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WK 101/2022 INIT

**LIMITE**

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**WORKING DOCUMENT**

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From:	General Secretariat of the Council
To:	Working Party on Company Law (Sustainability information)
N° prev. doc.:	14268/21
N° Cion doc.:	ST 8132/21
Subject:	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 - MS comments on document 14268/21

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WK 101/2022 INIT

**LIMITE**

**EN**

MS Comments on doc. 14268/21 (**Recitals** of 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) - (178 rows)

<b><u>Presidency text – ST 14268/21</u></b>	<b>MS drafting suggestions and comments</b> <b>( SK – LV - CZ – ES – NL BE - PT – SE – PL -DK)</b>
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 - <b>RECITALS</b>	
THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,	
Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,	
Having regard to the proposal from the European Commission,	
After transmission of the draft legislative act to the national parliaments,	
Having regard to the opinion of the European Central Bank,	
Having regard to the opinion of the European Economic and Social Committee <sup>1</sup> ,	
Acting in accordance with the ordinary legislative procedure,	
Whereas:	
(1) In its communication on the European Green Deal adopted on 11 December 2019 <sup>2</sup> , the European Commission made a commitment to	NL

<sup>1</sup> OJ C [...], [...], p. [...].

<sup>2</sup> COM(2019) 640 final.

<p>review the provisions concerning non-financial reporting of Directive 2013/34/EU of the European Parliament and of the <b>Council</b><del>mission</del>.<sup>3</sup> The European Green Deal is the European Union's new growth strategy. It aims to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases by 2050. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. The European Green Deal aims at decoupling economic growth from resource use, and ensuring that all regions and citizens of the Union participate in a socially just transition to a sustainable economic system. It will contribute to the objective of building an economy that works for the people, strengthening the EU's social market economy, helping to ensure that it is future-ready and that it delivers stability, jobs, growth and investment. These goals are especially important considering the socio-economic damage caused by the COVID-19 pandemic and the need for a sustainable, inclusive and fair recovery. In its proposal of 4 March 2020 for a European Climate Law, the European Commission proposed to make the objective of climate neutrality by 2050 binding in the Union.<sup>4</sup></p>	<p>(Drafting):</p> <p>(1) In its communication on the European Green Deal adopted on 11 December 2019<sup>5</sup>, the European Commission made a commitment to review the provisions concerning non-financial reporting of Directive 2013/34/EU of the European Parliament and of the <b>Council</b><del>mission</del>.<sup>6</sup> The European Green Deal is the European Union's new growth strategy. It aims to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases by 2050. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. The European Green Deal aims at decoupling economic growth from resource use, and ensuring that all regions and citizens of the Union participate in a socially just transition to a sustainable economic system. It will contribute to the objective of building an economy that works for the people, strengthening the EU's social market economy, helping to ensure that it is future-ready and that it delivers stability, jobs, growth and investment. These goals are especially important considering the socio-economic damage caused by the COVID-19 pandemic and the need for a sustainable, inclusive and fair recovery. In its proposal of 4 March 2020 for a European Climate Law, the European Commission</p>
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<sup>3</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

<sup>4</sup> Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law) [2020/0036 (COD)]

<sup>5</sup> COM(2019) 640 final.

<sup>6</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

	<p>proposed to make the objective of climate neutrality by 2050 binding in the Union.<sup>7</sup> Moreover, in its Biodiversity Strategy for 2030, the European Commission commits to ensure that by 2050 all of the world’s ecosystems are restored, resilient, and adequately protected. This strategy aims to put Europe's biodiversity on a path to recovery by 2030.</p> <p>NL</p> <p>(Comments):</p> <p>The target of the European Commission for biodiversity is – next to climate neutrality - another important ambition that should be mentioned explicitly in the recitals.</p>
<p>(2) In its <i>Action Plan: Financing Sustainable Growth</i> the Commission set out measures to achieve the following objectives: reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues, and foster transparency and long-termism in financial and economic activity<sup>8</sup>. The disclosure by undertakings of relevant, comparable and reliable sustainability information is a prerequisite for meeting those objectives. The European Parliament and the Council adopted a number of legislative acts as part of the implementation of the Action Plan on Financing Sustainable Growth. Regulation (EU) 2019/2088 of the European Parliament and of the Council<sup>9</sup> governs how financial market participants and financial advisers are to disclose sustainability information to end</p>	

<sup>7</sup> Proposal for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law) [2020/0036 (COD)]

<sup>8</sup> COM(2018) 97 final.

<sup>9</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability- related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

<p>investors and asset owners. Regulation (EU) 2020/852 of the European Parliament and of the Council<sup>10</sup> creates a classification system of environmentally sustainable economic activities with the aim of scaling up sustainable investments and combatting greenwashing of financial products that unduly claim to be sustainable.</p>	
<p>Regulation (EU) 2019/2089 of the European Parliament and of the Council<sup>11</sup>, complemented by Commission Delegated Regulations (EU) 2020/1816<sup>12</sup>, (EU) 2020/1817<sup>13</sup> and (EU) 2020/1818<sup>14</sup>, introduces environmental, social and governance ('ESG') disclosure requirements for benchmarks administrators and minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. Regulation (EU) No 575/2013 of the European Parliament and of the Council<sup>15</sup> requires large institutions which have issued securities that are admitted to trading on a regulated market to disclose information on ESG risks from 28 June 2022. The new prudential framework for investment</p>	

- <sup>10</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).
- <sup>11</sup> Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks (OJ L 317, 9.12.2019, p. 17).
- <sup>12</sup> Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).
- <sup>13</sup> Commission Delegated Regulation (EU) 2020/1817 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology (OJ L 406, 3.12.2020, p. 12).
- <sup>14</sup> Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).
- <sup>15</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

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<p>firms set by Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>16</sup> and Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>17</sup> contains provisions concerning the introduction of an ESG risk dimension in the supervisory review and evaluation process (SREP) by competent authorities, and contains ESG risks disclosure requirements for investment firms, applicable from 26 December 2022.</p>	
<p>The Commission has also announced a proposal on a European Green Bond Standard in its Work Programme for 2021, following up on the Action Plan on Financing Sustainable Growth.</p>	
<p>(3) On 5 December 2019, in its conclusions on deepening the Capital Markets Union, the Council stressed the importance of reliable, comparable and relevant information on sustainability risks, opportunities and impacts, and called on the Commission to consider the development of a European non-financial reporting standard.</p>	
<p>(4) In its resolution on sustainable finance of 29 May 2018<sup>18</sup>, the European Parliament called for the further development of non-financial reporting requirements in the framework of Directive 2013/34/EU. In its resolution on sustainable corporate governance of 17 December 2020<sup>19</sup>, the European Parliament welcomed the Commission's commitment to review Directive 2013/34/EU and expressed the need to set up a comprehensive Union framework on non-financial reporting that contains</p>	

<sup>16</sup> Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019, p. 1).

<sup>17</sup> Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5.12.2019, p. 64).

<sup>18</sup> 2018/2007(INI).

<sup>19</sup> A9-0240/2020 (INI).

<p>mandatory Union non-financial reporting standards. The European Parliament called for the expansion of the scope of the reporting requirements to additional categories of undertakings and for the introduction of an audit requirement.</p>	
<p>(5) On 25 September 2015, the UN General Assembly adopted a new global sustainable development framework: the 2030 Agenda for Sustainable Development (the ‘2030 Agenda’). The 2030 Agenda has at its core the Sustainable Development Goals and covers the three dimensions of sustainability: economic, social and environmental. The Commission communication of 22 November 2016 on the next steps for a sustainable European future linked the Sustainable Development Goals to the Union policy framework to ensure that all Union actions and policy initiatives, both in and beyond the Union, take those goals on board at the outset.<sup>20</sup> In its conclusions of 20 June 2017, the Council confirmed the commitment of the Union and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner, in close cooperation with partners and other stakeholders.<sup>21</sup></p>	
<p>(6) Directive 2014/95/EU of the European Parliament and the Council<sup>22</sup> amended Directive 2013/34/EU as regards disclosure of non-financial information by certain large undertakings and groups. Directive 2014/95/EU introduced a requirement on undertakings to report information on, as a minimum, environmental, social and employee matters, respect for human rights, and anti-corruption and bribery matters. With regard to these topics, Directive 2014/95/EU required undertakings to disclose information under the following reporting areas: business</p>	

<sup>20</sup> COM(2016) 739 final

<sup>21</sup> Council conclusions “A sustainable European future: The EU response to the 2030 Agenda for Sustainable Development”, 20 June 2017.

<sup>22</sup> Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1).

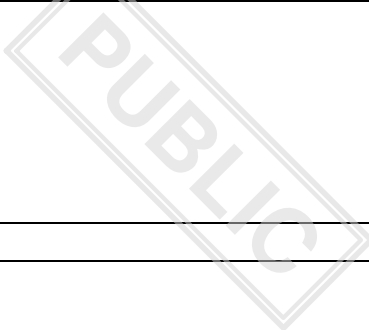
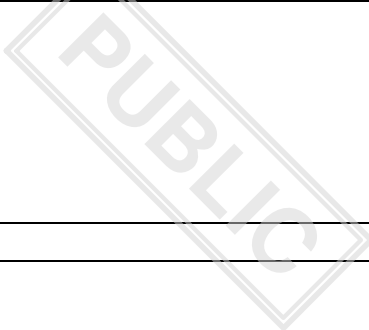
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<p>model, policies (including due diligence processes implemented), the outcome of the policies, risks and risk management, and key performance indicators relevant to the business.</p>	
<p>(7) Many stakeholders consider the term ‘non-financial’ to be inaccurate, in particular because it implies that the information in question has no financial relevance. Increasingly, however, the information in question does have financial relevance. Many organisations, initiatives and practitioners in this field refer to ‘sustainability’ information. It is therefore preferable to use the term ‘sustainability information’ in place of ‘non-financial information’. Directive 2013/34/EU should therefore be amended to take account of this change in terminology.</p>	
<p>(8) The ultimate beneficiaries of better sustainability reporting by undertakings are individual citizens and savers. Savers who want to invest sustainably will have the opportunity to do so, while all citizens should benefit from a stable, sustainable and inclusive economic system. To realise these benefits, the sustainability information disclosed in undertaking’s annual reports first has to reach two primary groups (‘users’). The first group of users consists of investors, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose to their investments and the impacts of those investments on people and the environment. The second group of users consists of organisations, including non-governmental organisations and social partners, that wish to better hold undertakings to account for their impacts on people and the environment. Other stakeholders may also make use of sustainability information disclosed in annual reports. The business partners of undertakings, including customers, may rely on this information to understand, and where necessary report on, the sustainability risks and impacts through their own value chains. Policy makers and environmental agencies may use such information, in particular on an aggregate basis, to monitor environmental and social trends, to contribute to environmental accounts, and to inform public</p>	



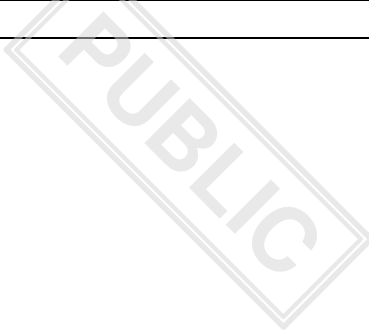
<p>policy. Few individual citizens and consumers directly consult undertaking's reports, but they may use such information indirectly such as when considering the advice or opinions of financial advisers or non-governmental organisations. Many investors and asset managers purchase sustainability information from third party data providers, who collect information from various sources, including public corporate reports.</p>	<p style="text-align: center; opacity: 0.5; font-size: 48px; transform: rotate(-45deg);">PUBLIC</p>
<p>(9) There has been a very significant increase in demand for corporate sustainability information in recent years, especially on the part of the investment community. That increase in demand is driven by the changing nature of risks to undertakings and growing investor awareness of the financial implications of these risks. That is especially the case for climate-related financial risks. Awareness of the risks to undertakings and to investments resulting from other environmental issues and from social issues, including health issues, is also growing. The increase in demand for sustainability information is also driven by the growth in investment products that explicitly seek to meet certain sustainability standards or achieve certain sustainability objectives. Part of that increase is the logical consequence of previously adopted Union legislation, notably Regulation (EU) 2019/2088 and Regulation (EU) 2020/852. Some of the increase would have happened in any case, due to fast-changing citizen awareness, consumer preferences and market practices. The COVID-19 pandemic will further accelerate the increase in users' information needs, in particular as it has exposed the vulnerabilities of workers and of undertaking's value chains. Information on environmental impacts is also relevant in the context of mitigating future pandemics with human disturbance of ecosystems increasingly linked to the occurrence and spread of diseases.</p>	<p>NL (Drafting):</p> <p>(9) There has been a very significant increase in demand for corporate sustainability information in recent years, especially on the part of the investment community. That increase in demand is driven by the changing nature of risks to undertakings and growing investor awareness of the financial implications of these risks. That is especially the case for climate-related financial risks. Awareness of the risks to undertakings and to investments resulting from other environmental issues, such as biodiversity loss, and from social issues, including health issues, is also growing. The increase in demand for sustainability information is also driven by the growth in investment products that explicitly seek to meet certain sustainability standards or achieve certain sustainability objectives. Part of that increase is the logical consequence of previously adopted Union legislation, notably Regulation (EU) 2019/2088 and Regulation (EU) 2020/852. Some of the increase would have happened in any case, due to fast-changing citizen awareness, consumer preferences and market practices. The COVID-19 pandemic will further accelerate the increase in users' information needs, in particular as it has exposed the vulnerabilities of workers and of undertaking's value chains. Information on environmental impacts is also relevant in the context of mitigating future pandemics with human disturbance of ecosystems increasingly linked to the occurrence and spread of diseases.</p> <p>NL</p>

	<p>(Comments):</p> <p><b>Biodiversity loss should be explicitly mentioned as a risk to undertakings and to investments resulting from environmental issues.</b></p>
<p>(10) Undertakings themselves stand to benefit from carrying out high quality reporting on sustainability matters. The growth in the number of investment products that aim to pursue sustainability objectives means that good sustainability reporting can enhance an undertaking’s access to financial capital. Sustainability reporting can help undertakings to identify and manage their own risks and opportunities related to sustainability matters. It can provide a basis for better dialogue and communication between undertakings and their stakeholders, and can help undertakings to improve their reputation.</p>	<p>DK</p> <p>(Drafting):</p> <p>Undertakings themselves stand to benefit from carrying out high quality reporting on sustainability matters. The growth in the number of investment products that aim to pursue sustainability objectives means that good sustainability reporting can enhance an undertaking’s access to financial capital. Sustainability reporting can help undertakings to identify and manage their own risks and opportunities related to sustainability matters. It can provide a basis for better dialogue and communication between undertakings and their stakeholders, and can help undertakings to improve their reputation. <b><i>Moreover, a consistent basis for sustainability reporting by undertakings in the form of reporting standards should provide for the relevant and sufficient information and thus significantly decrease ad hoc requests for information.</i></b></p> <p>DK</p> <p>(Comments):</p> <p>We propose to emphasise that one of the goals of the CSRD proposal is to set out a relevant and comprehensive standard of information to be provided from undertakings subject to this proposal and thus reduce the number of demands companies receive from specific users of the annual report for sustainability information in addition to the information they publish in their annual report.</p>
<p>(11) The report on the review clause of the Non-Financial Reporting Directive (Directive 2014/95/EU), and its accompanying fitness check on corporate reporting, identified problems as to the effectiveness of that</p>	

<p>Directive<sup>23</sup>. There is significant evidence that many undertakings do not disclose material information on all major sustainability-related topics. The report also identified as significant problems the limited comparability and reliability of sustainability information. Additionally, many undertakings from which users need sustainability information are not obliged to report such information.</p>	
<p>(12) In the absence of policy action, the gap between users' information needs and the sustainability information reported by undertakings is expected to grow. This gap has significant negative consequences. Investors are unable to take sufficient account of sustainability-related risks and opportunities in their investment decisions. The aggregation of multiple investment decisions that do not take adequate account of sustainability-related risks has the potential to create systemic risks that threaten financial stability. The European Central Bank and international organisations such as the Financial Stability Board have drawn attention to those systemic risks, in particular in the case of climate. Investors are also less able to channel financial resources to undertakings and economic activities that address and do not exacerbate social and environmental problems, which undermines the objectives of the European Green Deal and the Action Plan on Financing Sustainable Growth. Non-governmental organisations, social partners, communities affected by undertakings' activities, and other stakeholders are less able to hold undertakings accountable for their impacts on people and the environment. This creates an accountability deficit, and may contribute to lower levels of citizen trust in businesses, which in turn may have negative impacts on the efficient functioning of the social market economy. The lack of generally accepted metrics and methods for measuring, valuing, and managing sustainability-related risks is also an obstacle to the efforts of undertakings to ensure that their business models and activities are sustainable.</p>	

<sup>23</sup> Publication office: please insert reference to Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the review clauses in Directives 2013/34/EU, 2014/95/EU, and 2013/50/EU, and accompanying SWD- Fitness Check.

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<p>(13) The report on the review clause of Directive 2014/95/EU, and its accompanying fitness check on corporate reporting, also recognised a significant increase in information requests for information about sustainability matters to undertakings in an attempt to address the existing information gap. In addition, ongoing expectations on undertakings to use a variety of different frameworks and standards are likely to continue and may even intensify as the value placed on sustainability information continues to grow. In the absence of policy action to build consensus on the information that undertakings should report, there will be significant increases in costs and burden for reporting undertakings and for users of such information.</p>	
<p>(14) The growing gap between users' information needs and the current reporting practices of undertakings makes it more likely that individual Member States will introduce increasingly divergent national rules or standards. Different reporting requirements in different Member States would create additional costs and complexity for undertakings operating across borders and therefore undermine the single market, and would undermine the right of establishment and the free movement of capital across the Union. Those different reporting requirements also make reported information less comparable across borders, undermining the capital markets union.</p>	
<p>(15) Articles 19a and 29a of Directive 2013/34/EU apply to large undertakings that are public-interest entities with an average number of employees in excess of 500, and to public-interest entities that are parent undertakings of a large group with an average number of employees in excess of 500 on a consolidated basis, respectively. In view of the growth of users' needs for sustainability information, additional categories of undertakings should be required to report such information. It is therefore appropriate to require all large undertakings and all undertakings listed on regulated markets, except micro undertakings, to report detailed</p>	<p>CZ (Comments): Public-interest entities should not be treated as large undertakings for the purposes of the reporting obligations of Articles 19a and 29a. It is a question if that wording shouldn't be directly in the text. PL</p>

<p>sustainability information. <b><u>Articles 19a and 29a explicitly set out the scope of the reporting requirements with reference to Articles 2 and 3 of Directive 2013/34/EU. Therefore, Articles 19a and 29a do not ‘simplify’ or ‘modify’ another requirement and the restriction of exemptions for public-interest entities in Article 40 of Directive 2013/34/EU does not apply. Public-interest entities should not be treated as large undertakings for the purposes of the reporting obligations of Articles 19a and 29a.</u></b> In addition, all undertakings that are parent undertakings of large groups should prepare sustainability reporting at group level.</p>	<p>(Drafting):</p> <p>(15) Articles 19a and 29a of Directive 2013/34/EU apply to large undertakings that are public-interest entities with an average number of employees in excess of 500, and to public-interest entities that are parent undertakings of a large group with an average number of employees in excess of 500 on a consolidated basis, respectively. In view of the growth of users’ needs for sustainability information, additional categories of undertakings should be required to report such information. It is therefore appropriate to require all large undertakings and all undertakings listed on regulated markets, except micro undertakings, to report detailed sustainability information. <b><u>Articles 19a and 29a explicitly set out the scope of the reporting requirements with reference to Articles 2 and 3 of Directive 2013/34/EU. Therefore, Articles 19a and 29a do not ‘simplify’ or ‘modify’ another requirement and the restriction of exemptions for public-interest entities in Article 40 of Directive 2013/34/EU does not apply. Public-interest entities should not be treated as large undertakings regardless of their factual size for the purposes of the reporting obligations of Articles 19a.</u></b> In addition, all undertakings that are parent undertakings of large groups should prepare sustainability reporting at group level.</p> <p>PL</p> <p>(Comments):</p> <p>PL – it is useful to clarify that all PIEs are allowed to use the size criteria set out in the Article 3 of the Accounting Directive irrespective of Article 40. The words “regardless of their factual size” are needed, otherwise none PIE would be treated as a large one.</p> <p>The reference to Article 29a is inappropriate because in the case of large group the size of its parent undertaking is irrelevant.</p>
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DK

(Drafting):

*(15a) The Accounting Directive applies three possible criteria to determine whether an undertaking is considered to be a “large undertaking”, which are the balance sheet total, net turnover and average number of employees during the financial year. Where the number of employees is straight forward to calculate regardless of the type of undertaking, the criterion of net turnover is not subject to a uniform definition nor is the balance sheet total of financial undertakings comparable to the balance sheet total of non-financial undertakings. Firstly, all financial undertakings are subject to mandatory capital requirements that contribute to increases in the balance sheet compared to non-financial undertakings. Secondly, the business models of credit institutions and insurance undertakings require them to hold financial instruments or large sums on behalf of their clients, thus resulting in these undertakings having large balance sheets. For example a bank has bank deposits for its clients or a life insurance company has large savings for its clients that are to be paid out at a later date. Thirdly, there is no uniform definition of net turnover and it is not an indicator that is commonly used among the credit institutions or insurance undertakings.*

*Applying these two criteria without consideration of the nature of the undertaking as financial versus non-financial undertaking would therefore not provide a true basis for comparison nor would it facilitate a level playing field between the undertakings subject to the same reporting obligations.*

DK

(Comments):

Reverting to using existing criteria of turnover or balance sheet as set out as criteria for “large undertakings” in Article 3 of the Accounting

Directive to identify the relevant undertakings subject to reporting on sustainability poses a challenge for jurisdictions such as Denmark where we have not yet applied them to the financial undertakings. Current implementation of Article 19a of the NFRD is based on identification of the public-interest companies as set out in Article 2(1) of the Accounting Directive combined with the criterion of exceeding on their balance sheet an average number of 500 employees during the financial year. Thus, the challenge concerns the criteria of balance sheet and net turnover respectively.

With regard to the balance sheet total we wish to highlight the following. The balance sheet for a financial undertaking is rarely comparable to the balance sheet of a non-financial company, as the balance sheet. Firstly, it is subject to mandatory capital requirements across the board that contribute to increasing the balance sheet total in a manner that is not equal for non-financial companies. Secondly, it contains financial instruments, which the issuers keep on behalf of its clients. The balance sheet of a bank contains the bank deposit of its clients and for a life insurance company the balance sheet contains the savings of its clients, to be paid out at a later time. Similarly, net turnover poses challenges for financial companies as a definition of turnover is not available, making it difficult to apply this criterion.

Therefore, using these criteria in light of the business models for the financial undertakings would result in a range of SME financial entities being included in the larger scope thus creating an unlevel playing field and disproportionate burdens on these undertakings.


While having considered possible alternatives it is our view that the only viable criterion would be the average number of employees during the financial year. Focusing on the criteria of average number of employees, we ensure that financial and non-financial undertakings as well as financial undertakings as a whole would be treated equally.

Our preliminary estimates based on already available data show that applying the sole criterion of average number of employees would not be


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	detrimental to the intended wider scope of the proposal, including the financial undertakings as the threshold for employees is significantly lowered compared to the requirement of the NFRD (500 employees).
(16) The requirement that also large non-listed undertakings should disclose information on sustainability matters is mainly driven by concerns about the impacts and accountability of such undertakings, including through their value chain. In this respect, all large undertakings should be subject to the same requirements to report sustainability information publicly. In addition, financial market participants also need information from those large non-listed undertakings.	
(17) The requirement that undertakings not established in the Union but with securities listed on regulated markets should also disclose information on sustainability matters responds to the needs of financial market participants for information from such undertakings in order to understand the risks and impacts of their investments, and to comply with the disclosure requirements laid down in Regulation (EU) 2019/2088.	
(18) Considering the growing relevance of sustainability-related risks and taking into account that small and medium-sized enterprises (SMEs) listed on regulated markets comprise a significant proportion of all listed undertakings in the Union, in order to ensure investor protection it is appropriate to require that also those SMEs disclose information on sustainability matters. The introduction of this requirement will help to ensure that financial market participants can include smaller listed undertakings in investment portfolios on the basis that they report the sustainability information that financial market participants need. It will therefore help to protect and enhance the access of smaller listed undertakings to financial capital, and avoid discrimination against such undertakings on the part of financial market participants. The introduction of this requirement is also necessary to ensure that financial market participants have the information they need from investee undertakings to be able to comply with their own sustainability disclosure requirements	



<p>laid down in Regulation (EU) 2019/2088. SMEs listed on regulated markets should, however, be provided with sufficient time to prepare for the application of the requirement to report sustainability information, due to their smaller size and more limited resources, and taking account of the difficult economic circumstances created by the COVID-19 pandemic. They should also be given the possibility to report according to standards that are proportionate to the capacities and resources of SMEs. Non-listed SMEs can also choose to use these proportionate standards on a voluntary basis. The SME standards will set a reference for undertakings that are within the scope of the Directive regarding the level of sustainability information that they could reasonably request from SME suppliers and clients in their value chains.</p>	
<p>(19) Directive 2004/109/EC of the European Parliament and of the Council<sup>24</sup> applies to all undertakings with securities listed on regulated markets. In order to ensure that all undertakings with securities listed on regulated markets, including third country issuers, fall under the same sustainability reporting requirements, Directive 2004/109/EC should contain the necessary cross-references to any requirement on sustainability reporting in the annual financial report.</p>	
<p>(20) Article 23(4), first subparagraph, point (i), and Article 23(4), fourth subparagraph of Directive 2004/109/EC empower the Commission to adopt measures to set up a mechanism for the determination of equivalence of information required under the Directive, and for the establishment of general equivalence criteria regarding accounting standards, respectively. Article 23(4), third subparagraph, of Directive 2004/109/EC also empowers the Commission to take the necessary decisions on the equivalence of accounting standards that are used by</p>	

<sup>24</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).

<p>third-country issuers. In order to reflect the inclusion of the sustainability requirements in Directive 2004/109/EC, the Commission should be empowered to establish a mechanism for the determination of equivalence of sustainability reporting standards applied by third-country issuers of securities, <b><u>similar to existing Commission Regulation (EC) No 1569/2007<sup>25</sup> which sets out the criteria for the determination of equivalence of accounting standards applied by third country issuers.</u></b> For the same reason, the Commission should also be empowered to take the necessary decisions on the equivalence of sustainability reporting standards that are used by third country issuers: <b><u>country issuers. The competent authority of the home Member State of a third country issuer may consider that the third country issuer is compliant with the EU sustainability reporting obligations if it reports according to equivalent sustainability reporting standards.</u></b> Those amendments will ensure consistent equivalence regimes for sustainability reporting obligations and for financial reporting obligations regarding the annual financial report.</p>	
<p>(21) <del>Articles 19a(3) and 29a(3) of Directive 2013/34/EU currently exempt all subsidiary undertakings from the obligation to report non-financial information where such undertakings and their subsidiary undertakings are included in the consolidated management report of their parent undertaking, provided this includes the required non-financial information. It is necessary, however to ensure that sustainability information is easily accessible for users, and to bring transparency about which is the parent undertaking of the exempted subsidiary undertaking which is reporting at consolidated level. It is therefore necessary to require those subsidiary undertakings to publish the consolidated management report of their parent undertaking and to include a reference in their</del></p>	<p>CZ (Comments): <b><u>non-financial information reported according to EU requirements</u></b> Is it really non-financial information? Shouldn't be there "sustainability information" reported according to EU requirements? PL (Drafting): (21) Articles 19a(3) and 29a(3) of Directive 2013/34/EU currently</p>

<sup>25</sup> Commission Regulation (EC) No 1569/2007 of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council (OJ L 340, 22.12.2007, p. 66).

