling pressing issues, in particular the climate crisis, but not all ESG issues may bear equal weight in terms of urgency. In light of the EU Green Deal, there is no doubt that in order to achieve the European climate objectives, effective reporting on climate-related issues which caters in a concise manner to the information needs of stakeholders is absolutely necessary. Other areas, e.g. to what extent and how to report on intangibles from a sustainability perspective under the CSRD, will need more time to develop meaningful reporting concepts. In the meantime, EFRAG should also be careful in setting up new initiatives in the area of financial reporting as companies need to cope with the sustainability reporting challenges.

Serving the financial sector's information demands should be the key priority as the financial sector plays a key role in facilitating the transition towards a sustainable future. In this respect, the Sustainable Finance Disclosure Regulation should be focused on. Climate-related reporting should be prioritized by EFRAG as the most pressing ESG matter.

### **2.3 Close cooperation between European Commission and EFRAG must be ensured**

Coherence between the work of the European Commission and the work of the European Financial Reporting Advisory Group (EFRAG) must be ensured. In particular, the parallel development of the legislative procedures threatens to lead to inconsistencies. It is of paramount importance that a formalized process for intensive collaboration and communication between the European Commission and the EFRAG Project Task Force on European sustainability reporting standards – respectively the future second pillar of EFRAG on sustainability standards – is envisaged. Also, close collaboration between the PTF-ESRS and the Platform on Sustainable Finance (PSF) is essential. The PSF develops the technical screening criteria for the delegated acts and also works on a possible extension of the EU taxonomy. Appropriate measures have to be implemented to ensure a smooth and fruitful cooperation.

### **2.4 Consideration of the "preparer perspective" is essential**

The new CSRD establishes new reporting obligations for companies. It is therefore imperative that reporting companies are involved in the detailed design of the directive - especially in the EU reporting standards to be developed by EFRAG. In the legislative processes for the Non-Financial Reporting Directive as well as for the Taxonomy Regulation, the concerns of companies have not been sufficiently considered. In the technical expert group on sustainable finance formed at EU level, which played a key role in the detailed work on the EU Taxonomy, there were only two company representatives among 35 experts. The picture is similar for the Platform on Sustainable Finance, which began its work last October and is intended to advise the EU Commission on sustainability issues and further develop the taxonomy. Here, companies of the manufacturing industries are also underrepresented (fewer than 5 out of 50 members). As a result, the requirements are difficult to apply in practice and require a great deal of effort.

A lot more company representatives must therefore be appointed to the Technical Experts Group (TEG) to be formed at EFRAG level that will replace the Project Task Force in the next months. A successful transformation process cannot succeed without companies. This is the only way to ensure that the legal requirements can be implemented in a practicable manner on the company side. Companies contribute to the development of new standards with motivation and expertise as they pursue sustainability goals in their own best interest. Furthermore, there is an increasing demand for sustainability information among investors, customers and consumers, among others.



In addition, an appropriate due process, field testing and involvement via public consultation that foresees sufficient response times are also particularly relevant. The future EFRAG set-up should definitely ensure this.

## 2.5 Timeline

As the standards shall enter into force at the end of October the timeline again is very ambitious. The ambitious timeline can only be met if the Commission sets the right priorities by developing the standards. Therefore, we propose a stepwise approach beginning with a) the adoption of the climate standards and b) the coverage of the SFDR-relevant data. Not later than six months after entry into force of the CSRD, the European Commission shall adopt delegated acts specifying the information that companies are to report climate-related aspects in accordance with paragraphs 1 and 2 of Article 19a.

24 months after entry into force of this Directive, the Commission shall adopt delegated acts specifying the information that undertakings are to report all other aspects in accordance with paragraphs 1 and 2 of Article 19a.

The European Commission has to adopt delegated acts specifying complementary information that companies shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2) and information that companies shall report that is specific to the sector in which they operate 48 months after entry into force of the CSRD. The new release of international sustainability standards shall trigger a review of the existing affected delegated acts in order to enhance global convergence.

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