<p><del>management report to the fact that they are exempted from reporting sustainability information.</del> <b><u>non-financial information reported according to EU requirements.</u></b> That exemption should also apply where the parent undertaking reporting at consolidated level is a third country undertaking reporting sustainability information in accordance with the requirements of this Directive or in a manner equivalent to EU sustainability reporting standards <b><u>equivalent sustainability reporting standards.</u></b> <b><u>Given that Directive 2004/109/EC would foresee appropriate mechanisms to determine the equivalence of sustainability reporting standards, and given that both undertakings with and without securities listed on regulated markets should be required to report according to the same sustainability reporting standards, the implementing measures adopted pursuant to Article 23(4), point (i), and Article 23(4), fourth subparagraph of Directive 2004/109/EC establishing a mechanism for the determination of equivalence of standards should be put to use for determining the exemption of subsidiary undertakings of non-EU parent undertakings under the regime of Directive 2013/34/EU. In this sense, the subsidiary undertaking should be exempted when consolidated sustainability reporting is drawn up in a manner equivalent to European sustainability reporting standards, determined in accordance with the relevant implementing measures adopted pursuant to Article 23(4), point (i), and Article 23(4), fourth subparagraph of Directive 2004/109/EC.</u></b></p>	<p>exempt all subsidiary undertakings from the obligation to report non-financial information where such undertakings and their subsidiary undertakings are included in the consolidated management report of their parent undertaking, provided this includes <del>the required non-financial information.</del> It is necessary, however to ensure that sustainability information is easily accessible for users, and to bring transparency about which is the parent undertaking of the exempted subsidiary undertaking which is reporting at consolidated level. It is therefore necessary to require those subsidiary undertakings to publish the consolidated management report of their parent undertaking and to include a reference in their management report to the fact that they are exempted from reporting sustainability information. <b><u>non-financial information reported according to EU requirements.</u></b> That exemption should also apply where the parent undertaking reporting at consolidated level is a third country undertaking reporting sustainability information in accordance with the requirements of this Directive or in a manner equivalent to EU sustainability reporting standards <b><u>equivalent sustainability reporting standards.</u></b> <b><u>Given that Directive 2004/109/EC would foresee appropriate mechanisms to determine the equivalence of sustainability reporting standards, and given that both undertakings with and without securities listed on regulated markets should be required to report according to the same sustainability reporting standards, the implementing measures adopted pursuant to Article 23(4), first subparagraph, point (i), and Article 23(4), fourth subparagraph of Directive 2004/109/EC establishing a mechanism for the determination of equivalence of standards should be put to use for determining the exemption of subsidiary undertakings of non-EU parent undertakings under the regime of Directive 2013/34/EU. In this sense, the subsidiary undertaking should be exempted when consolidated sustainability reporting is drawn up in a manner equivalent to European sustainability reporting standards, determined in accordance with the relevant implementing measures adopted pursuant to Article 23(4), first subparagraph, point (i), and</u></b></p>
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	<p><b><u>Article 23(4), fourth subparagraph of Directive 2004/109/EC.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL – please refer to our comment on the implementing measures in the corresponding Article 19a(7) first subparagraph.</p>
<p><b><u>(21)a It is necessary to ensure that sustainability information is easily accessible for users, and to bring transparency about which is the parent undertaking of the exempted subsidiary undertaking which is reporting at consolidated level. It is therefore necessary to require those subsidiary undertakings of EU parent undertakings to include in their management report the name of the parent undertaking, the web links to the consolidated management report of the parent undertaking and to the assurance opinion on sustainability reporting, and the fact that the undertaking is exempted from sustainability reporting obligations. However, in order to ensure the usability of the information, it is necessary to allow Member States to require the publication of the consolidated management report and the opinion on sustainability reporting, in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted subsidiary undertaking is governed, at the choice of the exempted subsidiary, and that any necessary translation into those languages is certified. Subsidiary undertakings of non-EU parent undertakings should publish the consolidated management report and the assurance opinion on sustainability reporting, in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted subsidiary is governed, at the choice of the exempted subsidiary, to ensure that the relevant sustainability information meets the publication requirements in the EU, ensuring the digital access to this information.</u></b></p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p><b><u>(21)a It is necessary to ensure that sustainability information is easily accessible for users, and to bring transparency about which is the parent undertaking of the exempted subsidiary undertaking which is reporting at consolidated level. It is therefore necessary to require those subsidiary undertakings of EU parent undertakings to include in their management report the name of the parent undertaking, the web links to the consolidated management report of the parent undertaking and to the assurance opinion on sustainability reporting, and the fact that the undertaking is exempted from sustainability reporting obligations. However, in order to ensure the usability of the information, it is necessary to allow Member States to require the publication of the consolidated management report and the opinion on sustainability reporting, in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted subsidiary undertaking is governed, , and that any necessary translation into those languages is certified. Subsidiary undertakings of non-EU parent undertakings should publish the consolidated management report and the assurance opinion on sustainability reporting, in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted subsidiary is</u></b></p>

**governed, to ensure that the relevant sustainability information meets the publication requirements in the EU, ensuring the digital access to this information.**

SK

(Comments):

SK

We believe that the choice should be up to the Member State and not for the exempted undertaking.

CZ

(Drafting):

**at the choice of the exempted subsidiary**

CZ

(Comments):

We think that MS not subsidiary undertaking should choice the language in which the consolidated management report should be publish

PL

(Drafting):

**(21)a It is necessary to ensure that sustainability information is easily accessible for users, and to bring transparency about which is the parent undertaking of the exempted subsidiary undertaking which is reporting at consolidated level. It is therefore necessary to require those subsidiary undertakings of EU parent undertakings to include in their management report the name of the parent undertaking, the web links to the consolidated management report of the parent undertaking and to the assurance opinion on sustainability reporting, and the fact that the undertaking is exempted from sustainability reporting obligations. However, in order to ensure the**

	<p><b><u>usability of the information, it is necessary to allow Member States to require the publication of the consolidated management report and the opinion on sustainability reporting, in a language accepted by the Member State by law of which the exempted subsidiary undertaking is governed, , and that any necessary translation into this language is certified. Subsidiary undertakings of non-EU parent undertakings should publish the consolidated management report and the assurance opinion on sustainability reporting, in a language accepted by the Member State by law of which the exempted subsidiary is governed,, to ensure that the relevant sustainability information meets the publication requirements in the EU, ensuring the digital access to this information.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL – please refer to our comment in the corresponding Article 19a(7) third and fifth subparagraph.</p>
<p>(22) Article 23 of Directive 2013/34/EU exempts parent undertakings from the obligation to prepare consolidated financial statements and a consolidated management report where those undertakings are subsidiaries of another parent undertaking that complies with that obligation. It should be specified, however, that the exemption regime for consolidated financial statements and consolidated management reports operates independently from the exemption regime for consolidated sustainability reporting. An undertaking can therefore be exempted from consolidated financial reporting obligations but not exempted from consolidated sustainability reporting obligations where its ultimate parent prepares consolidated financial statements and consolidated management reports in accordance with Union law, or in accordance with equivalent requirements if the undertaking is established in a third country, but does not prepare consolidated sustainability reporting in accordance with EU law, or in accordance with equivalent requirements if the undertaking is</p>	

established in a third country.	
<p>(23) Credit institutions and insurance undertakings play a key role in the transition towards a fully sustainable and inclusive economic and financial system in line with the European Green Deal. They can have significant positive and negative impacts via their lending, investment and underwriting activities. Credit institutions and insurance undertakings other than those that are required to comply with Directive 2013/34/EU, including cooperatives and mutual undertakings, should therefore be subject to sustainability reporting requirements provided that they meet certain size criteria. Users of that information would thus be enabled to assess both the impacts of these undertakings on society and the environment and the risks arising from sustainability matters that these undertakings could face. To ensure coherence with the reporting requirements of Council Directive 86/635/EEC<sup>26</sup> on the annual accounts and consolidated accounts of banks and other financial institutions, sustainability reporting Member States may choose not to apply sustainability reporting requirements to credit institutions listed in Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council<sup>27</sup>.</p>	<p>PL</p> <p>(Drafting):</p> <p>(23) Credit institutions and insurance undertakings play a key role in the transition towards a fully sustainable and inclusive economic and financial system in line with the European Green Deal. They can have significant positive and negative impacts via their lending, investment and underwriting activities. Credit institutions and insurance undertakings other than those that are required to comply with Directive 2013/34/EU, including cooperatives and mutual undertakings, should therefore be subject to sustainability reporting requirements provided that they meet certain size criteria. Users of that information would thus be enabled to assess both the impacts of these undertakings on society and the environment and the risks arising from sustainability matters that these undertakings could face. To ensure coherence with the reporting requirements of Council Directive 86/635/EEC<sup>28</sup> on the annual accounts and consolidated accounts of banks and other financial institutions, Member States may choose not to apply sustainability reporting requirements to credit institutions listed in Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council<sup>29</sup>.</p>

<sup>26</sup> Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).

<sup>27</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

<sup>28</sup> Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).


<sup>29</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

MS Comments on doc. 14268/21 (**Recitals** of 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) - (178 rows)

	<p>PL (Comments): Editorial change</p>
<p>(24) 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. That list should also correspond to the needs and expectations of users and undertakings themselves, who often use the terms ‘environmental’, ‘social’ and ‘governance’ as a means to categorise the three main sustainability matters. The list of sustainability factors laid down in Regulation (EU) 2019/2088 does not explicitly include governance matters. The definition of sustainability matters in Directive 2013/34/EU should therefore be based on the definition of ‘sustainability factors’ laid down in Regulation (EU) 2019/2088, but with the addition of governance matters.</p>	<p>PL (Drafting): 24) 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. That list should also correspond to the needs and expectations of users and undertakings themselves, who often use the terms ‘environmental’, ‘social’ and ‘governance’ as a means to categorise the three main sustainability matters. The list of sustainability factors laid down in Regulation (EU) 2019/2088 does not explicitly include governance matters. The definition of sustainability matters in Directive 2013/34/EU should therefore be based on the general notion of environmental, social and human rights, and governance factors, including the definition of ‘sustainability factors’ laid down in Regulation (EU) 2019/2088.  PL (Comments): PL suggests alignment with the improved modified definition of “sustainability matters”.</p>
<p>(25) Articles 19a and 29a of Directive 2013/34/EU require reporting not only on information ‘to the extent necessary for an understanding of the undertaking's development, performance, position’, but also on information necessary for an understanding of the impact of the undertaking’s activities on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. Those</p>	<p>DK (Drafting): (25) Articles 19a and 29a of Directive 2013/34/EU require reporting not only on information ‘to the extent necessary for an understanding of the undertaking's development, performance, position’, but also on</p>



<p>articles therefore require undertakings to report both on how various sustainability matters affect the undertaking, and on the impacts of the activities of the undertaking on people and the environment. That is referred to as the double-materiality perspective, in which the risks to the undertaking and the impacts of the undertaking each represent one materiality perspective. The fitness check on corporate reporting shows that those two perspectives are often not well understood or applied. It is therefore necessary to clarify that undertakings should consider each materiality perspective in its own right, and should disclose information that is material from both perspectives as well as information that is material from only one perspective.</p>	<p>information necessary for an understanding of the impact of the undertaking’s activities on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. Those articles therefore require undertakings to report both on how <b><i>the activities of the undertaking affects people and the environment and how</i></b> various sustainability matters affect the undertaking. <del>and on the impacts of the activities of the undertaking on people and the environment.</del> That is referred to as the double-materiality perspective, in which the risks to the undertaking and the impacts of the undertaking each represent one materiality perspective. The fitness check on corporate reporting shows that those two perspectives are often not well understood or applied. It is therefore necessary to clarify that undertakings should consider each materiality perspective in its own right, and should disclose information that is material from both perspectives as well as information that is material from only one perspective.</p> <p>DK</p> <p>(Comments):</p> <p>To ensure alignment with the structure of Article 19a we propose mentioning the inside-out perspective firstly and the outside-in perspective secondly.</p>
<p>(26) Articles 19a(1) and 29a(1) of Directive 2013/34/EU require undertakings to disclose information about five reporting areas: business model, policies (including due diligence processes implemented), the outcome of those policies, risks and risk management, and key performance indicators relevant to the business. Article 19a(1) of Directive 2013/34/EU does not contain explicit references to other reporting areas that users of information consider relevant, some of which align with disclosures included in international frameworks, including the recommendations of the Task Force on Climate-related Financial Disclosures. Disclosure requirements should be specified in sufficient detail to ensure that undertakings report information on their resilience to</p>	

<p>risks related to sustainability matters. In addition to the reporting areas identified in Articles 19a(1) and 29a(1) of Directive 2013/34/EU, undertakings should therefore be required to disclose information about their business strategy and the resilience of the business model and strategy to risks related to sustainability matters, any plans they may have to ensure that their business model and strategy are compatible with the transition to a sustainable and climate-neutral economy; whether and how their business model and strategy take account of the interests of stakeholders; any opportunities for the undertaking arising from sustainability matters; the implementation of the aspects of the business strategy which affect, or are affected by sustainability matters; any sustainability targets set by the undertaking and the progress made towards achieving them; the role of the board and management with regard to sustainability matters; the principal actual and potential adverse impacts connected with the undertaking's activities; and how the undertaking has identified the information that they report on. Once the disclosure of elements such as targets and the progress towards achieving them is required, the separate requirement to disclose the outcomes of policies is no longer necessary.</p>	
<p>(27) To ensure consistency with international instruments such as the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, the due diligence disclosure requirements should be specified in greater detail than is the case in Article 19a(1), point (b), and Article 29a(1), point (b) of Directive 2013/34/EU. Due diligence is the process that undertakings carry out to identify, prevent, mitigate and remediate the principal actual and potential adverse impacts connected with their activities and identifies how they address those adverse impacts. Impacts connected with an undertaking's activities include impacts directly caused by the undertaking, impacts to which the undertaking contributes, and impacts which are otherwise linked to the undertaking's value chain. The due diligence process concerns the whole value chain of the undertaking</p>	<p>DK (Drafting): (27) To ensure consistency with international instruments such as the UN Guiding Principles on Business and Human Rights, <b><i>the OECD Guidelines for Multinational Enterprises</i></b>, and the OECD Due Diligence Guidance for Responsible Business Conduct, the due diligence disclosure requirements should be specified in greater detail than is the case in Article 19a(1), point (b), and Article 29a(1), point (b) of Directive 2013/34/EU. <b><i>Risk-based due diligence is a tool the process that undertakings can use to know and show that they are acting responsibly. The due diligence process is a risk management approach, and it concerns the whole value chain of the undertaking including its own</i></b></p>

<p>including its own operations, its products and services, its business relationships and its supply chains. In alignment with the UN Guiding Principles on Business and Human Rights, an actual or potential adverse impact is to be considered principal where it measures among the greatest impacts connected with the undertaking's activities based on: the gravity of the impact on people or the environment; the number of individuals that are or could be affected, or the scale of damage to the environment; and the ease with which the harm could be remediated, restoring the environment or affected people to their prior state.</p>	<p><i>operations, its products and services, its business relationships and its supply chains. A due diligence approach is dynamic and evolves based on changes in potential and actual impacts. Responsible business conduct (RBC) and risk-based due diligence should be 1) embedded into an enterprise's policies and management systems, which include implementation beyond isolated units. Organizational embeddedness creates the foundation for effective due diligence and enables undertakings to continuously conduct broad scoping exercises of risks to 2) identify actual or potential adverse impacts in order to 3) cease, prevent or mitigate the identified impacts. In alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, an undertaking can choose to prioritize its due diligence processes on the undertaking's principal actual or potential adverse impacts if relevant. An undertaking's actual or potential adverse impacts are to be considered principal where it measures among the greatest impacts connected with the undertaking's activities based on: the gravity of the impact on people, the environment, or society; the number of individuals that are or could be affected, or the scale of damage to the environment; and the ease with which the harm could be remediated, restoring the environment or affected people to their prior state. To ensure effectiveness, undertakings should 4) track and monitor the process e.g. follow up with suppliers to ensure compliance with expectations of RBC. As a result, undertakings can monitor the effectiveness of their due diligence over time and enable adjustments that address identified shortcomings. Ultimately, initiatives, results and challenges should be 5) communicated publicly and if necessary, directly with affected stakeholders. Impacts connected with an undertaking's activities include impacts directly caused by the undertaking, impacts to which the undertaking contributes, and impacts which are otherwise linked to the undertaking's value chain. The due diligence process concerns the whole value chain of the undertaking including its own operations, its products and services, its business relationships and its supply chains. When undertakings have caused or</i></p>
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	<p><i>contributed to adverse impacts, they are expected to 6) remediate those impacts. Remedy can take various forms and the process for providing remediation is flexible. However, the affected party should be part of determining the appropriate remedy.</i> carry out to identify, prevent, mitigate and remediate the principal actual and potential adverse impacts connected with their activities and identifies how they address those adverse impacts. Impacts connected with an undertaking's activities include impacts directly caused by the undertaking, impacts to which the undertaking contributes, and impacts which are otherwise linked to the undertaking's value chain. The due diligence process concerns the whole value chain of the undertaking including its own operations, its products and services, its business relationships and its supply chains. In alignment with the UN Guiding Principles on Business and Human Rights, an actual or potential adverse impact is to be considered principal where it measures among the greatest impacts connected with the undertaking's activities based on: the gravity of the impact on people or the environment; the number of individuals that are or could be affected, or the scale of damage to the environment; and the ease with which the harm could be remediated, restoring the environment or affected people to their prior state.</p> <p>DK</p> <p>(Comments):</p> <p>We have added risk based due diligence to differentiate between transactional due diligence. We have also added a reference to the OECD guidelines and definition of risk based due diligence to make it clear what a due diligence process involves.</p> <p>It is not only the primary adverse impacts that should be identified. When possible, impacts are identified, the undertaking can prioritize if necessary and begin dealing with the most severe risks.</p>
(28) Directive 2013/34/EU does not require the disclosure of information on intangibles other than intangible assets recognised in the	LV

balance sheet. It is widely recognised that information on intangible assets and other intangible factors, including internally-generated intangibles, is underreported, impeding the proper assessment of an undertaking's development, performance and position and monitoring of investments. To enable investors to better understand the increasing gap between the accounting book value of many undertakings and their market valuation, which is observed in many sectors of the economy, adequate reporting on intangibles should be required. **Some of this information is closely linked to sustainability reporting.** It is therefore necessary to require undertakings to disclose information on ~~intangibles other than~~ intangible assets **resources related to sustainability matters alongside their sustainability reporting. This category of information normally includes information about employees' skills, competencies, experience, loyalty to the undertaking and motivation for improving processes, goods and services, commonly named 'human capital' by recognised international frameworks such as the IIRC and the WICI** in the balance sheet ~~its Intangibles Reporting Framework Consultation Draft; and information about the quality of the relationships between the undertaking and its stakeholders, including intellectual capital, human capital, including skills development, and customers, suppliers and communities affected by the activities of the undertaking, commonly named 'social and relationship capital, including reputation capital. Information on intangibles should also include information related to research and development.~~ **capital' by such frameworks**

(Comments):

#### Latvia

In our view, the wording of the compromise text on the proposal for a directive on information on key intangible assets/factors is a step in the right direction, but it needs a broader scope with information that clearly distinguishes between intangible asset information in financial statements and intangible resources/factors which should be included in the sustainability report and should not be misinterpreted.

NL

(Drafting):

(28) Directive 2013/34/EU does not require the disclosure of information on intangibles other than intangible assets recognised in the balance sheet. It is widely recognised that information on intangible assets and other intangible factors, including internally-generated intangibles, is underreported, impeding the proper assessment of an undertaking's development, performance and position and monitoring of investments. To enable investors to better understand the increasing gap between the accounting book value of many undertakings and their market valuation, which is observed in many sectors of the economy, adequate reporting on intangibles should be required. **Some of this information is closely linked to sustainability reporting.** It is therefore necessary to require undertakings to disclose information on ~~intangibles other than~~ intangible assets **resources related to sustainability matters alongside their sustainability reporting. This category of information normally includes information about employees' skills, competencies, experience, loyalty to the undertaking and motivation for improving processes, goods and services, commonly named 'human capital' by recognised international frameworks such as the IIRC and the WICI** in the balance sheet ~~its Intangibles Reporting Framework Consultation Draft; and information about the quality of the relationships between the undertaking and its stakeholders, including intellectual capital, human capital, including skills development, and customers, suppliers~~

**and communities affected by the activities of the undertaking, commonly named 'social and relationship capital, including reputation capital. Information on intangibles should also include information related to research and development. capital' by such frameworks**

NL

(Comments):

The Netherlands would like to present a scrutiny reservation to the new definition of key intangible resources in the compromise text (please be referred to our text proposal and explanation under Article 2 point (19) and Article 19a/29a paragraph 2).

PT

(Drafting):

(28) Directive 2013/34/EU does not require the disclosure of information on intangibles other than intangible assets recognised in the balance sheet. It is widely recognised that information on intangible assets and other intangible factors, including internally-generated intangibles, is underreported, impeding the proper assessment of an undertaking's development, performance and position and monitoring of investments. To enable investors to better understand the increasing gap between the accounting book value of many undertakings and their market valuation, which is observed in many sectors of the economy, adequate reporting on intangibles should be required. **Some of this information is closely linked to sustainability reporting.** It is therefore necessary to require undertakings to disclose information on ~~intangibles other than intangible assets~~ **resources related to sustainability matters, other than intangible assets, alongside their sustainability reporting. This category of information normally includes information about employees' skills, competencies, experience, loyalty to the undertaking and motivation for improving processes, goods and services, commonly named 'human capital' by recognised international frameworks such as the IIRC and the WICI** in the

~~balance sheet~~ **its Intangibles Reporting Framework Consultation Draft; and information about the quality of the relationships between the undertaking and its stakeholders**, including intellectual capital, human capital, including skills development, and **customers, suppliers and communities affected by the activities of the undertaking, commonly named** 'social and relationship capital, including reputation capital. Information on intangibles should also include information related to research and development. **capital' by such frameworks**

PT

(Comments):

**PT:**

We tend to favour an initially more flexible and narrative approach to the reporting of sustainability related information on intangibles relevant to investors. This approach is important not only to ensure that undertakings are provided with a period of time to adapt and to gather experience in preparing the information on this complex matter, but also to allow the framework to evolve and accommodate the gradual developments in initiatives in this area as they unfold.

It is also our view that the reporting of sustainability related information on intangibles should concern information on intangibles other than intangible assets, since the latter are already recognised in the financial reporting. Such distinction should be a fundamental underpinning of the proposal in order to avoid *inter alia* the duplication of reporting.

Taking into account the explanation conveyed in the PRES SI note in view of the meeting of 8/12/2021 (**WK 14690/2021 INIT**) - "*Recital 28 provides examples of intangible resources linked to sustainability which are not recognised assets but on which the business model of undertakings can fundamentally depend and which can be a source of creation of the value of undertakings.*" –our drafting proposal aims precisely to set clear in the legal text the distinction between the sustainability reporting and the

financial reporting as regards intangibles. In that regard, we propose to recover, in a clearer way, the reference in the COM proposal stating that the reporting of sustainability related information on intangibles shall concern intangibles other than intangible assets.

Please refer also to our comments to Article 2(19).

SE

(Comments):

SE welcomes the clarifications in the compromise text that reporting on intangibles under CSRD are to be limited to intangible resources related to sustainability matters.

DK

(Drafting):

(28) ~~Directive 2013/34/EU does not require the disclosure of information on intangibles other than intangible assets recognised in the balance sheet. It is widely recognised that information on intangible assets and other intangible factors, including internally generated intangibles, is underreported, impeding the proper assessment of an undertaking's development, performance and position and monitoring of investments. To enable investors to better understand the increasing gap between the accounting book value of many undertakings and their market valuation, which is observed in many sectors of the economy, adequate reporting on intangibles should be required. **Some of this information is closely linked to sustainability reporting.** It is therefore necessary to require undertakings to disclose information on intangibles other than intangible assets **resources related to sustainability matters alongside their sustainability reporting. This category of information normally includes information about employees' skills, competencies, experience, loyalty to the undertaking and motivation for improving processes, goods and services, commonly named 'human capital'** by recognised **international frameworks such as the IIRC and the WICI**~~



	<p><del>in the balance sheet <b>its Intangibles Reporting Framework Consultation Draft; and information about the quality of the relationships between the undertaking and its stakeholders</b>, including intellectual capital, human capital, including skills development, and <b>customers, suppliers and communities affected by the activities of the undertaking, commonly named</b> 'social and relationship capital, including reputation capital. Information on intangibles should also include information related to research and development. <b>capital' by such frameworks</b></del></p> <p>DK</p> <p>(Comments):</p> <p>We suggest deleting intangibles as subject to sustainability reporting since a clear link between intangible resources and sustainability matters is missing and the content of intangibles as a reporting subject is vague and uncertain.</p> <p>We do agree, that intangibles that is not recognized in the balance sheet is important assets in many companies, as for instance tech-companies and pharmaceutical companies. The discussion on more disclosures relating to the intangibles (or possible recognition in the balance sheet) should be taken as a broad discussion based on the financial statements – and any outcome may be reflected in the non-financial reporting.</p>
<p>(29) Articles 19a(1) and 29a(1) of Directive 2013/34/EU do not specify whether the information to be reported is to be forward looking or information about past performance. There is currently a lack of forward-looking disclosures, which users of sustainability information especially value. Articles 19a and 29a of Directive 2013/34/EU should therefore specify that the sustainability information reported shall include forward-looking and retrospective, and both qualitative and quantitative information. Reported sustainability information should also take into account short, medium and long-term time horizons and contain information about the undertaking's whole value chain, including its own operations, its products and services, its business relationships, and its</p>	<p>NL</p> <p>(Drafting):</p> <p>(29) Articles 19a(1) and 29a(1) of Directive 2013/34/EU do not specify whether the information to be reported is to be forward looking or information about past performance. There is currently a lack of forward-looking disclosures, which users of sustainability information especially value. Articles 19a and 29a of Directive 2013/34/EU should therefore specify that the sustainability information reported shall include forward-looking and retrospective, and both qualitative and quantitative information. Reported sustainability information should also take into</p>

<p>supply chain, as appropriate. Information about the undertaking's whole value chain would include information related to its value chain within the EU and information that covers third countries if the undertaking's value chain extends outside the EU.</p>	<p>account short, medium and long-term time horizons and contain information about the undertaking's whole value chain, including its own operations, its products and services, its business relationships, and its supply chain, as appropriate. Information about the undertaking's whole value chain would include information related to its value chain within the EU and information that covers third countries if the undertaking's value chain extends outside the EU. An equitable balance should be found here between on the one hand the importance of reporting information on the supply chain, and on the other hand the prevention of indirectly burdening micro, small and medium-sized companies with reporting on the sustainability information.</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to the explanation of our text proposal for Article 19a paragraph 3. We would like to see it taken into account in (the level 1 text of) the Directive that an equitable balance will be sought in the standards between on the one hand the importance of reporting information on the supply chain, and on the other hand the prevention of indirectly burdening micro, small and medium-sized companies with reporting on the sustainability information.</p> <p>PL</p> <p>(Comments):</p> <p>PL suggests to move the reference to “forward looking and retrospective information” and to “qualitative and quantitative information” to another recital because this issue has been moved in the compromise text from Article 19a(1) and 29a(1) to Article 29b paragraph 2a – or to redraft this recital.</p> <p>DK</p> <p>(Drafting):</p>
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MS Comments on doc. 14268/21 (**Recitals** of 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) - (178 rows)


<p>(30) Articles 19a(1) and 29a(1) of Directive 2013/34/EU require undertakings to include in their non-financial reporting references to, and additional explanations of, amounts reported in the annual financial statements. Those Articles do, however, not require undertakings to make references to other information in the management report or to add additional explanations to that information. There is currently thus a lack of consistency between non-financial information reported and the rest of the information disclosed in the management report. It is necessary to lay down clear requirements in this regard.</p>	
<p>(31) Articles 19a(1) and 29a(1) of Directive 2013/34/EU require undertakings to provide a clear and reasoned explanation for not pursuing policies in relation to one or more of the matters listed, where the undertaking does not do so. The different treatment of disclosures on the policies that undertakings may have, compared to the other reporting areas included in those articles, has created confusion among reporting undertakings and has not helped to improve the quality of the reported information. Therefore, there is no need to maintain this different treatment of policies in the Directive. The standards will determine what information needs to be disclosed in relation to each of the reporting areas mentioned in Articles 19a and 29a.</p>	
<p>(32) Undertakings under the scope of Articles 19a(1) and 29a(1) of Directive 2013/34/EU may rely on national, Union-based or international reporting frameworks, and where they do so, they have to specify which frameworks they relied upon. However, Directive 2013/34/EU does not require undertakings to use a common reporting framework or standard, and it does not prevent undertakings from choosing not to use any reporting framework or standards at all. As required by Article 2 of</p>	<p>SE (Comments): SE welcomes the clarification in the compromise text that an undertaking would be compliant with the requirements of Articles 19a and 29a by reporting according to the sustainability reporting standards.</p>



<p>Directive 2014/95/EU, the Commission published in 2017 non-binding guidelines for undertakings under the scope of that Directive<sup>30</sup>. In 2019, the Commission published additional guidelines, specifically on reporting climate-related information<sup>31</sup>. The climate reporting guidelines explicitly incorporated the recommendations of the Task Force on Climate-related Financial Disclosures. Available evidence indicates that those non-binding guidelines did not have a significant impact on the quality of non-financial reporting by undertakings under the scope of Articles 19a and 29a of Directive 2013/34/EU. The voluntary nature of the guidelines means that undertakings are free to apply them or not. The guidelines can therefore not ensure on their own the comparability of information disclosed by different undertakings or the disclosure of all information that users consider relevant. That is why there is a need for mandatory common reporting standards to ensure that information is comparable and that all relevant information is disclosed. Building on the double-materiality principle, standards should cover all information that is material to users. Common reporting standards are also necessary to enable the audit and digitalisation of sustainability reporting and to facilitate its supervision and enforcement. The development of mandatory common sustainability reporting standards is necessary to progress to a situation in which sustainability information has a status comparable to that of financial information. <b><u>The adoption of sustainability reporting standards by means of Delegated Regulations will ensure harmonised sustainability reporting across the Union. Therefore, an undertaking would be compliant with the requirements of Articles 19a and 29a by reporting according to the sustainability reporting standards.</u></b></p>	
(33) No existing standard or framework satisfies the Union’s needs for	

<sup>30</sup> Communication from the Commission *Guidelines on non-financial reporting (methodology for reporting non-financial information)* (C/2017/4234).

<sup>31</sup> Communication from the Commission *Guidelines on non-financial reporting: Supplement on reporting climate-related information* (C/2019/4490).

<p>detailed sustainability reporting by itself. Information required by Directive 2013/34/EU needs to cover information relevant from each of the materiality perspectives, needs to cover all sustainability matters and needs to be aligned, where appropriate, with other obligations under Union law to disclose sustainability information, including obligations laid down in Regulation (EU) 2020/852 and Regulation (EU) 2019/2088. In addition, mandatory sustainability reporting standards for Union undertakings must be commensurate with the level of ambition of the European Green Deal and the Union’s climate-neutrality objective for 2050. It is therefore necessary to empower the Commission to adopt Union sustainability reporting standards, enabling their rapid adoption and ensuring that the content of sustainability reporting standards are consistent with the Union’s needs.</p>	
<p>(34) The European Financial Reporting Advisory Group (EFRAG) is a non-profit association established under Belgian law that serves the public interest by providing advice to the Commission on the endorsement of international financial reporting standards. EFRAG has established a reputation as a European centre of expertise on corporate reporting, and is well placed to foster coordination between European sustainability reporting standards and international initiatives that seek to develop standards that are consistent across the world. In March 2021, a multi-stakeholder task force set up by EFRAG published recommendations for the possible development of sustainability reporting standards for the European Union. Those recommendations contain proposals to develop a coherent and comprehensive set of reporting standards, covering all sustainability matters from a double-materiality perspective. Those recommendations also contain a detailed roadmap for developing such standards, and proposals for mutually reinforcing cooperation between global standard-setting initiatives and standard-setting initiatives of the European Union. In March 2021, the EFRAG President published recommendations for possible governance changes to EFRAG if it were to be asked to develop technical advice about sustainability reporting</p>	<p>DK (Drafting): (34) The European Financial Reporting Advisory Group (EFRAG) is a non-profit association established under Belgian law that serves the public interest by providing advice to the Commission on the endorsement of international financial reporting standards. EFRAG has established a reputation as a European centre of expertise on corporate reporting, and is well placed to foster coordination between European sustainability reporting standards and international initiatives that seek to develop standards that are consistent across the world. In March 2021, a multi-stakeholder task force set up by EFRAG published recommendations for the possible development of sustainability reporting standards for the European Union. Those recommendations contain proposals to develop a coherent and comprehensive set of reporting standards, covering all sustainability matters from a double-materiality perspective. Those recommendations also contain a detailed roadmap for developing such standards, and proposals for mutually reinforcing cooperation between global standard-setting initiatives and standard-setting initiatives of the</p>

standards.	<p>European Union. In March 2021, the EFRAG President published recommendations for possible governance changes to EFRAG if it were to be asked to develop technical advice about sustainability reporting standards.</p> <p>DK</p> <p>(Comments):</p> <p>There are already two groups giving advice to the Commission on accounting issues. The first is Accounting Regulatory Committee (ARC) which gives advice regarding the International Financial Reporting Standards (IFRS). ARC have expertise regarding accounting standards, an expertise that should be used also for non-financial reporting. The same arguments as have been used for involving EFRAG because of their expertise on financial reporting can be used for ARC, when it comes to member state involvement. We would suggest that ARC also is involved in the process of adopting standards for non-financial reporting. We are however aware, that there are some legal issues regarding ARC and the Lisbon Treaty, which may limit the possibility to give new tasks to the ARC. Denmark therefore suggests as an alternative to involve the Accounting Directive Committee (ADC), that has been established by Article 50 of Directive 2013/34/EU. We believe that the ADC could be a way to strengthen the Member states involvement in the process and ensure the connection between the financial part of the annual report and the sustainability report.</p>
<p>These recommendations include offsetting up within EFRAG a new sustainability reporting pillar while not significantly modifying the existing financial reporting pillar. When adopting sustainability reporting standards, the Commission should take account of technical advice that EFRAG will develop. In order to ensure high-quality standards that contribute to the European public good and meet the needs of undertakings and of users of the information reported, EFRAG's technical advice should be developed with proper due process, public oversight and</p>	<p>PT</p> <p>(Drafting):</p> <p>These recommendations include offsetting up within EFRAG a new sustainability reporting pillar while not significantly modifying the existing financial reporting pillar. When adopting sustainability reporting standards, the Commission should take account of technical advice that EFRAG will develop. In order to ensure high-quality standards that</p>

<p>transparency, accompanied by cost benefit analyses, and be developed with the expertise of relevant stakeholders. To ensure that Union sustainability reporting standards take account of the views of the Member States of the Union, before adopting the standards the Commission should consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on EFRAG's technical advice. The European Securities and Markets Authority (ESMA) plays a role in drafting regulatory technical standards pursuant to Regulation (EU) 2019/2088 and there needs to be coherence between those regulatory technical standards and sustainability reporting standards. According to Regulation (EU) No 1095/2010 of the European Parliament and of the Council<sup>32</sup>, ESMA also plays a role in promoting supervisory converge in the enforcement of corporate reporting by issuers whose securities are listed on EU regulated markets and who will be required to use these sustainability reporting standards. Therefore, ESMA should be required to provide an opinion on EFRAG's technical advice. This opinion should be provided within two months from the date of receipt of the request from the Commission. In addition, the Commission should consult the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance to ensure that the sustainability reporting standards are coherent with relevant Union policy and legislation. Where any of those bodies decide to submit an opinion, they shall do so within two months from the date of being consulted by the Commission.</p>	<p>contribute to the European public good and meet the needs of undertakings and of users of the information reported, EFRAG's technical advice should be developed with proper due process, public oversight and transparency, accompanied by cost benefit analyses <b><u>that include analyses of the impacts of the technical advice on sustainability matters having also regard to the level of alignment of the reporting requirements with international initiatives in this area</u></b>, and be developed with the expertise of relevant stakeholders. To ensure that Union sustainability reporting standards take account of the views of the Member States of the Union, before adopting the standards the Commission should consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on EFRAG's technical advice. The European Securities and Markets Authority (ESMA), <b><u>the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA)</u></b> plays a role in drafting regulatory technical standards pursuant to Regulation (EU) 2019/2088 and there needs to be coherence between those regulatory technical standards and sustainability reporting standards. According to Regulation (EU) No 1095/2010 of the European Parliament and of the Council<sup>33</sup>, ESMA also plays a role in promoting supervisory converge in the enforcement of corporate reporting by issuers whose securities are listed on EU regulated markets and who will be required to use these sustainability reporting standards. Therefore, ESMA, <b><u>EBA and EIOPA</u></b> should be required to provide an opinion on EFRAG's technical advice. This opinion should be provided within two months from the date of receipt of the request from the Commission. In addition, the Commission should consult <b><u>the</u></b></p>
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<sup>32</sup> Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

<sup>33</sup> Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

~~European Banking Authority, the European Insurance and Occupational Pensions Authority~~, the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance to ensure that the sustainability reporting standards are coherent with relevant Union policy and legislation. Where any of those bodies decide to submit an opinion, they shall do so within two months from the date of being consulted by the Commission.

PT

(Comments):

**PT:**

First drafting suggestion:

Alignment of EU sustainability reporting standards with international requirements is paramount to enhance European companies' competitiveness and to avoid unnecessary costs for cross-border groups. In this regard, our drafting suggestion aims to explicitly clarify that in the assessment of EFRAG's technical advice, the Commission will take into account, among other aspects, the EFRAG's cost benefit analysis on the level of alignment of the sustainability reporting requirements with those foreseen at the international level.

Please refer also to our comment below to Article 49, point (3a).

Second drafting suggestion:

While acknowledging the role played by ESMA in the enforcement of accounting standards and the need to ensure coherence between ESMA's regulatory technical standards and sustainability reporting standards, as alluded to in this Recital 34, the requirement for ESMA to provide an opinion on EFRAG's technical advice should be extended to the EBA and EIOPA as well.

The current text only accounts for the possibility for the EBA and EIOPA



to provide an opinion on EFRAG's technical advice, and not a requirement to do so. The provision of an opinion from each of the three ESAs (and not only from ESMA) would be aligned with their common role of fostering supervisory convergence and achieving an effective and consistent application and national supervision of the disclosure requirements, promoting a level playing field and protecting investors. In fact, within that context, the three ESAs are frequently consulted by the Commission and requested to prepare joint opinions and to develop Regulatory Technical Standards (RTS) on several matters in the financial sector space, including the elaboration of RTS on the content and presentation of disclosures pursuant the SFDR. Therefore, ESMA, EBA and EIOPA should be required to provide an opinion on EFRAG's technical advice. Please refer also to our comment on Article 49, point (3a).

Final drafting suggestion:  
Follows naturally from the previous suggestion. If the EBA and the EIOPA are required to provide opinions on EFRAG's technical advice, they can be excluded from the list of other entities that are also to be consulted and may provide opinions if they so decide.


DK

(Drafting):


These recommendations include offsetting up within EFRAG a new sustainability reporting pillar while not significantly modifying the existing financial reporting pillar. When adopting sustainability reporting standards, the Commission should take account of technical advice that EFRAG will develop. In order to ensure high-quality standards that contribute to the European public good and meet the needs of undertakings and of users of the information reported, EFRAG's technical advice should be developed with proper due process, public oversight and transparency, accompanied by cost benefit analyses, and be developed with the expertise of relevant stakeholders. To ensure that Union

	<p>sustainability reporting standards take account of the views of the Member States of the Union, before adopting the standards the Commission should consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 <b>and the Accounting Directive Committee (ADC)</b> on EFRAG’s technical advice. The European Securities and Markets Authority (ESMA) plays a role in drafting regulatory technical standards pursuant to Regulation (EU) 2019/2088 and there needs to be coherence between those regulatory technical standards and sustainability reporting standards. According to Regulation (EU) No 1095/2010 of the European Parliament and of the Council<sup>34</sup>, ESMA also plays a role in promoting supervisory converge in the enforcement of corporate reporting by issuers whose securities are listed on EU regulated markets and who will be required to use these sustainability reporting standards. Therefore, ESMA should be required to provide an opinion on EFRAG’s technical advice. This opinion should be provided within two months from the date of receipt of the request from the Commission. In addition, the Commission should consult the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance to ensure that the sustainability reporting standards are coherent with relevant Union policy and legislation. Where any of those bodies decide to submit an opinion, they shall do so within two months from the date of being consulted by the Commission.</p>
<p>(35) Sustainability reporting standards should be coherent with other Union legislation. Those standards should in particular be aligned with the disclosure requirements laid down in Regulation (EU) 2019/2088, and</p>	

<sup>34</sup> Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

<p>they should take account of underlying indicators and methodologies set out in the various delegated acts adopted pursuant to Regulation (EU) 2020/852, disclosure requirements applicable to benchmark administrators pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council<sup>35</sup>, the minimum standards for the construction of EU climate transition benchmarks and EU Paris-aligned benchmarks; and of any work carried out by the European Banking Authority in the implementation of the Pillar III disclosure requirements of Regulation (EU) No 575/2013. Standards should take account of Union environmental legislation, including Directive 2003/87/EC of the European Parliament and of the Council<sup>36</sup> and Regulation (EC) No 1221/2009 of the European Parliament and of the Council<sup>37</sup>, and should take account of Commission Recommendation 2013/179/EU<sup>38</sup> and its annexes, and their updates. Other relevant Union legislation, including Directive 2010/75/EU of the European Parliament and of the Council<sup>39</sup>, and requirements laid down in Union law for undertakings as regards directors' duties and due diligence, should also be taken into account.</p>	

- <sup>35</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).
- <sup>36</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).
- <sup>37</sup> Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).
- <sup>38</sup> Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1).
- <sup>39</sup> Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

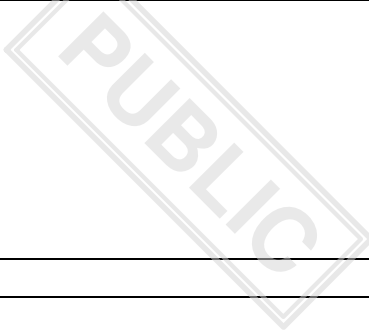
<p>(36) Sustainability reporting standards should take account of the Commission guidelines on non-financial reporting<sup>40</sup> and the Commission guidelines on reporting climate-related information<sup>41</sup>. They should also take account of other reporting requirements in Directive 2013/34/EU not directly related to sustainability, with the aim of providing the users of the reported information with a better understanding of the development, performance, position and impact of the undertaking, by maximising the links between the sustainability information and other information reported in accordance with Directive 2013/34/EU.</p>	
<p>(37) Sustainability reporting standards should be proportionate, and should not impose unnecessary administrative burden on companies that are required to use them. In order to minimise 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. Those include the Global Reporting Initiative, the Sustainability Accounting Standards Board, the International Integrated Reporting Council, the International Accounting Standards Board, the Task Force on Climate-related Financial Disclosures, the Carbon Disclosure Standards Board, and CDP (formerly the Carbon Disclosure Project). Standards of the European Union should take account of any sustainability reporting standards developed under the auspices of International Financial Reporting Standards Foundation. To avoid unnecessary regulatory fragmentation that may have negative consequences for undertakings operating globally, European standards should contribute to the process of convergence of sustainability reporting standards at global level.</p>	<p>NL (Drafting):</p> <p>(37) Sustainability reporting standards should be proportionate, and should not impose unnecessary administrative burden on companies that are required to use them. In order to minimise disruption for undertakings that already report sustainability information, sustainability reporting standards should take into account to the greatest extent possible existing standards and frameworks for sustainability reporting and accounting where appropriate. Those include the Global Reporting Initiative, the Sustainability Accounting Standards Board, the International Integrated Reporting Council, the International Accounting Standards Board, the Task Force on Climate-related Financial Disclosures, the Carbon Disclosure Standards Board, and CDP (formerly the Carbon Disclosure Project). Standards of the European Union should take account of any sustainability reporting standards developed under the auspices of International Financial Reporting Standards Foundation. To avoid unnecessary regulatory fragmentation that may have negative consequences for undertakings operating globally, European standards should contribute to the process of convergence of sustainability reporting</p>

<sup>40</sup> 2017/C 215/01.

<sup>41</sup> 2019/C 209/01.

MS Comments on doc. 14268/21 (**Recitals** of 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) - (178 rows)

	<p>standards at global level.</p> <p>NL</p> <p>(Comments):</p> <p>This addition to recital 37 is meant to bring the recital in line with the new text of Article 29b paragraph 3. Please also be referred to our text proposal and explanation under Article 29b paragraph 1 and Article 49 paragraph 3a</p>
<p>(38) In its communication on the European Green Deal, the European Commission committed to support businesses and other stakeholders in developing standardised natural capital accounting practices within the Union and internationally, with the aim of ensuring appropriate management of environmental risks and mitigation opportunities, and reduce related transaction costs. The Transparent Project sponsored under the LIFE programme is developing the first natural capital accounting methodology, which will make existing methods easier to compare and more transparent while lowering the threshold for companies to adopt and use the systems in support of future-proofing their business. The Natural Capital Protocol is also an important reference in this field. While natural capital accounting methods serve principally to strengthen internal management decisions, they should be duly considered when establishing sustainability reporting standards. Some natural capital accounting methodologies seek to assign a monetary value to the environmental impacts of companies' activities, which may help users to better understand those impacts. It is therefore appropriate that sustainability reporting standards should be able to include monetised indicators of sustainability impacts if that is deemed necessary.</p>	
<p>(39) Sustainability reporting standards should also take account of internationally recognised principles and frameworks on responsible business conduct, corporate social responsibility, and sustainable development, including the UN Sustainable Development Goals, the UN</p>	

<p>Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct and related sectoral guidelines, the UN Global Compact, the Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy, the ISO 26000 standard on social responsibility, and the UN Principles for Responsible Investment.</p>	
<p>(40) It should be ensured that the information reported by undertakings in accordance with the sustainability reporting standards meet the needs of users. The reporting standards should therefore specify the information that undertakings are to disclose on all major environmental factors, including their impacts and dependencies on climate, air, land, water and biodiversity. Regulation (EU) 2020/852 provides a classification of the environmental objectives of the Union. For reasons of coherence, it is appropriate to use a similar classification to identify the environmental factors that should be addressed by sustainability reporting standards. The reporting standards should consider and specify any geographical or other contextual information that undertakings should disclose to provide an understanding of their principal impacts on sustainability matters and the principal risks to the undertaking arising from sustainability matters.</p>	
<p>(41) With regard to climate-related information, users are interested in knowing about undertakings' physical and transition risks, and about their resilience to different climate scenarios. They are also interested in the level and scope of greenhouse gas emissions and removals attributed to the undertaking, including the extent to which the undertaking uses offsets and the source of those offsets. Achieving a climate neutral economy requires the alignment of greenhouse gas accounting and offset standards. Users need reliable information regarding offsets that addresses concerns regarding possible double-counting and overestimations, given the risks to the achievement of climate-related targets that double-counting and overestimations can create. The reporting standards should therefore</p>	

MS Comments on doc. 14268/21 (**Recitals** of 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) - (178 rows)

<p>specify the information undertakings should report with regard to those matters.</p>	
<p>(42) Achieving a climate neutral and circular economy and a toxic-free environment requires the full mobilisation of all economic sectors. Reducing energy use and increasing energy efficiency is key in this respect as energy is used across supply chains. Energy aspects should therefore be duly considered in sustainability reporting standards, in particular in relation to environmental matters.</p>	
<p>(43) Sustainability reporting standards should specify the information that undertakings should disclose on social factors, including employee factors and human rights. Such information should cover the impacts of undertakings on people, including on human health. The information that undertakings disclose about human rights should include information about forced labour in their value chains where relevant. Reporting standards that address social factors should specify the information that undertakings should disclose with regard to the principles of the European Pillar of Social Rights that are relevant to businesses, including equal opportunities for all and working conditions. The European Pillar of Social Rights Action Plan adopted in March 2021 calls for stronger requirements on undertakings to report on social issues. The reporting standards should also specify the information that undertakings should disclose with regard to the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the fundamental conventions of the International Labour Organisation, and the Charter of Fundamental Rights of the European Union.</p>	
<p>(44) Users need information about <b><u>about governance factors.</u></b> <b><u>Governance factors that are most relevant to users are listed by</u></b></p>	<p>BE</p>

<p><b><u>authoritative reporting frameworks such as the Global Reporting Initiative and the Task Force on Climate-related Financial Disclosures, as well as by authoritative global frameworks such as the Global Governance Principles of the International Corporate Governance Network and the G20 OECD principles of Corporate Governance. Sustainability reporting standards should specify the information that undertakings should disclose on</u></b> governance factors, including information on the role of an undertaking's administrative, management and supervisory bodies, <del>including</del> with regard to sustainability matters <b><u>and their capacity to fulfil this role through their own expertise or through access to</u></b> the composition of such bodies <b><u>necessary expertise</u></b> and an undertaking's internal control and risk management systems <del>including</del> in relation to the reporting process. Users also need information about undertakings' corporate culture and approach to business ethics, <b><u>which are recognised elements of authoritative frameworks on corporate governance such as the Global Governance Principles of the International Corporate Governance Network,</u></b> including <b><u>information about</u></b> anti-corruption and anti-bribery, and about their <b><u>the undertaking's</u></b> political engagements, including lobbying activities. Information about the management of the undertaking and the quality of relationships with business partners, <del>including</del> <b><u>customers, suppliers and communities affected by the activities of the undertaking helps users to understand an undertaking's risks as well as its impacts on sustainability matters.</u></b> Information about <b><u>relationships with suppliers, includes</u></b> payment practices relating to the date or period for payment, the rate of interest for late payment or the compensation for recovery costs referred to in Directive 2011/7/EU of the European Parliament and of the Council<sup>42</sup> on late payment in commercial transactions, <del>helps users to understand an undertaking's risks as well as its impacts on sustainability matters.</del> Every year, thousands of businesses,</p>	<p>(Drafting):</p> <p>(44) Users need information about about governance factors. Governance factors that are most relevant to users are listed by authoritative reporting frameworks such as the Global Reporting Initiative and the Task Force on Climate-related Financial Disclosures, as well as by authoritative global frameworks such as the Global Governance Principles of the International Corporate Governance Network and the G20 OECD principles of Corporate Governance. Sustainability reporting standards should specify the information that undertakings should disclose on governance factors, including information on the role of an undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters and their capacity to fulfil this role through their own expertise or through access to the composition of such bodies necessary expertise and an undertaking's internal control and risk management systems including in relation to the reporting process. <b><u>The latter specifically refers to the idea of access of administrative, management and supervisory bodies to sustainability expertise that is included in the Commission's non-binding guidelines on non-financial reporting: Supplement on reporting climate-related information</u></b></p> <p>Users also need information about undertakings' corporate culture and approach to business ethics, which are recognised elements of authoritative frameworks on corporate governance such as the Global Governance Principles of the International Corporate Governance Network, including information about anti-corruption and anti-bribery, and about their the undertaking's political engagements, including lobbying activities. Information about the management of the undertaking and the quality of relationships with business partners, including customers, suppliers and communities affected by the activities of the undertaking helps users to understand an undertaking's risks as well as its</p>
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<sup>42</sup> Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions (OJ L 48, 23.2.2011, p. 1).



<p>especially SMEs, suffer administrative and financial burdens because they are paid late, or not at all. Ultimately, late payments lead to insolvency and bankruptcy, with destructive effects on entire value chains. Increasing information about payment practices should empower other undertakings to identify prompt and reliable payers, detect unfair payment practices, access information about the businesses they trade with, and negotiate fairer payment terms.</p>	<p>impacts on sustainability matters. Information about relationships with suppliers, includes payment practices relating to the date or period for payment, the rate of interest for late payment or the compensation for recovery costs referred to in Directive 2011/7/EU of the European Parliament and of the Council<sup>43</sup> on late payment in commercial transactions, helps users to understand an undertaking's risks as well as its impacts on sustainability matters.. Every year, thousands of businesses, especially SMEs, suffer administrative and financial burdens because they are paid late, or not at all. Ultimately, late payments lead to insolvency and bankruptcy, with destructive effects on entire value chains. Increasing information about payment practices should empower other undertakings to identify prompt and reliable payers, detect unfair payment practices, access information about the businesses they trade with, and negotiate fairer payment terms.</p> <p>BE</p> <p>(Comments):</p> <p>BE: We propose to include, as was done in the Presidency Note of in view of the meeting of 8 December 2021, a specific reference to the Commission's non-binding guidelines on climate related reporting in order to further clarify what is meant by the capacity of the undertaking's administrative, management and supervisory bodies to fulfil their role.</p>
<p>(45) The reporting standards should promote a more integrated view of all the information published by undertakings in the management report to provide users of that information with a better understanding of the development, performance, position and impact of the undertaking. Those standards should distinguish as necessary between information that undertakings should disclose when reporting at individual level and the information that undertakings should disclose when reporting at</p>	

<sup>43</sup> Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions (OJ L 48, 23.2.2011, p. 1).

<p>consolidated level. Those standards should also contain guidance for undertakings on the process carried out to identify the sustainability information that should be included in the management report.</p>	
<p>(46) Undertakings in the same sector are often exposed to similar sustainability-related risks, and they often have similar impacts on society and the environment. Comparisons between undertakings in the same sector are especially valuable to investors and other users of sustainability information. Sustainability reporting standards adopted by the Commission should therefore specify both information that undertakings in all sectors should disclose and information that undertakings should disclose depending on their sector of activity. Standards should also take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from SME suppliers and from suppliers in emerging markets and economies.</p>	
<p>(47) To meet the information needs from users in a timely manner, and in particular given the urgency to meet the information needs of financial market participants subject to the requirements laid down in the delegated acts adopted pursuant to Article 4, paragraphs 6 and 7 of Regulation (EU) 2019/2088, the Commission should adopt a first set of reporting standards by 31 October 2022. That set of reporting standards should specify the information that undertakings should disclose with regard to all reporting areas and sustainability matters, and that financial market participants need to comply with the disclosure obligations laid down in Regulation (EU) 2019/2088. The Commission should adopt a second set of reporting standards at the latest by 31 October 2023, specifying complementary information that undertakings should disclose about sustainability matters and reporting areas where necessary, and information that is specific to the sector in which an undertaking operates. The Commission should review the standards every 3 years to take account of relevant developments, including the development of international standards.</p>	<p>NL (Drafting): (47) To meet the information needs from users in a timely manner, and in particular given the urgency to meet the information needs of financial market participants subject to the requirements laid down in the delegated acts adopted pursuant to Article 4, paragraphs 6 and 7 of Regulation (EU) 2019/2088, the Commission should adopt a first set of reporting standards by 30 April 2023. That set of reporting standards should specify the information that undertakings should disclose with regard to all reporting areas and sustainability matters, and that financial market participants need to comply with the disclosure obligations laid down in Regulation (EU) 2019/2088. The Commission should adopt a second set of reporting standards at the latest by 31 October 2023, specifying complementary information that undertakings should disclose about sustainability matters and reporting areas where necessary, and information that is specific to the sector in which an undertaking operates. The Commission should</p>

	<p>review the standards every 3 years to take account of relevant developments, including the development of international standards.</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to our text proposal and explanation under Article 29b paragraph 1 for the extension of this deadline.</p> <p>DK</p> <p>(Drafting):</p> <p>(47) To meet the information needs from users in a timely manner, and in particular given the urgency to meet the information needs of financial market participants subject to the requirements laid down in the delegated acts adopted pursuant to Article 4, paragraphs 6 and 7 of Regulation (EU) 2019/2088, the Commission should adopt a first set of reporting standards by 31 October 2022. That set of reporting standards should specify the information that undertakings should disclose with regard to all reporting areas and sustainability matters, and that financial market participants need to comply with the disclosure obligations laid down in Regulation (EU) 2019/2088. The Commission should adopt a second set of reporting standards at the latest by 31 October 2023, specifying complementary information that undertakings should disclose about sustainability matters and reporting areas where necessary, and information that is specific to the sector in which an undertaking operates, <b>particularly in high-risk sectors where standards should be developed as a priority</b>. The Commission should review the standards every 3 years to take account of relevant developments, including the development of international standards.</p>
(48) Directive 2013/34/EU does not require that the financial statements or the management report are provided in a digital format,	SK

<p>which hinders the findability and usability of the reported information. Users of sustainability information increasingly expect such information to be findable and machine-readable in digital formats. Digitalisation creates opportunities to exploit information more efficiently and holds the potential for significant cost savings for both users and undertakings. Undertakings should therefore be required to prepare their financial statements and their management report in <del>XHTML</del> <b>the format referred to in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815,<sup>44</sup> XHTML format</b>, and to mark-up sustainability information, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with <b>the format referred to in</b> that Delegated Regulation, <b>once this is determined</b>. A digital taxonomy to the Union sustainability reporting standards will be necessary to allow for the <b>reported</b> information reported to be tagged in accordance with those standards. <b><u>Member States that wish to have different digitalisation requirements for financial reporting by undertakings with no securities listed in regulated markets, may allow these undertakings to prepare their financial statements in accordance with a different electronic format than XHTML.</u></b> These requirements should feed into the work on digitalisation announced by the Commission in its Communication <i>A European strategy for data</i><sup>45</sup> and in the <i>Digital Finance Strategy for the EU</i>.<sup>46</sup> These requirements also complement the creation of a European single access point for public corporate information as envisaged in the capital markets union action plan, which also considers</p>	<p>(Drafting): SK</p> <p>(48) Directive 2013/34/EU does not require that the financial statements or the management report are provided in a digital format, which hinders the findability and usability of the reported information. Users of sustainability information increasingly expect such information to be findable and machine-readable in digital formats. Digitalisation creates opportunities to exploit information more efficiently and holds the potential for significant cost savings for both users and undertakings. Undertakings should therefore be required to prepare their financial statements and their management report in <del>XHTML</del> <b>the format referred to in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815,<sup>47</sup> XHTML format</b>, and to mark-up sustainability information, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with <b>the format referred to in</b> that Delegated Regulation, <b>once this is determined</b>. A digital taxonomy to the Union sustainability reporting standards will be necessary to allow for the <b>reported</b> information reported to be tagged in accordance with those standards. <b><u>Member States that wish to have different digitalisation requirements for financial reporting by undertakings with no securities listed in regulated markets, may allow or require these undertakings to prepare their financial statements in accordance with a different electronic format than XHTML.</u></b> These requirements should</p>
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<sup>44</sup> Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).

<sup>45</sup> <https://ec.europa.eu/digital-single-market/en/european-strategy-data>

<sup>46</sup> [https://ec.europa.eu/info/publications/200924-digital-finance-proposals\\_en](https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en)

<sup>47</sup> Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).

the need for structured data.	<p>feed into the work on digitalisation announced by the Commission in its Communication <i>A European strategy for data</i><sup>48</sup> and in the <i>Digital Finance Strategy for the EU</i>.<sup>49</sup> These requirements also complement the creation of a European single access point for public corporate information as envisaged in the capital markets union action plan, which also considers the need for structured data.</p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>Please see our comments on Article 29d of the Accounting Directive.</p> <p>SE</p> <p>(Drafting):</p> <p>SE</p> <p>(Comments):</p> <p>See comments on the compromise proposal at article 29d .</p> <p>PL</p> <p>(Drafting):</p> <p>(48) Directive 2013/34/EU does not require that the financial statements or the management report are provided in a digital format, which hinders the findability and usability of the reported information. Users of sustainability information increasingly expect such information to be findable and machine-readable in digital formats. Digitalisation creates opportunities to exploit information more efficiently and holds the</p>
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48 <https://ec.europa.eu/digital-single-market/en/european-strategy-data>

49 [https://ec.europa.eu/info/publications/200924-digital-finance-proposals\\_en](https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en)

potential for significant cost savings for both users and undertakings. Undertakings should therefore be required to prepare their financial statements and their management report in ~~XHTML~~ **the format referred to in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815,<sup>53</sup> XHTML format**, and to mark-up sustainability information, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with **the format referred to in** that Delegated Regulation, **once this is determined**. A digital taxonomy to the Union sustainability reporting standards will be necessary to allow for the **reported** information reported to be tagged in accordance with those standards. **Member States that wish to have different digitalisation requirements for financial reporting by undertakings with no securities listed in regulated markets, may allow or require these undertakings to prepare their financial statements in accordance with a different electronic format than XHTML, including in a machine readable format.** It should be clarified that in the absence of a taxonomy for financial statements prepared under the Accounting Directive requirements the financial statements in the XHTML format would not be machine readable. These requirements should feed into the work on digitalisation announced by the Commission in its Communication *A European strategy for data*<sup>54</sup> and in the *Digital Finance Strategy for the EU*.<sup>55</sup> These requirements also complement the creation of a European single access point for public corporate information as envisaged in the capital markets union action plan, which also considers the need for structured data.

PL

<sup>53</sup> Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).

<sup>54</sup> <https://ec.europa.eu/digital-single-market/en/european-strategy-data>

<sup>55</sup> [https://ec.europa.eu/info/publications/200924-digital-finance-proposals\\_en](https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en)

(Comments):

PL suggests to align this recital with the provision which PL proposed to modify in order to allow Member States to require a particular machine readable format for financial statements of large non-listed undertakings.

DK

(Drafting):

48) Directive 2013/34/EU does not require that the financial statements or the management report are provided in a digital format, which hinders the findability and usability of the reported information. Users of sustainability information increasingly expect such information to be findable and machine-readable in digital formats. Digitalisation creates opportunities to exploit information more efficiently and holds the potential for significant cost savings for both users and undertakings. Undertakings should therefore be required to prepare their financial statements and their management report in ~~XHTML~~ **the format referred to in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815,<sup>56</sup> XHTML format**, and to mark-up sustainability information, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with **the format referred to in** that Delegated Regulation, **once this is determined**. A digital taxonomy to the Union sustainability reporting standards will be necessary to allow for the **reported** information reported to be tagged in accordance with those standards. **Member States that wish to have different digitalisation requirements for financial reporting by undertakings with no securities listed in regulated markets, may allow these undertakings to prepare their financial statements in accordance with a different machine readable electronic format than XHTML.** These requirements

<sup>56</sup>Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).

	<p>should feed into the work on digitalisation announced by the Commission in its Communication <i>A European strategy for data</i><sup>57</sup> and in the <i>Digital Finance Strategy for the EU</i>.<sup>58</sup> These requirements also complement the creation of a European single access point for public corporate information as envisaged in the capital markets union action plan, which also considers the need for structured data.</p> <p>DK</p> <p>(Comments):</p> <p>We would like an elaboration on what is meant by a different electronic format and how it corresponds with the ESAP proposal. We find it important that the format is the same as in ESEF. We find that it can create challenges if several different formats can be accepted. In any event, the format must be machine readable.</p>
<p>(49) To allow for the inclusion of the reported sustainability information in the European single access point, Member States should ensure that undertakings <b><u>with no securities listed in regulated markets</u></b> publish the duly approved annual financial statements and the management report, <b><u>including sustainability reporting</u></b>, in the prescribed electronic format prescribed in Directive 2013/34/EU, and ensure that management reports <del>containing</del> <b><u>of undertakings subject to sustainability reporting requirements</u></b> are made available, <b><u>at the latest</u></b> without delay following their publication, to the relevant officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC. <b><u>Member States have the possibility to set up national systems to avoid double reporting by undertakings, for example, by connecting information from business registers and the officially appointed mechanisms.</u></b></p>	<p>ES</p> <p>(Comments):</p> <p>The previous drafting of article 30 1a seemed to require that the management reports containing sustainability information of non-listed companies were submitted to the OAM referred in the Transparency Directive.</p> <p>In Spain, the OAM is also the National Competent Authority responsible of the enforcement of regulated information. However, the enforcement of those management reports of non-listed entities would not be under the enforcement of the NCA. For this reason, we proposed that Member States may decide that these management reports of non-listed entities were submitted to a different appointed mechanism, for instance the</p>


<sup>57</sup><https://ec.europa.eu/digital-single-market/en/european-strategy-data>

<sup>58</sup>[https://ec.europa.eu/info/publications/200924-digital-finance-proposals\\_en](https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en)



	<p>business register, ensuring the interconnectivity with the ESAP.</p> <p>New Recital 49 contemplate the possibility to establish national systems to avoid double reporting to undertaking and the submitting of information to the OAM by non-listed companies.</p> <p>In our view, it is a good step, but we would appreciate if this wording could be included as a part of article 30.1a instead of being a recital.</p> <p>NL</p> <p>(Drafting):</p> <p>(49) To allow for the inclusion of the reported sustainability information in the European single access point, Member States should ensure that undertakings <b><u>with no securities listed in regulated markets</u></b> publish the duly approved annual financial statements and the management report, <b><u>including sustainability reporting</u></b>, in the prescribed electronic format prescribed in Directive 2013/34/EU, and ensure that management reports <del>containing</del> <b><u>of undertakings subject to sustainability reporting requirements</u></b> are made available, <b><u>at the latest</u></b> without delay following their publication, to the relevant officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC. <b><u>Member States have the possibility to set up national systems to avoid double reporting by undertakings, for example, by connecting information from business registers and the officially appointed mechanisms.</u></b></p> <p>SE</p> <p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p>(49) To allow for the inclusion of the reported sustainability</p>
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	<p>information in the European single access point, Member States should ensure that undertakings <b><u>with no securities listed in regulated markets</u></b> publish the duly approved annual financial statements and the management report, <b><u>including sustainability reporting</u></b>, in the prescribed electronic format prescribed in Directive 2013/34/EU, and ensure that management reports <del>containing</del> <b><u>of undertakings subject to sustainability reporting requirements</u></b> are made available, without delay following their publication, to the relevant officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC. <b><u>Member States have the possibility to set up national systems to avoid double reporting by undertakings, for example, by connecting information from business registers and the officially appointed mechanisms.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL – please refer to our remark in the Article 30 paragraph 1a.</p>
<p>(50) Article 19a(4) of Directive 2013/34/EU enables Member States to exempt undertakings from including in the management report the non-financial statement required under Article 19a(1). Member States may do so where the undertaking concerned prepares a separate report that is published together with the management report in accordance with Article 30 of that Directive, or where that report is made publicly available on the undertaking's website within a reasonable period of time not exceeding 6 months, after the balance sheet date, and is referred to in the management report. The same possibility exists for the consolidated non-financial statement referred to in Article 29(a)(4) of Directive 2013/34/EU. Twenty Member States have used that option. The possibility to publish a separate report hinders, however, the availability of information that connects financial and information on sustainability matters. It also hinders the findability and accessibility of information for users, especially investors, who are interested in both financial and sustainability information. Possible different publication times for financial and sustainability</p>	<p>PL</p> <p>(Comments):</p> <p>PL suggests to add the reference to the modified wording of Article 19a(1) requiring that the information shall be clearly identifiable within the management report. It would be useful to clarify that this ‘clear identifiability’ would be also ensured technically by the requirement concerning the tagging of the sustainability information (all information, also its narrative parts and not only indicators, would be tagged).</p>

<p>information exacerbate this problem. Publication in a separate report can also give the impression, internally and externally, that sustainability information belongs to a category of less relevant information, which can impact negatively on the perceived reliability of the information. Undertakings should therefore report sustainability information in the management report and Member States should no longer be allowed to exempt undertakings from the obligation to include in the management report information on sustainability matters. Such obligation also helps to clarify the role of national competent authorities in supervising sustainability reporting, as part of the management report, in accordance with Directive 2004/109/EC. In addition, undertakings required to report sustainability information should in no case be exempted from the obligation to publish the management report as it is important to ensure that sustainability information is publically available.</p>	
<p>(51) Article 20 of Directive 2013/34/EU requires undertakings with securities listed on regulated markets to include a corporate governance statement in their management report, which has to contain among other information a description of the diversity policy applied by the undertaking in relation to its administrative, management and supervisory bodies. Article 20 of Directive 2013/34/EU leaves flexibility to undertakings to decide what aspects of diversity they report on. It does not explicitly oblige undertakings to include information on any particular aspect of diversity. In order to progress towards a more gender-balanced participation in economic decision-making, it is necessary to ensure that undertakings with securities listed on regulated markets always report on their gender diversity policies and the implementation thereof. However, to avoid unnecessary administrative burden, those undertakings should have the possibility to report some of the information required by Article 20 of Directive 2013/34/EU alongside other sustainability-related information. <b><u>If they decide to do so, the corporate governance statement needs to include a reference to the undertaking's sustainability reporting, and the information compliant with Article</u></b></p>	

<p><b><u>20 of Directive 2013/34/EU should remain subject to the assurance requirements of the corporate governance statement.</u></b></p>	
<p>(52) Article 33 of Directive 2013/34/EU requires Member States to ensure that the members of the administrative, management and supervisory bodies of an undertaking have collective responsibility for ensuring that the (consolidated) annual financial statements, the (consolidated) management report and the (consolidated) corporate governance statement are drawn up and published in accordance with the requirements of that Directive. That collective responsibility should be extended to the digitalisation requirements laid down in Delegated Regulation (EU) 2019/815, to the requirement to comply with Union sustainability reporting standards and to the requirement to mark up sustainability reporting.</p>	
<p>(53) The assurance profession distinguishes between limited and reasonable assurance engagements. The conclusion of a limited assurance engagement is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated. The auditor performs fewer tests than in a reasonable assurance engagement. The amount of work for a limited assurance engagement is therefore less than for reasonable assurance. The work effort in a reasonable assurance engagement entails extensive procedures including consideration of internal controls of the reporting undertaking and substantive testing, and is therefore significantly higher than in a limited assurance engagement. The conclusion of this type of engagement is usually provided in a positive form of expression and states an opinion on the measurement of the subject matter against previously defined criteria. Article 19a(5) and Article 29a(5) of Directive 2013/34/EU require Member States to ensure that the statutory auditor or audit firm checks whether the non-financial statement or the separate report has been provided. It does not require that an independent provider of assurance services verifies the information,</p>	<p>NL (Drafting): (53) The assurance profession distinguishes between limited and reasonable assurance engagements. The conclusion of a limited assurance engagement is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated. The auditor performs fewer tests than in a reasonable assurance engagement. The amount of work for a limited assurance engagement is therefore less than for reasonable assurance. The work effort in a reasonable assurance engagement entails extensive procedures including consideration of internal controls of the reporting undertaking and substantive testing, and is therefore significantly higher than in a limited assurance engagement. The conclusion of this type of engagement is usually provided in a positive form of expression and states an opinion on the measurement of the subject matter against previously defined criteria. Article 19a(5) and Article 29a(5) of Directive 2013/34/EU require Member States to ensure</p>

<p>although it allows Member States to require such verification where they wish to. The absence of an assurance requirement on sustainability reporting, in contrast to the requirement for the statutory auditor to perform a reasonable assurance engagement on financial statements, would threaten the credibility of the sustainability information disclosed, thus failing to meet the needs of the intended users of that information. Although the objective is to have a similar level of assurance for financial and sustainability reporting, the absence of a commonly agreed standard for the assurance of sustainability reporting creates the risk of different understandings and expectations of what a reasonable assurance engagement would consist of for different categories of sustainability information, especially with regard to forward looking and qualitative disclosures. Therefore, a progressive approach to enhance the level of the assurance required for sustainability information should be considered, starting with an obligation on the statutory auditor or audit firm to express an opinion about the compliance of the sustainability reporting with Union requirements based on a limited assurance engagement. This opinion should cover the compliance of the sustainability reporting with Union sustainability reporting standards, the process carried out by the undertaking to identify the information reported pursuant to the sustainability reporting standards and compliance with the requirement to mark-up sustainability reporting. The auditor should also assess whether the undertaking's reporting complies with the reporting requirements of Article 8 of Regulation (EU) 2020/852.</p>	<p>that the statutory auditor or audit firm checks whether the non-financial statement or the separate report has been provided. It does not require that an independent provider of assurance services verifies the information, although it allows Member States to require such verification where they wish to. The absence of an assurance requirement on sustainability reporting, in contrast to the requirement for the statutory auditor to perform a reasonable assurance engagement on financial statements, would threaten the credibility of the sustainability information disclosed, thus failing to meet the needs of the intended users of that information. Although the objective is to have a similar level of assurance for financial and sustainability reporting, the absence of a commonly agreed standard for the assurance of sustainability reporting creates the risk of different understandings and expectations of what a reasonable assurance engagement would consist of for different categories of sustainability information, especially with regard to forward looking and qualitative disclosures. Therefore, a progressive approach to enhance the level of the assurance required for sustainability information should be considered, starting with an obligation on the statutory auditor or audit firm to express an opinion about the compliance of the sustainability reporting with Union requirements based on a limited assurance engagement. This opinion should cover the compliance of the sustainability reporting with Union sustainability reporting standards, the process carried out by the undertaking to identify the information reported pursuant to the sustainability reporting standards and compliance with the requirement to mark-up sustainability reporting. Forward-looking information shall be excluded from the limited assurance engagement of the audit. The auditor should also assess whether the undertaking's reporting complies with the reporting requirements of Article 8 of Regulation (EU) 2020/852.</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to our text proposal and remarks under Article 34 for the reasons for exclusion of the forward-looking information from this</p>
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	Directive.
<p>To guarantee a common understanding and expectations of what a reasonable assurance engagement would consist of, the statutory auditor or audit firm should be required to express an opinion based on a reasonable assurance engagement about the compliance of the sustainability reporting with Union requirements, <del>should</del><b><u>when</u></b> the Commission <del>adopt</del><b><u>adopts</u></b> assurance standards for reasonable assurance of sustainability reporting- <b><u>seven years after the assurance and reporting requirements have applied for the first time. The CEAOB should provide expert advice to the Commission on the preparation of the sustainability assurance standards.</u></b> This <b><u>gradual approach</u></b> would also allow for the progressive development of the assurance market for sustainability information, and of undertakings’ reporting practices. Finally, this progressive approach would phase in the increase in costs for reporting undertakings, given that reasonable assurance is more costly than limited assurance. <b><u>Undertakings subject to sustainability reporting requirements can decide to have an opinion on their sustainability reporting based on a reasonable assurance engagement if they wish so, and in this case they would be deemed to have complied with the obligation to express an opinion based on a limited assurance engagement.</u></b></p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p>To guarantee a common understanding and expectations of what a reasonable assurance engagement would consist of, the statutory auditor or audit firm should be required to express an opinion based on a reasonable assurance engagement about the compliance of the sustainability reporting with Union requirements, <del>should</del><b><u>when</u></b> the Commission <del>adopt</del><b><u>adopts</u></b> assurance standards for reasonable assurance of sustainability reporting- <b><u>seven years after the assurance and reporting requirements have applied for the first time. The CEAOB should provide expert advice to the Commission on the preparation of the sustainability assurance standards.</u></b> This <b><u>gradual approach</u></b> would also allow for the progressive development of the assurance market for sustainability information, and of undertakings’ reporting practices. Finally, this progressive approach would phase in the increase in costs for reporting undertakings, given that reasonable assurance is more costly than limited assurance. <b><u>Undertakings subject to sustainability reporting requirements can decide to have an opinion on their sustainability reporting based on a reasonable assurance engagement if they wish so, and in this case they would be deemed to have complied with the obligation to have an opinion based on a limited assurance engagement.</u></b></p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>In our opinion the last sentence is not reflected in the presidency text. We</p>

believe that the proposal should be redrafted in this way and an explicit obligation for the undertakings in question to have the sustainable information assured should be prescribed in particular for enforcement purposes.

NL

(Drafting):

To guarantee a common understanding and expectations of what a reasonable assurance engagement would consist of, the statutory auditor or audit firm should be required to express an opinion based on a reasonable assurance engagement about the compliance of the sustainability reporting with Union requirements, ~~should~~**when** the Commission ~~adopt~~**adopts** assurance standards for reasonable assurance of sustainability reporting- **five years after the assurance and reporting requirements have applied for the first time. In the timeline for application of the standards for reasonable assurance the phase-in approach of this Directive as set out in Article 5 paragraph 1 is followed. This means that the standards for reasonable assurance shall first apply to undertakings which currently already report non-financial information (e.g. the undertaking mentioned in Article 5, paragraph 1 subparagraph a), and after some time to the undertakings mentioned in Article 5, paragraph 1 subparagraph b, and then after some time to the undertakings mentioned in Article 5, paragraph 1 subparagraph c. Furthermore, standards for reasonable assurance can only be adopted after the Commission has obtained technical advice, including a cost-benefit analysis, from EFRAG and after a broad consultation by the Commission of amongst others the Member State Expert Group on Sustainable Finance. The CEAOB should provide expert advice to the Commission on the preparation of the sustainability assurance standards.** This **gradual approach** would also allow for the progressive development of the assurance market for sustainability information, and of undertakings' reporting practices. Finally, this progressive approach would phase in the increase in costs for

reporting undertakings, given that reasonable assurance is more costly than limited assurance. **Undertakings subject to sustainability reporting requirements can decide to have an opinion on their sustainability reporting based on a reasonable assurance engagement if they wish so, and in this case they would be deemed to have complied with the obligation to express an opinion based on a limited assurance engagement.**

NL

(Comments):

Please be referred to our text proposal and remarks on Article 26a of the Audit Directive.

PL

(Comments):

It is not clear what is meant by “provide expert advice (...) on the preparation of the sustainability assurance standards”. Should it be understood that the CEAOB should prepare the draft of the standard which the Commission could ultimately adopt (similarly to the construction that has been proposed in case of sustainability reporting standards where EFRAG is to prepare the draft standards which the Commission could adopt)? Or it will be the Commission that will develop the draft standard which then will be subject to the opinion of the CEAOB?


DK

(Drafting):

To guarantee a common understanding and expectations of what a reasonable assurance engagement would consist of, the statutory auditor or audit firm should be required to express an opinion based on a reasonable assurance engagement about the compliance of the sustainability reporting with Union requirements, ~~should~~ **when** the



	<p>Commission <del>adopt</del> <b>adopts</b> assurance standards for reasonable assurance of sustainability reporting- <b><u>seven years after the assurance and reporting requirements have applied for the first time.</u></b> <i>However, to ensure sufficient data the standards for reasonable assurance shall apply for the undertaking at the earliest three years <u>after the assurance and reporting requirements have applied for the first time.</u></i></p> <p><b><u>The CEAOB should provide expert advice to the Commission on the preparation of the sustainability assurance standards.</u></b> This <b><u>gradual approach</u></b> would also allow for the progressive development of the assurance market for sustainability information, and of undertakings' reporting practices. Finally, this progressive approach would phase in the increase in costs for reporting undertakings, given that reasonable assurance is more costly than limited assurance. <b><u>Undertakings subject to sustainability reporting requirements can decide to have an opinion on their sustainability reporting based on a reasonable assurance engagement if they wish so, and in this case they would be deemed to have complied with the obligation to express an opinion based on a limited assurance engagement.</u></b></p> <p>DK</p> <p>(Comments):</p> <p>It's important that the standards for reasonable assurance rely on sufficient data. We propose ensuring this by not letting the assurance engagement pass over to reasonable assurance until the entities have had 3 years of reporting after CSRD, thus the data quality is guaranteed.</p> <p>If the proposed article 5 in this compromise text of the CSRD is adopted, we propose that the standards for reasonable assurance shall be based on those transposition dates resulting in a gradual application for the different groups of undertakings.</p>
<p>(54) Statutory auditors or audit firms already verify the financial statements and the management report. The assurance of sustainability</p>	

<p>reporting by the statutory auditors or audit firms would help to ensure the connectivity between, and consistency of, financial and sustainability information, which is particularly important for by-users of sustainability information. However, there is a risk of further concentration of the audit market, which could risk the independence of auditors and increase audit or assurance fees. It is therefore desirable to offer undertakings a broader choice of independent assurance service providers for the assurance of sustainably reporting. Member States should therefore be allowed to accredit independent assurance services providers in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council<sup>59</sup> to provide an opinion on sustainability reporting, which should be published together with the management report.</p>	
<p>Member States should set out requirements that ensure <b><u>the quality of the assurance engagement carried out by independent assurance services providers</u></b> and consistent outcomes in the assurance of sustainability reporting <del>carried out by different assurance service providers...</del>. Therefore, all independent assurance services providers should be subject to requirements that are consistent with <b><u>equivalent to</u></b> those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting, <b><u>while being adapted to the characteristics of independent assurance services providers which do not carry out statutory audits. In particular, Member States should set out equivalent requirements as regards training and examination, continuing education, quality assurance systems, independence and objectivity of the independent assurance services providers, and investigations and sanctions.</u></b> This will also guarantee a level playing field among all persons and firms allowed by Member States to provide the opinion on the assurance of sustainability reporting, including statutory auditors. If an undertaking seeks the opinion of an accredited independent assurance services</p>	<p>SK (Drafting): SK</p> <p>Member States should set out requirements that ensure <b><u>the quality of the assurance engagement carried out by independent assurance services providers</u></b> and consistent outcomes in the assurance of sustainability reporting <del>carried out by different assurance service providers...</del>. Therefore, all independent assurance services providers should be subject to requirements that are consistent with <b><u>equivalent to</u></b> those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting. <b><u>In particular, Member States should set out equivalent requirements as regards training and examination, continuing education, quality assurance systems, independence and objectivity of the independent assurance services providers, and investigations and sanctions.</u></b> This will also guarantee a level playing field among all persons</p>

<sup>59</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).

<p>provider other than the statutory auditor on its sustainability reporting, it should not in addition need to request this opinion from the statutory auditor. <b><u>Independent assurance services providers that have already been accredited by a Member State for the assurance of sustainability reporting should continue to be allowed to carry out assurance engagements of sustainability reporting. Likewise Member States should ensure that independent assurance services providers that by the date of the entry into application of the new requirements on training and examination are undergoing their accreditation process, are not subject to these new accreditation requirements provided they finish the process within the following two years. Member States should, however, ensure that all the independent assurance services providers accredited by a Member State for the assurance of sustainability reporting before two years after the entry into application of the new accreditation requirements, acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via continued professional education.</u></b></p>	<p>and firms allowed by Member States to provide the opinion on the assurance of sustainability reporting, including statutory auditors. If an undertaking seeks the opinion of an accredited independent assurance services provider other than the statutory auditor on its sustainability reporting, it should not in addition need to request this opinion from the statutory auditor. <b><u>Independent assurance services providers that have already been accredited by a Member State for the assurance of sustainability reporting should continue to be allowed to carry out assurance engagements of sustainability reporting. Likewise Member States should ensure that independent assurance services providers that by the date of the entry into application of the new requirements on training and examination are undergoing their accreditation process, are not subject to these new accreditation requirements provided they finish the process within the following two years. Member States should, however, ensure that all the independent assurance services providers accredited by a Member State for the assurance of sustainability reporting before two years after the entry into application of the new accreditation requirements, acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via continued professional education.</u></b></p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>As it is not clear what characteristics of independent assurance services providers should be taken into account and no such a provision is in the presidency text, the new wording should be deleted. The Recital should also provide more information on how to ensure equivalence in practice and by whom the equivalence should be assessed.</p> <p>ES</p> <p>(Drafting):</p>
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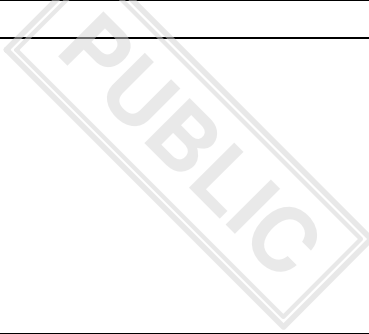
Member States should set out requirements that ensure **the quality of the assurance engagement carried out by independent assurance services providers** and consistent outcomes in the assurance of sustainability reporting ~~carried out by different assurance service providers~~. Therefore, all independent assurance services providers should be subject to requirements that are consistent with **equivalent to** those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting, **while being adapted to the characteristics of independent assurance services providers which do not carry out statutory audits. In particular, Member States should set out equivalent requirements as regards training and examination, continuing education, confidentiality and secrecy duty, quality assurance systems, independence and objectivity of the independent assurance services providers, and investigations and sanctions.** This will also guarantee a level playing field among all persons and firms allowed by Member States to provide the opinion on the assurance of sustainability reporting, including statutory auditors. If an undertaking seeks the opinion of an accredited independent assurance services provider other than the statutory auditor on its sustainability reporting, it should not in addition need to request this opinion from the statutory auditor.

ES

(Comments):

To ensure a level playing field among the auditors and the independent assurance services providers, also provisions regarding confidentiality and secrecy rules should be included.

There is a lack of consistency in the drafting of this whereas and article 34.3. since in the whereas it mentions “quality assurance systems, investigations and sanctions” and in article 34 there is a mention to “supervision” which according to article 32 of the Directive includes registration, inspections, investigation and sanctions. We propose that the drafting is aligned.

<p>(55) Directive 2006/43/EC of the European Parliament and of the Council<sup>60</sup> sets out rules concerning the statutory audit of annual and consolidated financial statements. It is necessary to ensure that consistent rules apply to the audit of financial statements and the assurance of sustainability reporting by the statutory auditor. Directive 2006/43/EC should apply where the opinion on sustainability reporting is given by <del>the</del> <b>a</b> statutory auditor or audit firm <del>carrying out the statutory audit of financial statements.</del> .</p>	
<p>(56) The rules on the approval and recognition of statutory auditors and audit firms should <b><u>allow for the additional qualification of statutory auditors for the assurance of sustainability reporting. Member States should</u></b> ensure that statutory auditors <b><u>who want to qualify for the assurance of sustainability reporting</u></b> have the necessary level of theoretical knowledge of subjects relevant to the assurance of sustainability reporting and the ability to apply such knowledge in practice. However, statutory auditors that have already been approved or recognised by a Member State should continue to be allowed to carry out <del>statutory audits</del> <b><u>assurance engagements of sustainability reporting.</u></b> <b><u>Likewise Member States should ensure that statutory auditors who are undergoing the approval process by the date of the entry into application of these new requirements for the assurance of sustainability reporting, are not subject to these provided they finish the process within the following two years. Member States should, however, ensure that statutory auditors approved before two years after the entry into application of the new requirements</u></b> and <del>should be allowed</del> <b><u>who want</u></b> to carry out assurance engagements of sustainability reporting. <del>Member States should, however, ensure that already approved statutory auditors</del> <b><u>acquire the necessary knowledge in sustainability</u></b></p>	<p>SE (Comments): SE has a scrutiny reservation for article 3.</p> <p>PL (Drafting): (56) The rules on the approval and recognition of statutory auditors and audit firms should <b><u>allow for the additional qualification of statutory auditors for the assurance of sustainability reporting. Member States should</u></b> ensure that statutory auditors <b><u>who want to qualify for the assurance of sustainability reporting</u></b> have the necessary level of theoretical knowledge of subjects relevant to the assurance of sustainability reporting and the ability to apply such knowledge in practice. However, statutory auditors that have already been approved or recognised by a Member State should continue to be allowed to carry out <del>statutory audits</del> <b><u>assurance engagements of sustainability reporting.</u></b> <b><u>Likewise Member States should ensure that persons who are undergoing the approval process for statutory auditors by the date of the entry into application of these new requirements for the assurance</u></b></p>

<sup>60</sup> Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).

<p>reporting and the assurance of sustainability reporting via continued professional education.</p>	<p><b><u>of sustainability reporting, are not subject to these provided they finish the process within the following two years. Member States should, however, ensure that statutory auditors approved before two years after the entry into application of the new requirements</u></b> and should be allowed <u>who want</u> to carry out assurance engagements of sustainability reporting. <del>Member States should, however, ensure that already approved statutory auditors,</del> acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via continued professional education.</p> <p>PL</p> <p>(Comments):</p> <p>From the formal point of view persons undergoing the approval process are not statutory auditors yet. Therefore it would useful to rephrase the wording (see also the similar comment in Article 14a second subparagraph and the title of Article 14a.</p>
<p>(57) It should be ensured that the requirements imposed on auditors as regards their work on the statutory audit and the assurance of sustainability reporting are consistent. It should therefore be laid down that, <del>where the opinion on sustainability reporting is given by the statutory auditor or audit firm carrying out the statutory audit of financial statements, the key audit partners are</del> <b><u>there should be at least a key sustainability partner who is</u></b> actively involved in conducting the assurance of sustainability reporting. When carrying out the assurance of sustainability reporting, statutory auditors should be required to devote sufficient time to the engagement and assign sufficient resources to enable them to carry out their duties appropriately. Finally, the client account record should specify the fees charged for the assurance of sustainability reporting and <del>the audit-</del><b><u>an assurance</u></b> file should <b><u>be created to</u></b> include information related to the assurance of sustainability reporting. <b><u>Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the</u></b></p>	<p>PL</p> <p>(Drafting):</p> <p>(57) It should be ensured that the requirements imposed on auditors as regards their work on the statutory audit and the assurance of sustainability reporting are consistent. It should therefore be laid down that, <del>where the opinion on sustainability reporting is given by the statutory auditor or audit firm carrying out the statutory audit of financial statements, the key audit partners are</del> <b><u>there should be at least a key sustainability partner who is</u></b> actively involved in conducting the assurance of sustainability reporting. When carrying out the assurance of sustainability reporting, statutory auditors should be required to devote sufficient time to the engagement and assign sufficient resources to enable them to carry out their duties appropriately. Finally, the client account record should specify the fees charged for the assurance of sustainability reporting and <del>the audit-</del><b><u>an assurance</u></b> file should <b><u>be created to</u></b> include</p>

<p><b><u>information of the assurance file may be included in the audit file.</u></b></p>	<p>information related to the assurance of sustainability reporting. <b><u>Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the assurance file may be included in the audit file.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>Editorial change to make the sentence clearer.</p>
<p>(58) Article 25 of Directive 2006/43/EC requires Member States to put appropriate rules in place to avoid that the fees on the statutory audit are influenced or determined by the provision of additional services to the audited entity or are based on any form of contingency. Articles 21 to 24 of that Directive also require Member States to ensure that statutory auditors carrying out statutory audits comply with the rules on professional ethics, independence, objectivity, confidentiality and professional secrecy. For reasons of coherence, it is appropriate that those rules are extended to the work carried out by statutory auditors on the assurance of sustainability reporting.</p>	
<p>(59) In order to provide for uniform assurance practices and high quality assurance of sustainability reporting across the Union, the Commission should be empowered to adopt sustainability assurance standards by means of delegated acts. <del>Member States should apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.</del> These assurance standards should set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting. <b><u>To ensure a harmonised approach to the assurance of sustainability reporting across Member States, the CEAOB should adopt guidelines to set out the procedures that the auditor should perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts an</u></b></p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p>(59) In order to provide for uniform assurance practices and high quality assurance of sustainability reporting across the Union, the Commission should be empowered to adopt sustainability assurance standards by means of delegated acts. Member States should apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter. These assurance standards should set out the procedures that the auditor shall perform in order to draw its conclusions on the</p>

<p><b><u>assurance standard covering the same subject-matter.</u></b></p>	<p>assurance of sustainability reporting..</p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>Please see our comments on Article 26a of the Audit Directive.</p> <p>NL</p> <p>(Drafting):</p> <p>(59) In order to provide for uniform assurance practices and high quality assurance of sustainability reporting across the Union, the Commission should be empowered to adopt sustainability assurance standards by means of delegated acts. <del>Member States should apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.</del> These assurance standards should set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting. <b><u>To ensure a harmonised approach to the assurance of sustainability reporting across Member States, the CEAOB should adopt guidelines to set out the procedures that the auditor should perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts an assurance standard covering the same subject-matter.</u></b> When adopting an assurance standard covering the same subject-matter the Commission will take account of the guidelines of the CEAOB to the fullest extent possible.</p> <p>NL</p> <p>(Comments):</p> <p>For the purpose of coherence it is important that the Commission will take the guidelines of the CEAOB into account to the fullest extent when</p>
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	<p>adopting an assurance standard covering the same subject-matter. See also our text proposal for Article 26a of the Audit Directive.</p> <p>PL</p> <p>(Drafting):</p> <p>(59) In order to provide for uniform assurance practices and high quality assurance of sustainability reporting across the Union, the Commission should be empowered to adopt sustainability assurance standards by means of delegated acts. <del>Member States should apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.</del> Member States should apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter. These assurance standards should set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting.</p> <p>PL</p> <p>(Comments):</p> <p>For detailed justification please see our comments on Article 26a para. 1 (i.e. that the CEAOB guidelines are non-binding and it is up to the Member State to decide whether to apply them).</p>
<p>(60) Article 27 of Directive 2006/43/EC sets out rules on the statutory audit of a group of undertakings. <del>Those</del> <b>Similar</b> rules should be extended <del>to</del> <b>set out for</b> the assurance of consolidated sustainability reporting, <del>where the statutory auditor performs the statutory audit.</del></p>	
<p>(61) Article 28 of Directive 2006/43/EC requires statutory auditors or audit firms to present the results of their statutory audit in an audit report. <del>That requirement</del> <b>Similar rules</b> should be extended <del>to</del> <b>set out for</b> the assurance of sustainability reporting <del>to ensure that the</del>. <b>The</b> results of the <b>engagement should be presented in an assurance report. Where the</b></p>	

<p><b><u>same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting are, the information about the assurance engagement of sustainability reporting may be presented in the same audit report.</u></b></p>	
<p>(62) Article 29 of Directive 2006/43/EC requires Member States to set up a system of quality assurance review of statutory auditors and audit firms. To ensure that quality assurance reviews also take place for the assurance of sustainability reporting and that the persons who carry out quality assurance reviews have appropriate professional education and relevant experience in the assurance of sustainability reporting and sustainability reporting, that requirement to set up a system of quality assurance review should be extended to the assurance of sustainability reporting.</p>	<p>PL (Comments): The text of the recital should be supplemented to reflect the need to give sufficient time to competent authorities to adapt to the new requirements concerning the qualifications to be met by persons conducting quality assurance reviews – see our detailed comment on Article 29 paragraph 1 point (d)</p>
<p>(63) Chapter VII of Directive 2006/43/EC requires Member States to have in place an investigations and sanctions regime for statutory auditors and audit firms carrying out statutory audits. Chapter VIII of that Directive requires Member States to organise an effective system of public oversight, and to ensure that regulatory arrangements for public oversight systems permit effective cooperation at Union level in respect of Member States' oversight activities. Those requirements should be extended to statutory auditors and audit firms that conduct assurance engagements of sustainability reporting in order to ensure the consistency of the investigations, sanctions and oversight frameworks set up for the auditor's work in the statutory audit and the assurance of sustainability reporting.</p>	
<p>(64) Article 37 and 38 of Directive 2006/43/EC contain rules on the appointment and dismissal of statutory auditors and audit firms carrying out statutory audits. Those rules should be extended to the assurance of sustainability reporting to ensure the consistency of the rules imposed on auditors as regards their work on the statutory audit and the assurance of</p>	<p>ES (Drafting): <del>(64) — Article 37 and 38 of Directive 2006/43/EC contain rules on the appointment and dismissal of statutory auditors and audit firms carrying</del></p>

<p>sustainability reporting.</p>	<p><del>out statutory audits. Those rules should be extended to the assurance of sustainability reporting to ensure the consistency of the rules imposed on auditors as regards their work on the statutory audit and the assurance of sustainability reporting.</del></p> <p>ES</p> <p>(Comments):</p> <p>Since the reference to articles 37 and 38 has been deleted we propose that the corresponding whereas is also deleted or at least adapted to the remaining references included in compromise text.</p>
<p>(65) Article 39 of Directive 2006/43/EC requires Member States to ensure that each public-interest entity has an audit committee, and specifies its tasks with regard to the statutory audit. That audit committee should be assigned with certain tasks with regard to the assurance of sustainability reporting. Those tasks should include the obligation to inform the administrative or supervisory body of the audited entity of the outcome of the assurance of sustainability reporting, and to explain how the audit committee contributed to the integrity of sustainability reporting and what the role of the audit committee was in that process.</p>	
<p>(66) Article 45 of Directive 2006/43/EC contains requirements for registration and oversight of third-country auditors and audit entities. To ensure that a consistent framework exists for the work of auditors in both the statutory audit and the assurance of sustainability reporting, it is necessary to extend those requirements to the assurance of sustainability reporting.</p>	
<p>(67) Regulation (EU) No 537/2014 of the European Parliament and of the Council<sup>61</sup> applies to statutory auditors and audit firms carrying out</p>	

<sup>61</sup> Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77).



<p>statutory audits of public-interest entities. <del>To ensure the independence of the statutory auditor</del> <b><u>To ensure the independence of the statutory auditor when carrying out a statutory audit, that Regulation prohibits contingent fees and establishes a limit to the fees from other services that he or she can obtain. It is important to clarify that the assurance of sustainability reporting should not count in the calculation of that limit. In addition</u></b>, Article 5 of that Regulation prohibits the provision of certain non-audit services over certain time periods. That independence should also be ensured for the work of statutory auditors and audit firms carrying <del>statutory audits of public-interest entities on</del> out the assurance of sustainability reporting. <del>Consulting</del> <b><u>of public-interest entities. In this respect, the statutory auditor carrying out the assurance of sustainability reporting should not be allowed to provide consulting services for the preparation of sustainability reporting should therefore be included in the list of prohibited non-audit services over certain time periods.</u></b></p>	
<p>(68) Article 14 of Regulation (EU) No 537/2014 requires statutory auditors and audit firms to inform their competent authority annually of the revenues generated from statutory audits and non-audit services of public-interest entities. Auditors and audit firms should be required to specify which revenues <del>among the revenues from non-audit services</del> are generated from the assurance of <b><u>sustainability reporting, as it is relevant information for the competent authorities to understand developments in the assurance market for</u></b> sustainability reporting.</p>	
<p>(69) According to Article 51 of Directive 2013/34/EU, the enforcement of corporate reporting by undertakings the securities of which are not listed on regulated markets is carried out by Member States. The types of sanctions are, however, not specified, which means that sanctioning regimes can vary widely between Member States, so undermining the single market. To improve sustainability reporting in the internal market and to contribute to the transition towards a fully sustainable and inclusive</p>	<p>CZ                  (Comments):                  We do not see any reason why there should be different regime for financial and non financial information.                  If there is an intention to have the same sanction regime, the change</p>

<p>economic and financial system in which the benefits of growth are broadly shared in accordance with the European Green Deal, Member States should provide for certain <del>sanctions and administrative measures</del> <b>penalties</b> in the case of infringements of sustainability reporting requirements. The sanctioning regime of Directive 2013/34/EU should therefore be strengthened accordingly, whereby Member States are to provide for appropriate <del>sanctions and</del> <b>penalties either through administrative measures, or judicial procedures, or through both, in accordance with national law-</b>.</p>	<p>should be made in diferent piece of legislation than Accounting Directive.</p> <p>NL</p> <p>(Drafting):</p> <p>(69) According to Article 51 of Directive 2013/34/EU, the enforcement of corporate reporting by undertakings the securities of which are not listed on regulated markets is carried out by Member States. Member States are to provide for appropriate <del>sanctions and</del> <b>penalties either through administrative or criminal penalties measures, or judicial procedures, or through a combination, in accordance with national law-</b>.</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to our remarks on Article 51 below, and our text proposal to allow sufficient discretion for MS to choose their own sanctioning regime.</p> <p>Furthermore, the possibility of criminal penalties should be mentioned in this recital explicitly.</p> <p>SE</p> <p>(Drafting):</p> <p>SE</p> <p>(Comments):</p> <p>See comments and drafting suggestions on the compromise proposal at article 51. SE does not support the proposed penalties.</p> <p>DK</p> <p>(Drafting):</p>
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	<p>According to Article 51 of Directive 2013/34/EU, the enforcement of corporate reporting by undertakings the securities of which are not listed on regulated markets is carried out by Member States. The types of sanctions are, however, not specified, which means that sanctioning regimes can vary widely between Member States, so undermining the single market. To improve sustainability reporting in the internal market and to contribute to the transition towards a fully sustainable and inclusive economic and financial system in which the benefits of growth are broadly shared in accordance with the European Green Deal, Member States should provide for certain sanctions and administrative measures <b>penalties</b> in the case of infringements of sustainability reporting requirements. The sanctioning regime of Directive 2013/34/EU should therefore be strengthened accordingly, whereby Member States are to provide for appropriate sanctions and <b>penalties either through administrative measures, or judicial procedures, or through both, in accordance with national law</b></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(70) Article 24 of Directive 2004/109/EC assigns to national supervisors the task of enforcing compliance with corporate reporting requirements by undertakings with securities listed on regulated markets. Article 4 of that Directive specifies the content of the annual financial reports, but lacks an explicit reference to Articles 19a and 29a of Directive 2013/34/EU, which require the preparation of a (consolidated) non-</p>	<p>BE</p> <p>(Drafting):</p> <p>(70) Article 24 of Directive 2004/109/EC assigns to national supervisors the task of enforcing compliance with corporate reporting requirements by undertakings with securities listed on regulated markets.</p>

<p>financial statement. This implies that national competent authorities of some Member States have no legal mandate to supervise those non-financial statements, especially where those statements are published in a separate report, outside of the annual financial report, which Member States may currently allow. It is therefore necessary to insert into Article 4(5) of Directive 2004/109/EC a reference to sustainability reporting. It is also necessary to require that the persons responsible within the issuer confirm in the annual financial report that, to the best of their knowledge, the management report is prepared in accordance with the sustainability reporting standards. In addition, given the novel character of those reporting requirements, the European Securities and Markets Authority should issue guidelines for national competent authorities to promote convergent supervision of sustainability reporting by issuers subject to Directive 2004/109/EC.</p>	<p>Article 4 of that Directive specifies the content of the annual financial reports, but lacks an explicit reference to Articles 19a and 29a of Directive 2013/34/EU, which require the preparation of a (consolidated) non-financial statement. This implies that national competent authorities of some Member States have no legal mandate to supervise those non-financial statements, especially where those statements are published in a separate report, outside of the annual financial report, which Member States may currently allow. It is therefore necessary to insert into Article 4(5) of Directive 2004/109/EC a reference to sustainability reporting. It is also necessary to require that the persons responsible within the issuer confirm in the annual financial report that, to the best of their knowledge, the management report is prepared in accordance with the sustainability reporting standards. In addition, given the novel character of those reporting requirements, the European Securities and Markets Authority should issue guidelines for national competent authorities to promote convergent supervision of sustainability reporting by issuers subject to Directive 2004/109/EC. <b><u>The said guidelines will only apply to the supervision of undertakings with securities listed on regulated markets.</u></b></p> <p>BE</p> <p>(Comments):</p> <p>BE: Clarification regarding the scope of the guidelines issued by ESMA.</p>
<p>(71) Member States are invited to assess the impact of their transposition act on SMEs in order to ensure that they are not disproportionately affected, giving specific attention to micro-enterprises and to the administrative burden, and to publish the results of such assessments. Member States should consider introducing measures to support SMEs in applying the voluntary simplified reporting standards.</p>	
<p>(72) Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014 should therefore be</p>	

MS Comments on doc. 14268/21 (**Recitals** of 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) - (178 rows)

amended accordingly,	
	<b>General comments</b>
	<p>CZ</p> <p>(Comments):</p> <p>We propose to include into recitals the reasons why there is a change in the net turnover definition and also the reasons why this change is done in general accounting directive (2013/34/EU) and not in sectoral directives 86/635/EEC and 91/674/EEC.</p> <p>SE</p> <p>(Comments):</p> <p>The comments above is of non-exhaustive nature.</p>
<b>END</b>	<b>END</b>



Table for comments on doc. 14268/21 (**Articles** of 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) (1102 rows)

<u>Presidency text – ST 14268/21</u>	MS drafting suggestions and comments (SK- RO - HU - LV- CZ - ES - NL - BE - PT -LT - LU- MT- FI- SE- PL- AT - IT- EE- DE- DK)
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 - <b>ARTICLES</b>	
HAVE ADOPTED THIS DIRECTIVE:	
Article 1 <b>Amendments to Directive 2013/34/EU</b>	
Directive 2013/34/EU is amended as follows:	
(1) in Article 1, the following paragraphs <b>3 and 3a</b> are added:	
<p>‘3. The coordination measures prescribed by Articles 19a, <del>29d</del>, 29a, 30 and 33, Article 34(1), second subparagraph, point (aa), paragraphs 2 and 3 of Article 34, and Article 51 of this Directive shall also apply to the laws, regulations and administrative provisions of the Member States relating to the following undertakings regardless of their legal form, <b><u>provided they are large undertakings or small and medium sized undertakings which are undertakings referred to in Article 2, point (1), point (a) of this Directive:</u></b></p>	<p>CZ (Drafting): The coordination measures prescribed by Articles 19a, <del>29d</del>, 29a, 30 and 33, Article 34(1), second subparagraph, point (aa), paragraphs 2 and 3 of Article 34, and Article 51 of this Directive shall also apply to the laws, regulations and administrative provisions of the Member States relating to the following undertakings regardless of their legal form, <del><b><u>provided they are large undertakings or small and medium sized undertakings which are undertakings referred to in Article 2, point (1), point (a) of this Directive:</u></b></del></p> <p>CZ (Comments): Amended text is in our opinion unnecessary, because there is duplication with</p>

<p>Article 19a(1)</p> <p>BE</p> <p>(Drafting):</p> <p>The coordination measures prescribed by Articles 19a, <del>129d</del>, 29a, 30 and 33, Article 34(1), second subparagraph, point (aa), paragraphs 2 and 3 of Article 34, and Article 51 of this Directive shall also apply to the laws, regulations and administrative provisions of the Member States relating to the following undertakings regardless of their legal form, provided they are large undertakings or small and medium sized undertakings which are <b>at the same time</b> undertakings referred to in Article 2, point (1), point (a) of this Directive:</p> <p>BE</p> <p>(Comments):</p> <p>BE: The current drafting seems to suggest that article 2 (1) a) gives a definition of the notion of small and medium sized undertaking rather than expressing the fact it concerns SMEs that are at the same time listed on a regulated market. The current adaptation tries to further clarify the wording on this point.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We welcome the PRES SI proposal which is broadly aligned with the comments previously conveyed by Portugal</p> <p>IT</p> <p>(Comments):</p> <p>On the scope we support in general the amendments proposed by the Presidency, in particular those aimed at ensuring a higher alignment between the disclosure requirements provided by this proposal and those required by other EU legislation.</p> <p>Anyway, we deem appropriate to identify <i>ad hoc</i> dimensional parameters for</p>
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Table for comments on doc. 14268/21 (**Articles** of 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) (1102 rows)

	the financial sector, more tailored to economic and financial features of banking and insurance undertakings. In particular, although we support the proposal for a specific definition of net turnover for credit institutions, this may also take into account and search for an alignment with the definitions provided by CRR 3 and CRD VI proposal, also under negotiation. At the same time, it may be considered, for insurance undertakings, to align the scope provided by the CSRD proposal with the scope required by the Solvency II directive.
(a) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC <sup>1</sup> ;	
(b) credit institutions as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council <sup>2</sup> .	
Member States may choose not to apply the coordination measures referred to in the first subparagraph to the undertakings listed in Article 2(5), points (2) to (23), of Directive 2013/36/EU of the European Parliament and of the Council <sup>3</sup> .	
<b><u>3a. The coordination measures prescribed by Articles 19a, 29d and 29a, shall not apply to financial products referred to in Article 2, point 12, points (b) and (f) of Regulation (EU) 2019/2088 of the European Parliament and of the Council, provided all of the following is met:</u></b>	LU (Drafting): 3a. The coordination measures prescribed by Articles 19a, 29d and 29a,

<sup>1</sup> Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings ( OJ L 374, 31.12.1991, p. 7).

<sup>2</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>3</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

shall not apply to financial products referred to in Article 2, point 12, points (b) and (f) of Regulation (EU) 2019/2088 of the European Parliament and of the Council, **provided all of the following is met: the financial product is not self-managed.**

LU

(Comments):

We welcome the introduction of an exemption clarifying that investment funds are not in the scope of CSRD. Indeed, investment funds being financial products should not be covered by CSRD given that a specific reporting framework for financial products has already been developed in the SFDR. We are however concerned that the proposed wording would not achieve the intended purpose. For reasons of proportionality, the SFDR framework foresees certain exemptions, notably for smaller players. The proposed drafting for this article would have the unintended consequence that the financial products for which the legislator had especially foreseen exemptions under SFDR will fall into the scope of CSRD. If the dedicated framework for financial products foresees specific exemptions, it would not seem in line with the intention of the legislator, nor with the principle of proportionality, to include them in a framework that is neither aimed nor adapted to them. For this reason, to avoid such unintended consequences, points i) and ii) should be deleted.

PL

(Drafting):

**3a. The coordination measures prescribed by Articles 19a and 29a, shall not apply to financial products referred to in Article 2, point 12, points (b) and (f) of Regulation (EU) 2019/2088 of the European Parliament and of the Council, provided all of the following is met:**

PL

(Comments):

PL is of the opinion that Article 29d applies only to entities being in the scope of Article 19a and 29a, therefore Article 29d does not need to be included in this par.3a. If a financial product is exempted from the application of Article 19a and 29a, it will be already also not in the scope of Article 29d which refers exclusively to entities obliged to report sustainability information. Furthermore PL would like to ask for providing clarification on this exemption – by giving an explicit example of financial products covered and not covered by this exemption.

IT

(Drafting):

*“Where the coordination measures prescribed by Articles 19a, 29a and 29b, apply to undertakings required to disclose information according to Article 4 (1), point a, or 4 (3) or 4 (4) of Regulation (EU) 2019/2088, the undertaking may incorporate by reference in sustainability reporting to be published pursuant to this Directive the information referred to under article 19a (2) and (3), 29a (2) and 29b (2) where appropriate”.*

IT

(Comments):

We support the introduction of a coordination between CSRD and Disclosure Regulation although the wording “ *coordination measures prescribed by Articles 19a, 29d e 29a* “ set out in par. 3 a seems too generic, as it does not allow a clear identification of conditions and elements that qualify the exemption and it may entail doubts between disclosure profiles at entity level and at product level.

Therefore, we would prefer a coordination by incorporating elements already required by Disclosure Regulation. We propose the paragraph to be rephrased as indicated.

DK

(Comments):

Table for comments on doc. 14268/21 (**Articles** of 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) (1102 rows)

	<p>Denmark supports the view that financial market participants should receive adequate information from investee companies in order to fulfill their disclosure requirements under SFDR.</p> <p>As other MS have noted during previous meetings, we can be open to exempting the mentioned financial products (UCITS and AIF) from preparing sustainability reporting under CSRD provided that the UCITS management company and AIFM still prepare sustainability reporting under CSRD.</p> <p>The current wording however seems quite complex and we would encourage to find a simpler wording.</p>
<p><b><u>a) financial market participants as defined in Article 2, point 1 of Regulation (EU) 2019/2088 which apply point (a) of Article 4 (1) or Article 4(3) or (4) of Regulation (EU) 2019/2088:</u></b></p>	<p>LU (Drafting):</p> <p><del><b><u>a) — financial market participants as defined in Article 2, point 1 of Regulation (EU) 2019/2088 which apply point (a) of Article 4 (1) or Article 4(3) or (4) of Regulation (EU) 2019/2088:</u></b></del></p> <p>LU (Comments):</p> <p>Please refer to our comment above.</p>
<p><b><u>i) include in the disclosures referred to in Article 6(3) of that Regulation information on how a financial product considers principal adverse impacts on sustainability factors and a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2) of that regulation;</u></b></p>	<p>LU (Drafting):</p> <p><del><b><u>i) — include in the disclosures referred to in Article 6(3) of that Regulation information on how a financial product considers principal adverse impacts on sustainability factors and a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2) of that regulation;</u></b></del></p> <p>LU (Comments):</p>

Table for comments on doc. 14268/21 (**Articles** of 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) (1102 rows)

	Please refer to our comment above.
<b>ii) <u>include in the information to be disclosed pursuant to Article 11(2) of that regulation a clear and reasoned explanation of the impacts of the financial product on sustainability factors;</u></b>	<p>LT</p> <p>(Drafting):</p> <p><b>ii) <u>include in the information to be disclosed pursuant to Article 11(2) of that Regulation a clear and reasoned explanation of the impacts of the financial product on sustainability factors;</u></b></p> <p>LU</p> <p>(Drafting):</p> <p><del>ii) <u>include in the information to be disclosed pursuant to Article 11(2) of that regulation a clear and reasoned explanation of the impacts of the financial product on sustainability factors;</u></del></p> <p>LU</p> <p>(Comments):</p> <p>Please refer to our comment above.</p>
<b>b) <u>the financial product is not self-managed.?</u></b>	<p>LU</p> <p>(Drafting):</p> <p><del>b) <u>the financial product is not self managed.?</u></del></p> <p>LU</p> <p>(Comments):</p> <p>This is moved to paragraph 3a above.</p>
(2) <del>in Article 2</del> <b><u>is amended as follows</u></b> , the following points (17) to (20) are added:	SP

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	<p>(Comments):</p> <p>In this Article 2, it might be desirable to include a definition of ex ante “policies” and “due diligence process”, and ex post “actions taken” as in practise companies tend to get them mixed up.</p>
<b>a) <u>point (5) is replaced by the following:</u></b>	<p>PL</p> <p>(Drafting):</p>
<p>‘(5) ‘net turnover’ means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; <b><u>for credit institutions referred to in point (b) of Article 1(3) of this Directive ‘net turnover’ shall be defined according to point (c) of Article 43(2) of Directive 1986/635 of the Council<sup>4</sup></u></b>;</p>	<p>LV</p> <p>(Comments):</p> <p><b>Latvia</b></p> <p>We consider it necessary to clarify the term "net turnover" considering not only the specificities of banks but also differences in insurers' financial statements. We propose to make a reference also to the insurers' annual accounts referred to in Article 66 point 2 of Directive 91/674.</p> <p>CZ</p> <p>(Drafting):</p> <p>‘(5) ‘net turnover’ means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; <b><u>for insurance undertakings referred to in point (a) of Article 1(3) of this Directive ‘net turnover’ shall be defined according to Article 66 (2) of Directive 1991/674 of the Council</u></b>; for credit institutions referred to in point (b) of Article 1(3) of this Directive ‘net</p>

<sup>4</sup> **Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).**



Table for comments on doc. 14268/21 (**Articles** of 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) (1102 rows)

turnover’ shall be defined according to point (c) of Article 43(2) of Directive 1986/635 of the Council<sup>5</sup>;

LU

(Drafting):

‘(5) ‘net turnover’ means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; **for credit institutions referred to in point (b) of Article 1(3) of this Directive ‘net turnover’ shall be defined according to point (c) of Article 43(2) of Directive 1986/635 of the Council<sup>6</sup>;**

LU

(Comments):

While we understand the rationale for amending the definition of “net turnover” i.e. to adjust this threshold for credit institutions taking into account the financial nature of their activities (by making direct reference to the bank accounting directive (“BAD” or “86/635/EEC”), we have the following comments:

-Article 2 of Directive 2013/34/EU is mainly dedicated to general accounting concepts (Lex generalis) that apply to undertakings falling within its scope and should not be “polluted” by industry-specific accounting concepts (Lex specialis). We would therefore suggest to remove this amendment from Article 2 point 5 and to incorporate it in a new or existing Article that is more adequate;

-while the above-mentioned adjustment takes into consideration the

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<sup>6</sup> **Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).**

specificities of the banking industry, it seems to omit the specificities of the insurance industry. Similar to banks not showing a “net turnover” in their profit and loss account (but rather financial income including financial interest), insurance undertakings do not show a “net turnover” in their profit and loss account but rather “gross premiums written” consistent with the Insurance accounting (directive “IAD” or “91/674/EEC”). We would therefore suggest to consider the adjustment of the “net turnover” for the insurance industry and to incorporate it in an article other than the general definitions of Article 2 of directive 2013/34/UE.

We therefore suggest to add a new paragraph: Article 3, paragraph (12a) specifying that for the purpose of this directive, the ‘net turnover’ for banks should be assimilated to banking products. Without this safeguard we could have unintended future consequences for banks when the accounting directive is amended, and more specifically the definition of ‘net turnover’ itself. Identically for the insurance industry, we suggest to add a provision specifying that for the purpose of this directive, the ‘net turnover’ for insurance industry should be assimilated to gross premiums written.

Please refer to the added drafted paragraph here below.

PL

(Drafting):

PL

(Comments):

PL would be cautious about introducing sector specific definitions of ‘net turnover’ into the Accounting Directive. The current definition of ‘net turnover’ is sufficiently general in order to determine the net turnover in case of credit institutions.

DE

(Comments):

**Art. 2 (5) Draft Accounting Directive:** DEU would like to **reserve additional comments** with respect to the changes regarding the definition of **net turnover** for credit institutions after due examination. At this point in time we just want to point out that the reference to Article 43(2) of Directive 1986/635 seems to be too broad, as it would also include other operating income and that there should be a specific definition for “net turnover” for insurance companies as well.

DK

(Drafting):

‘(5) ‘net turnover’ means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover;;

DK

(Comments):

We recognise the intent to address the issue of net turnover for credit institutions by applying an existing definition. However, the proposed definition of net turnover for credit institutions is in our view a proxy for net-turnover for credit institutions that will not resolve the challenge of creating an unlevel playing field between credit institutions and non-financial institutions. This is because the definition among other items includes “income from securities” covering income from shares and other variable-yield securities, income from participating interests and income from shares in affiliated undertakings, and this item is not included in the definition for non-financial companies even though it may also be material for these companies. Therefore, using this criterion would result in dissimilar treatment of credit institutions compared to non-financial institutions thus further creating an unlevel playing field. As mentioned elsewhere using the balance sheet as one of the three variables is also creating an unlevel playing field. For the financial companies we continue seem to be left with only one good criterion, which would be the average number of employees during the financial year. Focusing on the criteria of average number of employees, will allow us to not put undue

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	burdens on these entities and ensure that financial companies and non-financial companies would be treated equally.
	LU (Drafting):
<b>b)</b> the following points (17) to (20) are added:	
‘(17) ‘sustainability matters’ means <b>environmental, social, human rights and governance factors, including</b> sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council <sup>8</sup> , <del>and governance factors</del> ;	PL (Drafting): ‘(17) ‘sustainability matters’ means <b>environmental, social and human rights, and governance factors, including</b> sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council <sup>9</sup> , <del>and governance factors</del> ; PL (Comments): To align with the wording used in Article 29b(2)(b) and with the recital 24 which refers to <b>three</b> main sustainability matters and not four. IT (Comments): The renewed definition of “sustainability matters” seems to be redundant as it explicitly refers to environmental, social, human rights and governance factors but refers also to sustainability factors required by SFDR that includes again

<sup>8</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability- related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

<sup>9</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability- related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

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	<p>environmental, social and human rights issues.</p> <p>On “human rights” information, we concur with the relevance given to these elements but, as far as definitions are concerned, it may be worth considering the mas a minimum safeguard (ex art. 18 of Taxonomy Regulation and consistently with Recital nr. 43) thus not mining ESG factors exhaustiveness.</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 2 (17) Draft Accounting Directive:</b> DEU thanks the Presidency for adopting the suggested definition of “sustainability matters”. At the same time, however, we are wondering what the additional value of keeping the second part (“<i>including sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council</i>”) exactly is.</p>
<p>(18) ‘sustainability reporting’ means reporting information related to sustainability matters in accordance with Articles 19a, <del>129d</del> and 29a of this Directive;</p>	<p>LT</p> <p>(Drafting):</p> <p>‘sustainability reporting’ means reporting information related to sustainability matters in accordance with Articles 19a, 29a, <del>129b</del> and 29d of this Directive;</p> <p>LT</p> <p>(Comments):</p> <p>In our opinion reference to the Article 29b should be inserted as Article 29 b paragraph 2 provides subject matters that should be designated in the standards.</p>
<p>(19) <del>‘intangibles’ means non-physical resources that contribute to the undertaking’s value creation;</del> <b><u>‘key intangible resources’ means, for the purpose of sustainability reporting, resources without physical substance related to sustainability matters on which the business model of the undertaking fundamentally depends and that are a</u></b></p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p>

<p><b><u>source of creation of the value of the undertaking</u></b>;</p>	<p>19) <del>'intangibles' means non-physical resources that contribute to the undertaking's value creation;</del> <b><u>'key intangible resources' means, for the purpose of sustainability reporting, resources, other than assets, without physical substance related to sustainability matters on which the business model of the undertaking significantly depends and that are a source of creation of the value of the undertaking</u></b>;</p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>We believe that more alignment with Recital 28 is needed in order to be clear that only information on resources that are not recognised as assets should be provided.</p> <p>HU</p> <p>(Comments):</p> <p>We recommend a clear definition and a list of the information to be disclosed for off-balance sheet intangible assets for consistency and comparability.</p> <p>NL</p> <p>(Comments):</p> <p>The Netherlands would like to present a scrutiny reservation to the new definition for key intangible resources in the compromise text. In general, the Netherlands considers the proposed compromise text on intangibles a move in the right direction. However, an even more clear link to the relevant sustainability matters could be considered.</p> <p>PT</p> <p>(Drafting):</p> <p>(19) <del>'intangibles' means non-physical resources that contribute to the undertaking's value creation;</del> <b><u>'key intangible resources' means, for the</u></b></p>
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**purpose of sustainability reporting, resources which are not recognised intangible assets, without physical substance and related to sustainability matters on which the business model of the undertaking fundamentally depends and that are a source of creation of the value of the undertaking?**

PT

(Comments):

**PT:** Our drafting proposal aims to clarify what we understand to be the intention of the COM and the PRES SI as well: to distinguish the sustainability reporting from the financial reporting as regards intangibles.

Such distinction between the reporting of sustainability related information on other intangibles than the intangible assets (recognised in the financial reporting) should indeed be a fundamental underpinning of the proposal in order to avoid *inter alia* the duplication of reporting.

Our drafting suggestion is aligned with the COM proposal and with the clarification conveyed in the PRES SI explanatory note in view of the meeting of 8/12/2021 (**WK 14690/2021 INIT**): “*Recital 28 provides examples of intangible resources linked to sustainability which are not recognised assets but on which the business model of undertakings can fundamentally depend and which can be a source of creation of the value of undertakings.*”

Please refer also to our comments on Recital 28

SE

(Comments):

SE welcomes that the sustainability report shall include all sustainability matters. However, the delegation to COM to adopt EU-standards should be limited to sustainability matters. SE welcomes that the compromise text introduces a requirement that the intangible resources covered by the CSRD are only resources related to sustainability matters. SE can accept the compromise proposal with regard to reporting on key intangible resources.

IT

(Comments):

As regards the “key intangible resources” definition, although it seems to meet several contact points with the definition provided by IAS 38, it does not clearly explain which type of materiality is considered for qualifying these relevant intangible resources. Indeed, while the definition seems to refer to the effects of these resources on enterprise value creation, recital nr.28, in order to define some type of information to be included in these categories, also takes into account the effects of enterprise on market valuation so referring to a non-financial materiality.

Similarly, recital nr. 28 does not provide examples on sustainability matters related to the environment. This may wrongly imply that intangible resources to be disclosed are only connected to social and governance factors.

We also support that concepts like “conservation” and “erosion” of enterprise value have been removed from the latest version of compromise text.

Finally, considering the relevance of intangible information we wish for a close monitoring of standard setting on these matters.

DE

(Comments):

**Art. 2 (19), Art. 19a para. 2 subpara. 2 Draft Accounting Directive:**  
DEU would like to stress that it might be extremely difficult to draw an exact line between intangibles related to sustainability matters and those that are not related to sustainability matters. Therefore, in light of a comprehensive and holistic approach which meets all user’s needs, we would propose to delete these two additions in the definition and to move Art. 19a para. 2 subpara. 2 of the Draft Accounting Directive to Article 19 of the Accounting Directive.

DK

(Drafting):

~~(19) ‘intangibles’ means non-physical resources that contribute to the undertaking’s value creation; ‘key intangible resources’ means, for the~~



	<p><b><u>purpose of sustainability reporting, resources without physical substance related to sustainability matters on which the business model of the undertaking fundamentally depends and that are a source of creation of the value of the undertaking’;</u></b></p> <p>DK</p> <p>(Comments):</p> <p>We suggest deleting intangibles as subject to sustainability reporting since a clear link between intangible resources and sustainability matters is missing and the content of intangibles as a reporting subject is vague and uncertain. We do agree, that intangibles that is not recognized in the balance sheet is important assets in many companies, as for instance tech-companies and pharmaceutical companies. The discussion on more disclosures relating to the intangibles (or possible recognition in the balance sheet) should be taken as a broad discussion based on the financial statements – and any outcome may be reflected in the non-financial reporting.</p>
	<p>DK</p> <p>(Drafting):</p> <p><b><i>(19) ‘Double materiality (perspective) means that the impacts of the undertaking and the risks to the undertaking each represent one materiality perspective in their own right without ignoring their interactions. The double materiality perspective concerns both the impact of an undertaking’s activities on matters of sustainability as well as the impact of sustainability matters on an undertakings development, performance and positions.</i></b></p> <p>DK</p> <p>(Comments):</p> <p>The CSRD does not propose any definition of ‘double materiality’ even though this is a key component in the sustainability reporting. A clear definition on double materiality is necessary to clarify the disclosure requirements of the undertakings sustainability report.</p>

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<p>(20) ‘independent assurance services provider’ means a conformity assessment body accredited in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council<sup>10*5</sup> for the specific conformity assessment activity referred to in Article 34(1), second subparagraph, point (aa) of this Directive.’</p>	
	<p>LU</p> <p>(Drafting):</p> <p><b><u>(2a) In Article 3 the following points (12a) and (12b) are added :</u></b>  <b><u>(12a) In order to determine if the sustainability reporting obligations set out in articles 19a and 29a of Directive XX/XX amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting, should be applied to credit institutions referred to in point (b) of Article 1(3) of this Directive, ‘net turnover’ shall be defined according to point (c) of Article 43(2) of Directive 1986/635 of the Council<sup>11</sup>.</u></b></p> <p><b><u>(12b) In order to determine if the sustainability reporting obligations set out in articles 19a and 29a of Directive XX/XX amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting, should be applied to insurance undertakings referred to in point (a) of Article 1(3) of this Directive, ‘net turnover’ shall be defined according to Article 66(2) of Directive 91/674/EEC<sup>12</sup>.</u></b></p>

<sup>10</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).’;

<sup>11</sup> **Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).**

<sup>12</sup> **Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings OJ L 374, 31.12.1991, p. 7–31**

LU

(Comments):

Based on our comments on Article 2 of the Accounting Directive, we suggest to add two new paragraphs:

Article 3, paragraph (12a) specifying that for the purpose of this directive, the “net turnover” for banks should be assimilated to banking products.

Without this safeguard we could have unintended future consequences for banks when the accounting directive is amended, and more specifically the definition of “net turnover” itself.

Following the same logic as for banks above, we suggest to add a specific definition for “turnover” for insurance undertakings.

DK

(Drafting):

**(2a) in Article 3, a new subparagraph is inserted in paragraph 4:**

**‘The following undertakings which are subject to reporting requirements in Article 19a and Article 29a, shall solely apply point (c) in subparagraph 1:**

**(a) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC;**

**(b) credit institutions as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council;**

**(c) alternative investment fund managers as defined in Article 4(1), point b) of Council Directive 2011/61/EU\*<sup>6</sup>;**

**(d) investment firms as defined in Article 4(1), point 1 of Directive 2014/65/EU of the European Parliament and of the Council\*<sup>7</sup>;**

**(e) management company as defined in Article 2(1), point (b) of Directive 2009/65/EC of the European Parliament and of the Council\*<sup>8</sup>.**

**\*<sup>6</sup> Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1–73)**

**\*<sup>7</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349–496)**

**\*<sup>8</sup> Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32–96)**

DK

(Comments):

Taking into account our comments stated in connection with a new recital (15a) we propose to add a change of the applicable criteria for financial undertakings when identifying the relevant “large undertakings” which should be based solely on the criterion of the average number of employees during the financial year. This is because the criteria of net turnover and balance sheet total are not appropriate for financial undertakings.

For ease of reference the comments to new recital (15a) are duplicated below.

Reverting to using existing criteria of turnover or balance sheet as set out as criteria for “large undertakings” in Article 3 of the Accounting Directive to identify the relevant undertakings subject to reporting on sustainability poses a challenge for jurisdictions such as Denmark where we have not yet applied them to the financial undertakings. Current implementation of Article 19a of the NFRD is based on identification of the public-interest companies as set out in Article 2(1) of the Accounting Directive combined with the criterion of exceeding on their balance sheet an average number of 500 employees during

the financial year. Thus the challenge concerns the criteria of balance sheet and net turnover respectively.

With regard to the balance sheet total we wish to highlight the following. The balance sheet for a financial undertaking is rarely comparable to the balance sheet of a non-financial company, as the balance sheet. Firstly, it is subject to mandatory capital requirements across the board that contribute to increasing the balance sheet total in a manner that is not equal for non-financial companies. Secondly, it contains financial instruments, which the issuers keep on behalf of its clients. The balance sheet of a bank contains the bank deposit of its clients and for a life insurance company the balance sheet contains the savings of its clients, to be paid out at a later time. Similarly, net turnover poses challenges for financial companies as a definition of turnover is either not available (e.g. for insurance companies) or does not seem adequately fit for purpose as it does not ensure an adequate treatment between financial companies themselves or between financial companies and non-financial companies (e.g. credit institutions).

Therefore, using these criteria in light of the business models for the financial undertakings would result in a range of SME financial entities being included in the larger scope thus creating an unlevel playing field and disproportionate burdens on these undertakings.

While having considered possible alternatives it is our view that the only viable criterion would be the average number of employees during the financial year. Focusing on the criteria of average number of employees, we ensure that financial and non-financial undertakings as well as financial undertakings as a whole would be treated equally.

Our preliminary estimates based on already available data show that applying the sole criterion of average number of employees would not be detrimental to the intended wider scope of the proposal, including the financial undertakings as the threshold for employees is significantly lowered compared to the requirement of the NFRD (500 employees).

(3) Article 19a is replaced by the following:	
'Article 19a	
<b>Sustainability reporting</b>	
<p>1. Large undertakings and, <del>as of 1 January 2026, small and medium-sized undertakings which are</del> undertakings referred to in Article 2, point (1), point (a) <b><u>which for the purpose of this Article are small and medium-sized undertakings</u></b>, shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.</p>	<p>SK (Drafting): SK</p> <p>1. Large undertakings and, <del>as of 1 January 2026, small and medium-sized undertakings which are</del> undertakings referred to in Article 2, point (1), point (a) <b><u>which meet the size thresholds prescribed in Article 3 paragraph 2 to 4</u></b>, shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.</p> <p>SK (Comments): SK</p> <p>We believe that for the purpose of setting the scope the wording should refer to the size criteria with regard to all issuers. From the current wording it is not clear whether large undertakings also cover issuers that meet the size criteria of the large undertakings.</p> <p>RO (Comments): RO: We suggest that maybe a further analyze of the scope should be undertaken. We consider that maybe in the first stage the scope of CSRD</p>

should not mandatorily cover the small and medium undertakings, regardless if they are listed or not. Our concern is that an unjustified heavy burden in terms of costs and administration will affect the SMEs. Another approach could consider an implementation in successive phases respectively voluntary application for the listed SMEs and then, after a couple of years, mandatory application for these ones.

CZ

(Comments):

ES

(Comments):

The explanatory memorandum states that this article “clarifies the principle of double materiality”. Although it does help clarify the principle, due to the confusion about this term among issuers a definition of double materiality with additional guidelines on how it should be implemented would be desirable, also addressing how the role of stakeholders in the value-chain plays in this assessment and the need of disclosing any criss-cross effects amongst both materiality sides.

Furthermore, as sustainability matters include governance factors, it should be clarified the governance factors of whom are referred to when undertakings shall inform about the undertaking’s impacts on sustainability matters (which include governance factors). Is this expression asking for information about how the undertaking may impact on other undertakings’ governance?

BE

(Drafting):

1. Large undertakings **referred to Article 3 point (3)** and, ~~as of 1 January 2026,~~ **small and medium-sized undertakings which are** undertakings referred to in Article 2, point (1), point (a) **which for the purpose of this Article are small and medium-sized undertakings**, shall include in the management report information necessary to understand the undertaking’s

	<p>impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position.</p> <p>BE</p> <p>(Comments):</p> <p>BE: about the words “necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position”, the concept of “double materiality” has to be explained in the text of the Directive.</p> <p>LT</p> <p>(Drafting):</p> <p>Large undertakings and, <del>as of 1 January 2026, small and medium-sized undertakings which are</del> undertakings referred to in Article 2, point (1), point (a) <b>which are small and medium-sized undertakings</b>, shall include in the management report information necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position.</p> <p>LT</p> <p>(Comments):</p> <p>The purpose of this Article is sustainability reporting. We suggest to delete excess words because they sound like the size of the undertakings depends on the application of this Article.</p> <p>SE</p> <p>(Drafting):</p> <p>1. Large undertakings shall include in the management report information necessary to understand the undertaking’s impacts on sustainability matters,</p>
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	<p>and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.</p> <p>SE</p> <p>(Comments):</p> <p>There are many relevant stakeholders other than investors for sustainability reporting. The most important factor in determining whether an undertaking should be subject to mandatory sustainability reporting is its potential effect on the environment and other sustainability matters. In view of this, SE considers that there are not sufficient grounds to include SME:s in the scope.</p> <p>PL</p> <p>(Drafting):</p> <p>1. Large undertakings and small and medium-sized undertakings as defined in Article 3(2) and 3(3) which are, <del>as of 1 January 2026, small and medium-sized undertakings which are</del> undertakings referred to in Article 2, point (1), point (a) , shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.</p> <p>PL</p> <p>(Comments):</p> <p>PL suggests this amendment in order to align the wording with the wording on the application deadlines of certain types of undertakings used in Article 5 (Transposition).</p> <p>See also para. 5 in Article 19a where the reference should be to small and medium-sized undertakings already referred to in this par. 1.</p> <p>IT</p> <p>(Comments):</p> <p>As already stated, we would prefer to maintain a option for keeping the</p>
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sustainability information in a separate report to be published at the same time as the management report and reviewed by the same national competent authority.

EE

(Comments):

1. Large undertakings that meet all three[1] threshold criteria set out in the Accounting Directive Article 3 p 4 at the balance sheet date and undertakings referred to in Article 2, point (1), point (a) which for the purpose of this Article are small and medium-sized undertakings, shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.

DE

(Drafting):

DE

(Comments):

**Art. 19a para. 1 subpara. 1 Draft Accounting Directive:** DEU would like to ask what the exact **purpose** of the added **phrase** "which for the purpose of this Article are small and medium-sized undertakings" is? Also, we see no improvement over the initial version

DK

(Comments):

We would like to reiterate our earlier comments.

We find it important to ensure a level playing field between all entities, whether they are financial or non-financial entities subject to the new obligations under the CSRD.

For the financial companies in Denmark, we do not today apply the criteria of turnover

or balance sheet as set out as criteria for “large undertakings” in Article 3 of the Accounting Directive to identify the relevant undertakings subject to non-financial reporting requirements. We have understood and implemented the current Article 19a of the NFRD to concern public-interest companies as set out in Article 2(1) of the Accounting Directive combined with the criterion of exceeding on their balance sheet an average number of 500 employees during the financial year. Therefore, reverting to using the existing criteria of net turnover and balance sheet total in Article 3 of the Accounting Directive poses some challenges which we have not had to address previously.

The balance sheet for a financial company is rarely comparable to the balance sheet of a non-financial company, as the balance sheet contains financial instruments, which the issuers keep on behalf of its clients. Two examples to clarify the challenges are: 1) the balance sheet of a bank contains the bank deposit of its clients and for a life insurance company, the balance sheet contains the savings of its clients, to be paid out at a later time. 2) Similarly, net turnover poses challenges for financial companies as an adequate definition of turnover is not available for them, making it difficult to apply this criterion. We recognise the intent to address the issue of net turnover for credit institutions by applying an existing definition. However, the proposed definition of net turnover for credit institutions is in our view artificial and does not resolve the challenge of creating an unlevel playing field between credit institutions and non-financial institutions. This is because the definition among other items includes “income from securities” and this item is not included in the definition for non-financial companies even though it may also be material for these companies. Moreover, it would not resolve the issue of there being no adequate definition for insurance companies. Therefore, using these criteria in light of the business models in the financial sector would result in dissimilar treatment of companies and a range of SME financial entities being included in the larger scope thus creating an unlevel playing field. For the financial companies we continue seem to be left with only one good criterion, which would be the average number of employees during the financial year. Focusing on the criteria of average number of employees, will allow us to ensure that financial companies and non-financial companies would be treated equally.

Our initial estimates based on the use of this single criterion will not result in a decrease of financial entities that would be subject to the new regime. However, given the extended scope in the proposal that includes a wider range of financial entities than today from which we do not at this time receive the necessary data it is plausible that

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	<p>even further companies will be included.</p>
	<p>EE</p> <p>(Comments):</p> <p>Large undertakings shall be undertakings which on their balance sheet dates exceed at three following criteria:</p> <p>(a) balance sheet total: EUR 20 000 000;</p> <p>(b) net turnover: EUR 40 000 000;</p> <p>(c) average number of employees during the financial year: 250</p>
<p><b><u>This information shall be clearly identifiable within the management report.</u></b></p>	<p>CZ</p> <p>(Comments):</p> <p>What does it mean such wording?</p> <p>For better understanding and orientation we propose that Management report should have two separate parts – Part I: Financial information and Part II: Sustainable information.</p> <p>Such division in MR should help to divide requirements which are applied for certain information in different way.</p> <p>BE</p> <p>(Drafting):</p> <p>This information shall be clearly identifiable within the management report. <b><u>Member States may allow or require undertakings to include the information in a separate section of the management report.</u></b></p> <p>BE</p> <p>(Comments):</p> <p><u>BE</u>: BE prefers to have the option for a MS to request or allow for inclusion of</p>

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	<p>sustainability information in a separate and clearly identifiable section of the management report. This in order</p> <p>(1) to avoid discussions with the issuer about whether certain information in the management report is to be qualified as sustainability information or not.</p> <p>(2) for distinction of responsibilities between the statutory auditor and the independent assurance services provider if any.</p> <p><u>BE</u>: Please clarify what is meant by the following phrase in the Presidency Note: “Digitalisation will allow for the identification of the different information in the different parts of the management report”. How will digitalisation help the identification? Via a tagging requirement? Please clarify in the directive or a recital how the necessary identifiability will be guaranteed?</p> <p>SE</p> <p>(Comments):</p> <p>It is important that the sustainability information may be clearly distinguished from other information in the management report because of the need to delineate the scope of assurance and audit engagements. SE welcomes the clarification of this in the compromise text.</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 19a para. 1 subpara. 2 Draft Accounting Directive:</b> What do you mean by “<i>This information shall be clearly identifiable within the management report.</i>”? How should the information be made “<i>clearly identifiable</i>”? We propose – for the sake of clarity – a separate section of the management report for sustainability reporting</p>
<p>2. The information referred to in paragraph 1 shall contain in particular:</p>	<p>LT</p> <p>(Comments):</p>

“The information” indicated in paragraph 1, considering the layout of paragraph 2, do not include key intangible resources; according the layout of paragraph 2, “the information” is indicated in paragraph 2 from a) to g). Correction of extent of meaning “information” should be made as application of the requirements in other paragraphs (1<sup>st</sup> par. 2 subparagraph, 2<sup>nd</sup> par. 3, 4 subparagraphs) regardin “information” is not clear.

DE

(Comments):

**Art. 19a para. 2 and Art. 29a para. 2 Draft Accounting Directive:** DEU is wondering why “*in particular*” was not deleted, as many MS expressed concerns about too much leeway for the standard setter, if the mandate to EFRAG is not clearly circumscribed in the Directive itself. DEU therefore maintains its position on deleting the words “*in particular*”. The same applies for the phrase “*including information about*” in **Art. 19b para. 2 subpara. 2 a), b) and c) (new: Art. 29b para. 2 subpara. 2 a), b) and c) Draft Accounting Directive.**

**Art. 19a para. 2 resp. Art 29a para. 2 and Art. 19b para. 2 subpara. 2 lit. c) (new: Art. 29b para. 2 subpara. 2 lit. c)) Draft Accounting Directive:** To **clarify** the reference to **sustainability reporting**, we had **proposed** the addition of "*with regard to sustainability matters*" to some sub-topics. This addition was not adopted. However, because the reference is already included in some sub-items according to the COM proposal, we propose to **insert it in a superordinate way for all reporting areas of Art. 19a para. 2 resp. Art. 29a para. 2 and the governance factor of Art. 19b para. 2 subpara. 2 lit. c) (new: Art. 29b para. 2 subpara. 2 lit. c))** and to delete it accordingly in the sub-items of these paragraphs. The wording would therefore be as follows:

- **Art. 19a para 2 resp. Art. 29a para. 2 Draft Accounting Directive:** “*The information referred to in paragraph 1 shall contain the following information with regard to sustainability matters: in particular*”
- **Art. 19b para. 2 subpara. 2 lit. c) (new: Art. 29b para. 2 subpara. 2 lit.**

	<p><b>c)) Draft Accounting Directive:</b> “<i>specify the information that undertakings are to disclose about governance factors <u>with regard to sustainability matters</u>, including information about:</i>”</p> <p>DK</p> <p>(Comments):</p> <p>We propose restructuring this paragraph to better reflect the importance of riskbased due diligence as being a cornerstone of sustainability reporting and to underline what a a risk based due diligence proces consists of.</p> <p>In our experience, many undertakings understand risk primarily from an outside in perspective, which from a double materiality perspective is inadequate.</p> <p>In an effort to advance undertakings’ understanding of the inside out perspective and the importance hereof, Denmarkhas gathered and moved forward the sections regarding due diligence. It is a complex and for many undertakings new area creating a need for as logcial and easily comprehensible text as possible.</p> <p>In accordance with the OECD Guidelines due diligence should be an integral part of undertakings’ decision making proces. With the upcomming proposal on SCG, it is expected that undertakings will be lawfully required to perform a due diligence process, and further highlights the need for properly adressng due diligence in the article text.</p>
<p>(a) a brief description of the undertaking's business model and strategy, including:</p>	<p>NL</p> <p>(Drafting):</p> <p>(a) a brief description of</p> <p>NL</p> <p>(Comments):</p>

	<p>Regarding the formulation of Article 19a, it is, firstly, not clear what the difference is between the undertaking's policy, its business model, its strategy and its targets in relation to sustainability information. Normally an undertaking has a business model and a policy. Next to that an undertaking has targets and a strategy to reach those targets.</p> <p>Secondly, the business model and strategy should relate to sustainability matters, as this directive is about sustainability and all subjects under (i) through (v) are related to sustainability matters.</p> <p>Thirdly, the position of the subject "policy" in the enumeration under d is not logical, as sustainability starts with a policy.</p> <p>Under the letters (a), (b) and (c) we propose several amendments to the text of Article 19a to make the distinctions between the concepts of policy, business model, strategy and targets more clear.</p> <p>DK</p> <p>(Drafting):</p> <p>(a) a brief description of the <i>key elements of the</i> undertaking's business model and strategy <i>with regard to sustainability matters</i>, including:</p> <p>DK</p> <p>(Comments):</p> <p>We propose focusing the content of this provision further. Thus we would ensure that the necessary information should be disclosed rather than focus on it merely being brief. The length of the description should be limited without the use of the word "brief", as the Directive in general only requires material information to be disclosed.</p> <p>In addition we find that it could be relevant to underline that the description relates to sustainability matters.</p>
<p>(i) the resilience of the undertaking's business model and strategy to risks related to sustainability matters;</p>	<p>HU</p>



<p>(Drafting):</p> <p>(i) <b>the resilience</b> of the undertaking's business model and strategy to risks related to sustainability matters</p> <p>HU</p> <p>(Comments):</p> <p>Point (a) sub-point (i) asks for a description of „<i>the resilience of the undertaking's business model and strategy to risks related to sustainability matters</i>” and later point (e) sub-point (iii) asks for a description of „<i>any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts</i>”. This is structurally inappropriate, as it later asks for the information for which a description of resilience was previously requested.</p> <p>We are also concerned that it is difficult to form a proper opinion on the sustainability report and its elements as long as there is no (not known) standards with which it should be prepared. There is currently no information on what exactly will be included in the standards, which raises the question of whether the requirements and content described here will be included in the standards in the same way. In our opinion that the standards should first and foremost state what exactly the standard is intended to address, what areas and topics should be included in the sustainability report. For this reason, we do not propose to include the content of the standards in such detail in the EU directive.</p> <p>NL</p> <p>(Drafting):</p> <p>(i) the undertaking's business model and policies related to sustainability matters, and</p> <p>NL</p> <p>(Comments):</p>
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	<p>See above under (a) for the explanation of this amendment. Under (i) the word policies is more logical than strategy.</p>
<p>(ii) the opportunities for the undertaking related to sustainability matters;</p>	<p>NL</p> <p>(Drafting):</p> <p>(ii) the targets related to sustainability matters set by the undertaking, of the strategy to achieve those targets and the progress of the undertaking towards achieving those targets,</p> <p>including:</p> <p>(1°) the resilience of the undertaking's business model and strategy to risks related to sustainability matters;</p> <p>(2°) the opportunities for the undertaking related to sustainability matters;</p> <p>(3°) 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;</p> <p>(4°) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;</p> <p>(5°) how the undertaking's strategy has been implemented with regard to sustainability matters;</p> <p>NL</p> <p>(Comments):</p> <p>See above under (a) for the explanation of this amendment. All subjects under (i) through (v) should be brought under the heading of "the targets related to sustainability matters" to emphasise that all these subjects are related to sustainability matters.</p> <p>PT</p>

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	<p>(Drafting):</p> <p>(ii) the opportunities <b>and risks</b> for the undertaking related to sustainability matters;</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> Besides the opportunities also the risks associated to sustainability matters should be considered in the management report – including for consistency purposes with the information envisaged under the previous point.</p> <p>See also Article 29a(2)(ii).</p>
<p>(iii) 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;</p>	<p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p><b>Point (iii) can be deleted because it has been moved to point (ii) under 3° (see above)</b></p>
<p>(iv) how the undertaking’s business model and strategy take account of the interests of the undertaking’s stakeholders and of the impacts of the undertaking on sustainability matters;</p>	<p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p><b>Point (iv) can be deleted because it has been moved to point (ii) under 4° (see above)</b></p>

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<p>(v) how the undertaking's strategy has been implemented with regard to sustainability matters;</p>	<p>NL (Drafting):</p> <p>NL (Comments):</p> <p>Point (v) can be deleted because it has been moved to point (ii) under 5° (see above)</p>
<p>(b) a description of the targets related to sustainability matters set by the undertaking and of the progress <b>of</b> the undertaking <del>has made</del> towards achieving those targets;</p>	<p>NL (Drafting):</p> <p>(b) a description of</p> <p>(i) the due diligence process implemented with regard to sustainability matters;</p> <p>(ii) the principal actual or potential adverse impacts connected with the undertaking's value chain, including its own operations, its products and services, its business relationships and its supply chain;</p> <p>(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</p> <p>NL (Comments):</p> <p>See above under (a) for the explanation of this amendment. Because of the importance of the due diligence porcess and the identification of risks these subjects should be moved from letter (f) and (g) to (b) and (c)</p> <p>DK</p>

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	<p>(Drafting):</p> <p><del>(b) — a description of the targets related to sustainability matters set by the undertaking and of the progress of the undertaking has made towards achieving those targets;</del></p> <p>(b) a description of</p> <p><del>(i) the <i>risk-based</i> due diligence process implemented with regard to sustainability matters;</del></p> <p>DK</p> <p>(Comments):</p> <p>We suggest that (e) is moved to (b) to underline that riskbased due diligence procedures are a cornerstone in the reporting on sustainability matters. Please see the expanded explanation regarding the restructuring above.</p> <p>We suggest underlining that the due diligence process is risk based, to distinguish from other forms of due diligence.</p>
	<p>DK</p> <p>(Drafting):</p> <p>(ii) the principal actual <del>and/or</del> potential adverse impacts connected with the undertaking's value chain, including its own operations, its products and services, its business relationships and its supply chain;</p>

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	<p>(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</p> <p>DK</p> <p>(Comments):</p> <p>In accordance with the OECD Guidelines, Denmark suggests to change from “or” to “and” in the suggested (i). By using “and” it is not a question of either reporting on the actual or the potential adverse impacts. Rather it is emphasized that both actual and potential adverse impacts should be reported.</p> <p>We suggest underlining that the due diligence process is risk based, to distinguish from other forms of due diligence. It should be clarified that both actual and potential adverse impacts should be described. We also suggest restructuring the new (b) by making the old (i) a part of (b) in order to better reflect that identifying principal actual and potential adverse impacts and the actions taken are part of the due diligence process.</p>
<p>(c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;</p>	<p>NL</p> <p>(Drafting):</p> <p>(c) a description of the principal risks to the undertaking related to sustainability matters, including the undertaking’s principal dependencies on such matters, and how the undertaking manages those risks;</p> <p>NL</p> <p>(Comments):</p> <p>See above under (b) for the explanation of this amendment</p> <p>DK</p> <p>(Drafting):</p>

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	<p><del>(e) — a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;</del> (fc) a description of the principal risks to the undertaking related to sustainability matters, including the undertaking’s principal dependencies on such matters, and how the undertaking manages those risks;</p> <p>DK</p> <p>(Comments):</p> <p>We suggest that (f) is moved to (c) to underline that risks are a cornerstone in the reporting on sustainability matters.</p>
<p>(d) a description of the undertaking’s policies in relation to sustainability matters;</p>	<p>NL</p> <p>(Drafting):</p> <p>(d) key performance indicators relevant to the disclosures referred to in points (a) to (c);</p> <p>NL</p> <p>(Comments):</p> <p>We do not think there are indicators relevant to the disclosures regarding the role of the administrative, management and supervisory bodies. Therefore we suggest to put the description of that role to the last item in the summation of paragraph 2. Also, we are of the opinion that the words “key performance indicators” should be used in this directive instead of the word “indicators”. The words “key performance indicators” are also used in current Article 19a as formulated in the Non-financial Information Directive. This wording is more specific.</p> <p>DK</p> <p>(Drafting):</p> <p><del>(d) — a description of the undertaking’s policies in relation to sustainability matters;</del> (bd) a description of the targets related to sustainability matters set</p>

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	<p>by the undertaking and of the progress the undertaking has made towards achieving those targets;</p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>
<p>(e) a description of:</p>	<p>HU</p> <p>(Comments):</p> <p>For point (e) („description of”), a precise collective term would be needed to adequately summarize the sub-paragraphs listed below.</p> <p>NL</p> <p>(Drafting):</p> <p>(e) a description of <b>the role of the administrative, management and supervisory bodies with regard to sustainability matters.</b></p> <p>NL</p> <p>(Comments):</p> <p><b>See above under (d) for the explanation of this amendment</b></p> <p>DK</p> <p>(Drafting):</p> <p><del>(e) — a description of:</del> <b>(ee) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;</b></p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>



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<p>(i) the due diligence process implemented with regard to sustainability matters;</p>	<p>NL (Drafting):</p> <p>NL (Comments):</p> <p>Point (i) can be deleted because it has been moved to letter (b) under (i) (see above)</p> <p>DK (Drafting):</p> <p><del>(i) — the due diligence process implemented with regard to sustainability matters;</del></p> <p>DK (Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>
<p>(ii) the principal actual or potential adverse impacts connected with the undertaking's value chain, including its own operations, its products and services, its business relationships and its supply chain;</p>	<p>HU (Comments):</p> <p>We recommend a precise definition of the terms such as value chain and supply chain.</p> <p>NL (Drafting):</p> <p>NL (Comments):</p>

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	<p>Point (ii) can be deleted because it has been moved to letter (b) under (ii) (see above)</p> <p>DK</p> <p>(Drafting):</p> <p><del>(ii) — the principal actual or potential adverse impacts connected with the undertaking’s value chain, including its own operations, its products and services, its business relationships and its supply chain;</del></p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>
<p>(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</p>	<p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p>Point (iii) can be deleted because it has been moved to letter (b) under (iii) (see above)</p> <p>DK</p> <p>(Drafting):</p> <p><del>(iii) — any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</del></p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>

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<p>(f) a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks;</p>	<p>NL (Drafting):</p> <p>NL (Comments):</p> <p>Letter (f) can be deleted because it has been moved to letter (c) (see above)</p> <p>DK (Drafting):</p> <p><del>(f) — a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks;</del> <b>(df)</b> a description of <i>the key elements of</i> the undertaking's policies in relation to sustainability matters;</p> <p>DK (Comments):</p> <p>Consequence of moving sections regarding due diligence.</p> <p>We suggest that (f) is moved to (c) in relation to underline the importance of a balanced reporting that also focus on the risks. As a result (d) is moved to (f). We suggest underlining the the reporting on policies should only be the key elements and not a repetition of the policies.</p>
<p>(g) indicators relevant to the disclosures referred to in points (a) to (f).</p>	<p>NL (Drafting):</p>

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	<p>NL (Comments): Letter (g) can be deleted because it has been moved to letter (d) (see above)</p> <p>DK (Drafting): (g)(f) indicators relevant to the disclosures referred to in points (a) to (fe). DK (Comments): Consequence of moving sections regarding due diligence.</p>
<p>Undertakings shall also <b><u>report information on the key intangible resources on which the business model of the undertaking fundamentally depends, and explain this dependency and how they are a source of value creation for the undertaking</u></b> <del>disclose information on intangibles, including information on intellectual, human, and social and relationship capital.</del></p>	<p>SK (Drafting): SK Undertakings shall also <b><u>report information on the key intangible resources on which the business model of the undertaking significantly depends, and explain this dependency and how they are a source of value creation for the undertaking</u></b> <del>disclose information on intangibles, including information on intellectual, human, and social and relationship capital.</del> SK (Comments):  ES (Drafting):</p>

Undertakings shall also report information on the key intangible resources on which the business model of the undertaking fundamentally depends, and explain this dependency and how they are a source of value creation for the undertaking.

**Appropriate cross references to financial statements are to be made when needed.**

ES

(Comments):

It is important to ensure the interconnectivity between financial statements and sustainability information.

NL

(Drafting):

Undertakings shall also **report information on the key intangible resources on which the business model of the undertaking fundamentally depends, and explain this dependency and how they are a source of value creation for the undertaking** disclose information on intangibles, including information on intellectual, human, and social and relationship capital.

NL

(Comments):

The Netherlands would like to present a scrutiny reservation to the new definition for key intangible resources in the compromise text. In general, the Netherlands considers the proposed compromise text on intangibles a move in the right direction. However, an even more clear link to the relevant sustainability matters could be considered.

BE

(Comments):

BE: In our opinion this requirement is already covered in para 2 (a) and by intangible assets in the financial statements and the management report Article

	<p>19 (1). Exemples are welcome for better understanding of this requirement.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We think that, at this early stage, it would be preferable an optional disclosure. This disclosure, subject to an independent assurance report, would contribute to important additional information regarding intangibles but protecting firms from disclosing secret information about their own business.</p> <p>LT</p> <p>(Drafting):</p> <p>Undertakings shall also <b><u>report information on the key intangible resources and shall explain the business model of the undertaking dependency on them and how they are a source of value creation for the undertaking.</u></b></p> <p>DK</p> <p>(Drafting):</p> <p>Undertakings shall also <b><u>report information on the key intangible resources on which the business model of the undertaking fundamentally depends, and explain this dependency and how they are a source of value creation for the undertaking</u></b> disclose information on intangibles, including information on intellectual, human, and social and relationship capital.</p> <p>DK</p> <p>(Comments):</p> <p>We suggest deleting intangibles as subject to sustainability reporting since a clear link between intangible resources and sustainability matters is missing and the content of intangibles as a reporting subject is vague and uncertain. We do agree, that intangibles that is not recognized in the balance sheet is important assets in many companies, as for instance tech-companies and pharmaceutical companies. The discussion on more disclosures relating to the intangibles (or possible recognition in the balance sheet) should be taken as a</p>
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	broad discussion based on the financial statements – and any outcome may be reflected in the non-financial reporting.
<p>Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 and in this process they shall take account of short, medium and long-term horizons.</p>	<p>HU (Drafting): Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 and in this process they shall take account of <b>short, medium and long-term horizons.</b></p> <p>HU (Comments): The question is, what exactly would be the time horizon in the cases of short-, medium- and long-term? A clear definition of time horizons is proposed.</p> <p>ES (Drafting): Undertakings shall report the <b>main factors and criteria used, including the role that stakeholders have played, and the</b> process carried out to identify the information that they have included in the management report in accordance with paragraph 1 and in this process they shall take account of short, medium and long-term horizons.</p> <p>ES (Comments): Stakeholders may be impacted by the undertaking’s operations and activities but they may also have a significant impact on the undertaking’s value chain and its value creation. Both aspects should be key to identify what information is relevant and necessary to be included for a proper sustainability reporting’s</p>

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	<p>understanding.</p> <p>FI</p> <p>(Drafting):</p> <p>FI</p> <p>(Drafting):</p> <p>[FINLAND] Undertakings shall report the information referred in paragraphs 1 to 3 in accordance with the sustainability reporting standards referred to in Article 29b. <b><i>An undertaking that complies with the reporting standards shall be deemed to have complied with the requirements of this directive. Any person under regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability- related disclosures in the financial services sector is not allowed to require directly or indirectly from such an undertaking any information which goes beyond the requirements of this directive and the reporting standards.</i></b></p> <p>FI</p> <p>(Comments):</p> <p>FI</p> <p>(Comments):</p> <ul style="list-style-type: none"> <li>– In our opinion, the central basis of this Directive is the exclusivity of transparency requirements vis-à-vis financial market participants in such manner that no participant shall be allowed to require any other information from an undertaking. – The penalty threat of Art. 51 would apply to breaches.</li> <li>– Our proposal resembles the exemption rule of micro-undertakings in the current article 36.4 as regards true and fair view requirement in financial statements (“ In respect of micro-undertakings, annual financial statements drawn up in accordance with - - this Article shall be regarded as giving the true and fair view.”).</li> <li>– In a similar “maximum directive” manner our proposal would effectively serve as a floodgate against excessive requirements.</li> </ul>



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<p>3. <del>The information referred to in paragraphs 1 and 2 shall contain forward looking and retrospective information, and qualitative and quantitative information.</del></p>	<p>PT (Comments): <b>PT:</b> Please refer to our comment on (new) Article 29b (new) paragraph 2a.</p>
<p>Where appropriate, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's value chain, including the undertaking's own operations, products and services, its business relationships and its supply chain.</p>	<p>NL (Drafting): Where appropriate, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's value chain, including the undertaking's own operations, products and services, its business relationships and its supply chain. In the event that not all the necessary information about the business relationships and the supply chain is available, the undertaking shall include the information in its possession and a statement indicating that the business relationships and the undertakings in its value chain did not make the necessary information available.</p> <p>NL (Comments): It is not clear what is to be expected from micro, small and medium sized companies that fall outside the scope of this Directive but are part of the supply chain of a company that does fall under the scope of this Directive.</p> <p>We would like to see it taken into account in (the level 1 text of) the Directive that an equitable balance will be sought in the standards between on the one hand the importance of reporting information on the supply chain, and on the other hand the prevention of indirectly burdening micro, small and medium-sized companies with reporting on the sustainability information. Please also be referred to the slightly similar provision of Article 48b paragraph 5 of the directive on Country-by-Country reporting.</p> <p>MT</p>

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	<p>(Drafting):</p> <p>Where <del>appropriate</del> <b>applicable</b>, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking’s value chain, including the undertaking’s own operations, products and services, its business relationships and its supply chain.</p> <p>MT</p> <p>(Comments):</p> <p>MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p> <p>DE</p> <p>(Comments):</p> <p><b>Article 19a para. 3 and Art. 19b para. 2 Draft Accounting Directive:</b> As already mentioned in the Table for MS comments on ST 8132/21 dated 6 October 2021, the Sustainable Corporate Governance Initiative (SCGI) could play a role here. Therefore, we reserve the right to make further proposal for changes until the content of the SCGI is known and can be checked. According to our opinion, <b>it is essential that the CSRD is coherent with this future legislation on sustainable corporate governance</b>. A final discussion of these provisions requires prior knowledge of the Commissions SCG proposal. As of now we would like to repeat our proposal to <b>delete “Where appropriate”</b> in relation to “value chain”. The restriction to relevance (see e) ii)) should be sufficient, there should not be any other relevance check, that would confuse companies</p>
<p>Where appropriate, the information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, other information included in the management report in accordance with Article 19 and amounts reported in the annual financial statements.</p>	<p>MT</p> <p>(Drafting):</p> <p>Where <del>appropriate</del> <b>applicable</b>, the information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, other information included in the management report in accordance with Article 19</p>

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	<p>and amounts reported in the annual financial statements.</p> <p>MT</p> <p>(Comments):</p> <p>MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p>
<p>Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.</p>	<p>HU</p> <p>(Drafting):</p> <p>Member States may allow information relating to impending developments or matters in the course of negotiation to <b>be omitted in exceptional cases where</b>, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.</p> <p>HU</p> <p>(Comments):</p> <p>According to the proposal Member States may allow the omission of information on forthcoming developments or issues under discussion in exceptional cases where, in the opinion of the members of the administrative, management and supervisory bodies, acting in their capacity under national law and collectively responsible for the opinion, the disclosure of such information would, in their duly reasoned opinion, seriously harm the business position of the undertaking. We are concerned about the proposed text as we believe that this could lead to abuse. The question arises as to what period of time the omission of information relates to and will this information be presented at a later stage? As in the CBCR, we suggest that the information that companies</p>

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	<p>omit from the report on the grounds of trade secrets should be disclosed after 5 years.</p> <p>PT</p> <p>(Drafting):</p> <p>Member States may allow information relating to <b>any aspect of the business</b>, impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> There might be sensitive information key to the regular operations of the undertaking that if publicly disclosed may compromise its competitive position and viability – including information on intangibles other than recognised intangible assets.</p> <p>The drafting proposal envisages to accommodate those situations.</p> <p>Please refer to our comment in Article 29a.</p>
<p>4. Undertakings shall report the information referred to in paragraphs 1 to 3 in accordance with the sustainability reporting standards referred to in Article <del>4</del>29b.</p>	<p>IT</p> <p>(Comments):</p> <p>On sustainability reporting standards for SMEs we are in favour with the suggestion by the Presidency that criteria to be followed for the preparation of simplified standards for SMEs should be defined directly into the Directive but</p>

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	<p>we would prefer these criteria to be defined by the EU Commission before the beginning of the standards preparation process rather than be identified by the EFRAG and then inserted into the Directive in an unspecified future.</p> <p>On the amendments referred to the Sustainability reporting standards, we concur with the need for an high level of emphasis on the coordination with other international initiatives on sustainability reporting as well as other EU legislation even though the wording “the Commission shall take into account” in article 29b par. 3 may be further reinforced.</p>
<p>5. By way of derogation from Article 19a, paragraphs 1 to 4, small and medium sized undertakings referred to in Article 2, point (1), point (a), may report in accordance with the sustainability reporting standards for small and medium sized undertakings referred to in Article <del>1</del><u>2</u>9c.</p>	<p>SE (Drafting):</p> <p>SE (Comments): See comment at paragraph 1.</p> <p>PL (Drafting):</p> <p>5. By way of derogation from Article 19a, paragraph 4, small and medium sized undertakings referred to in paragraph 1 may report in accordance with the sustainability reporting standards for small and medium sized undertakings referred to in Article <del>1</del><u>2</u>9c.</p> <p>PL (Comments): See the PL remarks to para.1 above. When Article 19a paragraph 1 defines the scope of small and medium-sized entities which at the same time are listed then</p>

	<p>in further provisions we should either refer to this paragraph 1 in Article 19a or we should deliver the same scope definition in order to keep consistent wording.</p> <p>As regards the scope of derogation PL is of the opinion that the reference should be only to paragraph four. The arguments:</p> <ul style="list-style-type: none"> <li>- reference to paragraph 1 is inappropriate because para. 1 defines the scope of entities subject to sustainability reporting requirements and its location in the management report;</li> <li>- reference to para. 2 is inappropriate because para. 2 sets out the general framework for the content of sustainability information to be reported;</li> <li>- reference to para. 3 is inappropriate because para. 3 contains among others an option allowing undertakings to omit certain information in exceptional cases and this option should be also available to small and medium-sized listed entities.</li> </ul> <p>It is our understanding that listed small and medium-sized entities should report on all aspects mentioned in this general framework but in a less detailed way. Therefore in the provision concerning derogation from reporting standards for large undertakings the reference should be only to para. 4.</p> <p>IT</p> <p>(Comments):</p> <p>We would also highlight that the decision to exclude SMEs issuing consolidated financial reports from the possibility to adopt simplified standards may be counterproductive as it may significantly impair the use of these simplified sustainability standards.</p>
<p><b><u>By way of derogation from Article 19a, paragraphs 1 to 4, small and non-complex institutions as defined in Article 4(1), point (145) of Regulation (EU) No 575/2013 may report in accordance with the</u></b></p>	<p>PT</p> <p>(Comments):</p>

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<p><b><u>sustainability reporting standards for small and medium sized undertakings referred to in Article 29c.</u></b></p>	<p><b>PT:</b> We are assessing this proposal and would welcome further clarification in order to understand the reasoning for adding this new provision addressed to small and non-complex credit institutions (as defined in the CRR). In particular, we wonder if the intention was to “calibrate” specifically to the credit institutions’ “reality” the eligibility criteria based on the size as established in Article 3 of the AD applicable to Corporates in general (large, small and medium sized undertakings).</p> <p>LU (Drafting):</p> <p>PL (Drafting):</p> <p><b><u>By way of derogation from Article 19a, paragraph 4, small and non-complex institutions as defined in Article 4(1), point (145) of Regulation (EU) No 575/2013 may report in accordance with the sustainability reporting standards for small and medium sized undertakings referred to in Article 29c.</u></b></p> <p>PL (Comments): See PL comment above.</p>
	<p>LU (Drafting):</p> <p><b><u>By way of derogation from Article 19a, paragraphs 1 to 4, captive</u></b></p>

	<p><b><u>insurance undertakings as defined in Article 13(2) of Directive 2009/138/EC and captive reinsurance undertakings as defined in Article 13(5) of Directive 2009/138/EC may report in accordance with the sustainability reporting standards for small and medium sized undertakings referred to in Article 29c.</u></b></p> <p>LU</p> <p>(Comments):</p> <p>Similar to the derogation for small and non-complex institutions, we suggest to add a derogation for captive insurance and re-insurance undertakings. Indeed, this Directive should also take account of the specific nature of captive insurance and captive reinsurance undertakings. As those undertakings only cover risks associated with the industrial or commercial group to which they belong, an exemption should thus be provided in line with the principle of proportionality to reflect the nature of their business.</p>
<p>6. Undertakings that comply with the requirements set out in paragraphs 1 to 4 shall be deemed to have complied with the requirement set out in the third subparagraph of Article 19(1) <b>and</b> Article 19a <del>and Article 29</del>.</p>	<p>PL</p> <p>(Drafting):</p> <p>6. Undertakings that comply with the requirements set out in paragraphs 1 to 4 and undertakings making use of derogation in paragraph 5 shall be deemed to have complied with the requirement set out in the third subparagraph of Article 19(1) <del>and Article 29</del>.</p> <p>PL</p> <p>(Comments):</p> <p>In PL view also small and medium-sized listed undertakings using the possibility of reporting under simplified reporting standards should be deemed to have complied with the requirement set out in the third subparagraph of Article 19(1).</p> <p>Reference to Article 19a should be deleted because it is not logical – paragraph 6 is about undertakings applying Article 19a.</p>



<p>7. An undertaking (<b><u>‘the exempted subsidiary undertaking’</u></b>) which is a subsidiary undertaking shall be exempted from the obligations set out in paragraphs 1 to 4 if that undertaking and its subsidiary undertakings are included in the consolidated management report of a parent undertaking, drawn up in accordance with Articles 29 and 29a. An undertaking that is a subsidiary undertaking from a parent undertaking that is established in a third country shall also be exempted from the obligations set out in paragraphs 1 to 4 where that undertaking and its subsidiary undertakings are included in the consolidated management report of that parent undertaking and where the <del>consolidated management report</del> <b><u>consolidated sustainability reporting</u></b> is drawn up in a manner <del>that may be considered equivalent</del> <b><u>to sustainability reporting standards adopted pursuant to Articles 29b and 29c of this Directive, determined</u></b> in accordance with the relevant implementing measures adopted pursuant to Article 23(4), point (i), <b><u>and Article 23(4), fourth subparagraph</u></b> of Directive 2004/109/EC of the European Parliament and of the Council<sup>13</sup> <del>to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive.</del></p>	<p>PL (Drafting):</p> <p>7. An undertaking (<b><u>‘the exempted subsidiary undertaking’</u></b>) which is a subsidiary undertaking shall be exempted from the obligations set out in paragraphs 1 to 4 if that undertaking and its subsidiary undertakings are included in the consolidated management report of a parent undertaking, drawn up in accordance with Articles 29 and 29a. An undertaking that is a subsidiary undertaking from a parent undertaking that is established in a third country shall also be exempted from the obligations set out in paragraphs 1 to 4 where that undertaking and its subsidiary undertakings are included in the consolidated management report of that parent undertaking and where the <del>consolidated management report</del> <b><u>consolidated sustainability reporting</u></b> is drawn up in a manner <del>that may be considered equivalent</del> <b><u>to sustainability reporting standards adopted pursuant to Article 29b of this Directive, determined</u></b> in accordance with the relevant implementing measures adopted pursuant to Article 23(4), first subparagraph, point (i), <b><u>and Article 23(4), fourth subparagraph</u></b> of Directive 2004/109/EC of the European Parliament and of the Council<sup>14</sup> <del>to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive.</del></p> <p>PL (Comments):</p> <p>PL comment – reference to Article 29c should be deleted because the consolidated management report will always be prepared under full reporting</p>
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<sup>13</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).’;

<sup>14</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).’;

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	<p>standards adopted pursuant to Article 29b (parent undertaking will not be allowed to apply simplified sustainability reporting standards referred to in Article 29c).</p> <p>PL would like to point out that the legal wording should be analysed because “<b>Article 23(4), fourth subparagraph</b>” empowers the Commission to adopt delegated acts and not implementing acts.</p> <p>DK</p> <p>(Comments):</p> <p>It is important for Denmark to maintain the exemption for subsidiary undertakings.</p> <p><u>A deletion of the exemption would entail significant administrative burdens.</u></p>
<p><b><u>The management report of the exempted subsidiary undertaking shall contain all of the following information:</u></b></p>	
<p><b><u>(a) the name and registered office of the parent undertaking that reports information at group level in accordance with Articles 29 and 29a of this Directive, or in a manner equivalent to sustainability reporting standards adopted pursuant to Articles 29b and 29c of this Directive, determined in accordance with the implementing measures adopted pursuant to Article 23(4), point (i) of Directive 2004/109/EC;</u></b></p>	<p>PL</p> <p>(Drafting):</p> <p><b><u>(a) the name and registered office of the parent undertaking that reports information at group level in accordance with Articles 29 and 29a of this Directive, or in a manner equivalent to sustainability reporting standards adopted pursuant to Article 29b of this Directive, determined in accordance with the implementing measures adopted pursuant to Article 23(4), first subparagraph, point (i) of Directive 2004/109/EC;</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL is not sure whether the reference to “<b>Article 23(4), fourth subparagraph</b>”</p>

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	is omitted on purpose.
<b><u>(b) the web links to the consolidated management report of the parent undertaking referred to in the first subparagraph and to the opinion referred to in Article 34(1), second subparagraph, point (aa) of this Directive;</u></b>	<p>PL</p> <p>(Comments):</p> <p>PL maintains its comment that it is not clear whether this “web links” should be links to the court register or parent entity or web links to other body/authority.</p>
<b><u>(c) the fact that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article.</u></b>	
<b><u>When the consolidated management report referred to in the second subparagraph is not drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the subsidiary undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa) of this Directive, are published in a language that it accepts, or in a language customary in the sphere of international finance, depending on the choice of the exempted subsidiary undertaking, and that any necessary translation into those languages is certified.</u></b>	<p>CZ</p> <p>(Drafting):</p> <p>When the consolidated management report referred to in the second subparagraph is not drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the subsidiary undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa) of this Directive, are published in a language that it accepts, or in a language customary in the sphere of international finance, <del>depending on the choice of the exempted subsidiary undertaking</del>, and that any necessary translation into those languages is certified.</p> <p>CZ</p> <p>(Comments):</p> <p>MS should set out the requirements in which language the report will be published.</p>

BE

(Drafting):

~~When the consolidated management report referred to in the second subparagraph is not~~ **shall be** drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the subsidiary undertaking is governed. **When the consolidated management report referred to in the second subparagraph is not drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the subsidiary undertaking is governed,** this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa) of this Directive, are published in a language that it accepts, or in a language customary in the sphere of international finance, depending on the choice of the exempted subsidiary undertaking, and that any necessary translation into those languages is certified.

BE

(Comments):

BE: We think that the general language rule *i.e.* availability in (i) language accepted by MS or (ii) which customary in international finance should be more explicit.

From the current formulation, it would seem that there is no obligation for the MS to actually provide a choice between (i) a language that it accepts and (ii) a language customary in international finance in case the consolidated management report is not drawn up in one of the aforementioned languages.

For example: Belgian subsidiary of a Bulgarian company. The consolidated management report is in Bulgarian. Belgium has not introduced the option to force the subsidiary to translate document in either (i) language accepted by MS (Dutch or French) or (ii) language customary in international finance (English).

It is unclear whether in the above scenario the document will only remain available in Bulgarian? Please clarify.

SE

(Comments):

For groups with (large) subsidiaries in several MS, requirements on translation into local languages may lead to high costs and practical difficulties. Drawing up or translating the consolidated management report into a language customary in the sphere of international finance should be sufficient. SE therefore supports the compromise text in this subparagraph.

PL

(Drafting):

**When the consolidated management report referred to in the second subparagraph letter (b) is not drawn up in a language accepted by the Member State by which the subsidiary undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa) of this Directive, are published in a language that it accepts and that any necessary translation into those languages is certified.**

PL

(Comments):

PL is of the view that not the entity itself but the Member States should decide on the language regime – taking into account the need to ensure the equal accessibility for all kinds of stakeholders to the content of the consolidated management report. PL does not want to prevent other Member States from allowing the publication of such reports in English or national language.

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	<p>However, PL would like to keep the right of deciding on this issue at the level of a Member State. PL would like to preserve equal language accessibility to the content of the consolidated management reports for all users in Poland especially bearing in mind that this content is of highly narrative character. The CSRD aims at easing the accessibility to the sustainability information by digitalisation and tagging but at the same time the provisions should not lead to the situation in which “exempted subsidiary undertaking” will provide for Polish users only the English version of the consolidated management report.</p> <p>The possibility for a Member State to allow the publication of a consolidated management report in “<b><u>a language customary in the sphere of international finance</u></b>” is already captured by the wording “<b><u>in a language that it accepts</u></b>”.</p>
<p><b><u>When the parent undertaking referred to in the first subparagraph is established in a third country, its consolidated management report and the opinion referred to in Article 34(1) second subparagraph, point (aa) of this Directive shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the exempted subsidiary undertaking is governed.</u></b></p>	<p>SE</p> <p>(Comments):</p> <p><u>SE can accept this provision.</u></p>
<p><b><u>The Member State by which the exempted subsidiary undertaking is governed, may require that the consolidated management report referred to in the third subparagraph of this paragraph is published in an official language of the Member State or in a language customary in the sphere of international finance, at the choice of the exempted subsidiary, and that any necessary translation into those languages is certified.</u></b></p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p><b><u>The Member State by which the exempted subsidiary undertaking is governed, may require that the consolidated management report referred to in the third subparagraph of this paragraph is published in an official language of the Member State or in a language customary in the sphere of international finance, and that any necessary translation into those languages is certified.</u></b></p>

SK

(Comments):

SK

We believe that the choice should be up to the Member State and not for the exempted undertaking.

CZ

(Drafting):

The Member State by which the exempted subsidiary undertaking is governed, may require that the consolidated management report referred to in the third subparagraph of this paragraph is published in an official language of the Member State or in a language customary in the sphere of international finance, ~~at the choice of the exempted subsidiary~~, and that any necessary translation into those languages is certified.

CZ

(Comments):

MS should set out the requirements in which language the report will be published.

SE

(Comments):

Please clarify the relationship between this subparagraph and subparagraph 3 above.

PL

(Drafting):

**The Member State by law of which the exempted subsidiary undertaking is governed, may require that the consolidated management report referred to in the fourth subparagraph of this paragraph is published in a**

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	<p><b><u>language that it accepts ,and that any necessary translation into this language is certified.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL – it would be useful to keep the consistency in the wording between third subparagraph (<b><u>in a language that it accepts</u></b>) and this subparagraph (<b><u>in an official language of the Member State</u></b>).</p>
<p><b><u>Undertakings which are exempted from preparing a management report according to Article 37 of this Directive, need not to provide the information of points (a), (b) and (c) of second subparagraph, provided they publish the consolidated management report referred to in the first subparagraph of this paragraph in accordance with Article 37 of this Directive.</u></b></p>	<p>SE</p> <p>(Comments):</p> <p><u>SE can accept.</u></p>
<p><b><u>For the purposes of the first subparagraph, and where Article 10 of Regulation (EU) No 575/2013 applies, credit institutions referred to in Article 1, point (3), point (b) of this Directive that are permanently affiliated to a central body which supervises them under the conditions laid down in that same article shall be treated as subsidiaries of the central body.</u></b></p>	<p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We welcome the insertion of this provision regarding the credit institutions permanently affiliated to a central body, in accordance with our proposal.</p> <p>SE</p> <p>(Comments):</p> <p><u>SE can accept.</u></p>
<p>The consolidated management report of the parent undertaking referred to in subparagraph 1 shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the undertaking that is exempted from the obligations set out in paragraphs 1 to 4 is governed.</p>	



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<p>The Member State by which the undertaking that is exempted from the obligations set out in paragraphs 1 to 4 is governed, may require that the consolidated management report referred to in the first subparagraph of this paragraph is published in an official language of the Member State or in a language customary in the sphere of international finance, and that any necessary translation into those languages is certified.</p>	
<p>The management report of an undertaking that is exempted from the obligations set out in paragraphs 1 to 4 shall contain all of the following information:</p>	
<p>(a) — the name and registered office of the parent undertaking that reports information at group level in accordance with Articles 29 and 29a, or in a manner that may be considered equivalent, in accordance with the implementing measures adopted pursuant to Article 23(4), point (i) of Directive 2004/109/EC, to the manner required by the sustainability reporting standards referred to in Article 19b;</p>	
<p>(b) — the fact that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article.</p>	
<p><b><u>7a The exemption of paragraph 7 shall also apply to public interest entities subject to the requirements of this Article.</u></b></p>	<p>SE (Comments): <u>SE can accept this new exemption for public interest entities other than listed entities.</u></p> <p>IT (Comments): We concur with the proposed amendments except for the sentence “ <i>The exemption of paragraph 7 shall also apply to public interest entities subject to</i></p>

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	<p><i>the requirements of this Article</i>". It is not entirely clear the meaning of this exemption considering that the sustainability reporting under the CSRD is not based on the definition of Public Interest Entity as well as the scope under NFRD.</p> <p>DE</p> <p>(Comments):</p> <p><b>New Article 19a para. 7a resp. 8 Draft Accounting Directive:</b> DEU would like to repeat its proposal to <b>delete Article 19a para. 7a resp. 8</b> of the Draft Accounting Directive concerning <b>exemptions for public interest entities</b></p>
<p>(4) <del>the following Articles 19b, 19c and 19d are inserted:</del> [moved under chapter 6a as 29b, 29c and under chapter 6b as 29d]</p>	
<p>(5) Article 20(1) is amended as follows:</p>	
<p>(a) point (g) is replaced by the following:</p>	
<p>‘(g) a description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to gender and other aspects such as, age, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case.’;</p>	<p>HU</p> <p>(Drafting):</p> <p>‘(g) a description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to gender <del>and other aspects such as,</del> age, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case.’;</p> <p>HU</p> <p>(Comments):</p> <p>We do not agree with the new paragraph replacing Article 20 (1) (g), highlighting "gender diversity policy", whereas the current legislation also lists</p>

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	<p>gender diversity policy as an example in the list, and all elements of the list are equally important, as age and education are just as important. Consequently, we suggest deleting the words "and other aspects such as".</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 20 para. 1 point (g), subpara. 2 and para. 2 and 3 Draft Accounting Directive:</b> DEU is of the opinion that in future, the corporate governance statement should always be included in the management report and the statutory auditor should express an opinion in accordance with Art. 34 para. 1, subpara 2 lit. a) of the Accounting Directive and a statement in accordance with Art. 34 para. 1 subpara. 2 lit. b) of the Accounting Directive in respect of all the information in the corporate governance statement. Also the reference option provided for in Art. 20 para. 1, subpara. 2 of the Draft Accounting Directive should be limited to the description of the diversity concept (Art. 20 para. 1 lit. g) of the Accounting Directive). The proposed changes would result in consequential changes in Art. 33 para. 1 lit. a) and b) of the Draft Accounting Directive. We kindly ask to reconsider these suggestions in our paper of 4 October 2021 “Proposed amendment to the corporate governance statement”.</p>
(b) the following subparagraph is added:	
<p>‘Undertakings subject to Article 19a may comply with the obligation laid down in points <b>(a)</b>, (c), (f) and (g) of the first subparagraph of this Article where they include the information required under those points as part of their sustainability reporting <b>and a reference is included in the corporate governance statement.</b>’;</p>	<p>PL</p> <p>(Comments):</p> <p>PL would like to ask for clarification whether the entities will be allowed either to disclose all of the information listed under point (a), (c), (f) and (g) or to choose which of these disclosures they include in the corporate governance statement and which in the sustainability information/reporting.</p>

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	<p>IT</p> <p>(Comments):</p> <p>Information described at points a), c, f) and g) of article 20 can be excluded from the corporate governance statement if included within the sustainability reporting, providing a reference into the corporate governance statement. We believe that information referred to in paragraph 1 of article 10 (especially those described at points a), c and f)) are core information of the corporate governance and may not be excluded even if inserted in the sustainability reporting. Instead, we would propose an incorporation by reference allowing companies to refer to corporate governance statement for these type of information.</p> <p>DK</p> <p>(Drafting):</p> <p>‘Undertakings subject to Article 19a may comply with the obligation laid down in points <u>(a)</u>, <u>(c)</u>, <del>(f)</del> and <del>(g)</del> of the first subparagraph of this Article where they include the information required under those points as part of their sustainability reporting and a reference is included in the corporate governance statement.’;</p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections in Article 19a regarding due diligence.</p>
(6) Article 23 is amended as follows:	
(a) in paragraph 4, point (b) is replaced by the following:	
‘(b) the consolidated financial statements referred to in point (a) and the consolidated management report of the larger body of undertakings are drawn up by the parent undertaking of that body, in accordance with the	

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law of the Member State by which that parent undertaking is governed, in accordance with this Directive, with the exception of the requirements laid down in Article 29a, or in accordance with international accounting standards adopted in accordance with Regulation (EC) No 1606/2002;’;	
(b) in paragraph 8, point (b)(i) is replaced by the following:	
‘(i) in accordance with this Directive, with the exception of the requirements laid down in Article 29a, ’;	
(c) in paragraph 8, (b)(iii) is replaced by the following:	
‘(iii) in a manner equivalent to consolidated financial statements and consolidated management reports drawn up in accordance with this Directive, with the exception of the requirements laid down in Article 29a, or’;	
(7) Article 29a is replaced by the following:	
<i>‘Article 29a</i>	
<b>Consolidated sustainability reporting</b>	DK (Comments): Denmark strongly supports consolidated sustainability reporting in accordance with established norms within financial reporting.
1. Parent undertakings of a large group shall include in the consolidated management report information necessary to understand the group's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the group's development, performance and position.	

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<p><b><u>This information shall be clearly identifiable within the consolidated management report.</u></b></p>	<p>CZ (Comments): A similar change as we propose in Article 19a para 1 – division of MR into two separate parts.</p> <p>BE (Comments): See Article 19a.</p>
<p>2. The information referred to in paragraph 1 shall contain in particular:</p>	<p>LT (Comments): “The information” indicated in paragraph 1, considering the layout of paragraph 2, do not include key intangible resources; according the layout of paragraph 2, “the information” is indicated in paragraph 2 from a) to g). Correction of extent of meaning “information” should be made as application of the requirements in other paragraphs (1<sup>st</sup> par. 2subparagraph, 2<sup>nd</sup> par. 3, 4 subparagraphs) regardin “information” is not clear.</p> <p>DK (Comments): We propose restructuring this paragraph to better reflect the importance of risk-based due diligence as being a cornerstone of sustainability reporting and to underline what a risk based due diligence process consists of. In our common experience, many undertakings underreport about their due diligence processes and a main reason is insufficient awareness about the role of good due diligence processes for risk identification, adequate response and documentation. One consequence is that some undertakings understand risk primarily from an outside in perspective, which from a double materiality perspective is inadequate.</p>

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	<p>In an effort to advance undertakings' understanding of the inside out perspective and the importance hereof, Denmark has gathered and moved forward the sections regarding due diligence. It is a complex and for many undertakings new area creating a need for as logical and easily comprehensible text as possible.</p> <p>In accordance with the OECD Guidelines due diligence should be an integral part of undertakings' decision making process. With the upcoming proposal on SCG, it is expected that undertakings will be lawfully required to perform a due diligence process, and further highlights the need for properly addressing due diligence in the article text.</p>
<p>(a) a brief description of the group's business model and strategy, including:</p>	<p>NL (Drafting): (a) a brief description of NL (Comments): <b>Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</b></p> <p>DK (Drafting): (a) a brief description of the <b>key elements of the</b> group's business model and strategy <b>with regard to sustainability matters</b>, including: DK (Comments): We propose focusing the content of this provision further. Thus, we would</p>

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	<p>ensure that the necessary information should be disclosed rather than focus on it merely being brief. Moreover, the business model and strategy should relate to sustainability matters, as this directive is about sustainability and all subjects under (i) through (v) are related to sustainability matters.</p> <p>When requiring a ‘brief description’ there is a risk that undertakings may provide a very brief description, we therefor suggest the wording ‘a description of the key elements’. Focus should not only be on “brief” but also that the necessary information should be disclosed. The length of the description should be limited without the use of the word “brief”, as the Directive in general only requires material information to be disclosed. In addition we find that could be relevant to underline that the description relates to sustainability matters.</p>
<p>(i) the resilience of the group's business model and strategy to risks related to sustainability matters;</p>	<p>NL (Drafting): (i) the group's business model and policies related to sustainability matters, and NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p>
<p>(ii) the opportunities for the group related to sustainability matters;</p>	<p>NL (Drafting): (ii) the targets related to sustainability matters set by the group, of the strategy to achieve those targets and of the progress of the group towards</p>



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	<p>achieving those targets, including:</p> <p>(1°) the resilience of the group’s business model and strategy to risks related to sustainability matters;</p> <p>(2°) the opportunities for the group related to sustainability matters;</p> <p>(3°) the plans of the group 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;</p> <p>(4°) how the group’s business model and strategy take account of the interests of the group’s stakeholders and of the impacts of the group on sustainability matters;</p> <p>(5°) how the group’s strategy has been implemented with regard to sustainability matters;</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>PT</p> <p>(Drafting):</p> <p>(ii) the opportunities <b>and risks</b> for the group related to sustainability matters;</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> Besides the opportunities also the risks associated to sustainability matters should be considered in the management report – including for consistency purposes with the information envisaged under the previous point. See also Article 19a(2)(ii).</p>

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<p>(iii) the plans of the group to ensure that the group’s business model and strategy <b>are</b> 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;</p>	<p>NL (Drafting):</p> <p>NL (Comments):</p> <p>Point (iii) can be deleted because it has been moved to point (ii) under 3° (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p>
<p>(iv) how the group’s business model and strategy take account of the interests of the group’s stakeholders and of the impacts of the group on sustainability matters;</p>	<p>NL (Drafting):</p> <p>NL (Comments):</p> <p>Point (iv) can be deleted because it has been moved to point (ii) under 4° (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p>
<p>(v) how the group’s strategy has been implemented with regard to sustainability matters;</p>	<p>NL (Drafting):</p> <p>NL (Comments):</p> <p>Point (v) can be deleted because it has been moved to point (ii) under 5° (see above). Please also be referred to Article 19a paragraph 2 for the explanation of</p>

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	these drafting suggestions.
(b) a description of the targets related to sustainability matters set by the group and of the progress of the <del>undertaking</del> <b>group</b> towards achieving those targets;	<p>NL</p> <p>(Drafting):</p> <p>(b) a description of :</p> <p>(i) the due diligence process implemented with regard to sustainability matters;</p> <p>(ii) the principal actual or potential adverse impacts connected with the group's value chain, including its own operations, its products and services, its business relationships and its supply chain;</p> <p>(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>DK</p> <p>(Drafting):</p> <p><del>(b) — a description of the targets related to sustainability matters set by the group and of the progress of the undertaking <b>group</b> towards achieving those targets;</del></p> <p>(b) a description of</p> <p><del>(i)</del> the <b>risk-based</b> due diligence process implemented with regard to sustainability matters;</p> <p>ii) the principal actual <del>and/or</del> potential adverse impacts connected with the group's value chain, including its own operations, its products and services, its business relationships and its supply chain;</p> <p><del>(iii)</del> any actions taken, and the result of such actions, to prevent, mitigate or</p>

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	<p>remediate actual or potential adverse impacts;</p> <p>(c) a description of the principal risks to the group related to sustainability matters, including the group’s principal dependencies on such <del>factors</del><b>matters</b>, and how the group manages those risks</p> <p>DK</p> <p>(Comments):</p> <p>In accordance with the OECD Guidelines, Denmark suggests to change from “or” to “and” in the suggested (i). By using “and” it is not a question of either reporting on the actual or the potential adverse impacts. Rather it is emphasized that both actual and potential adverse impacts should be reported.</p> <p>We suggest underlining that the due diligence process is risk based, to distinguish from other forms of due diligence. It should be clarified that both actual and potential adverse impacts should be described. We also suggest restructuring the new (b) by making the old (i) a part of (b) in order to better reflect that identifying principal actual and potential adverse impacts and the actions taken are part of the due diligence process.</p>
<p>(c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;</p>	<p>NL</p> <p>(Drafting):</p> <p>(c) a description of the principal risks to the group related to sustainability matters, including the group’s principal dependencies on such matters, and how the group manages those risks;</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>DK</p>

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	<p>(Drafting):</p> <p><del>(e) — a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;</del></p>
<p>(d) a description of the group’s policies in relation to sustainability matters;</p>	<p>NL</p> <p>(Drafting):</p> <p>(d) key performance indicators relevant to the disclosures referred to in points (a) to (c);</p> <p>NL</p> <p>(Comments):</p> <p>Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>DK</p> <p>(Drafting):</p> <p><del>(d) — a description of the group’s policies in relation to sustainability matters</del></p> <p><b>(d)</b> a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;</p>
<p>(e) a description of:</p>	<p>HU</p> <p>(Comments):</p> <p>For point (e) („description of”), a precise collective term would be needed to adequately summarize the sub-paragraphs listed below.</p> <p>NL</p> <p>(Drafting):</p> <p>(e) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters.</p>

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	<p>NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>DK (Drafting): (e) — a description of:</p> <p>DK (Comments): Consequence of moving sections regarding due diligence.</p>
<p>(i) the due diligence process implemented with regard to sustainability matters;</p>	<p>NL (Drafting):</p> <p>NL (Comments): Point (i) can be deleted because it has been moved to letter (b) under (i) (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>PL (Drafting): (i) the due diligence process implemented by the group with regard to sustainability matters;</p> <p>PL (Comments):</p>

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	<p>PL – the reference to the group is missing.</p> <p>DK</p> <p>(Drafting):</p> <p><del>(i) — the due diligence process implemented with regard to sustainability matters;</del></p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>
<p>(ii) the principal actual or potential adverse impacts connected with the group’s value chain, including its own operations, its products and services, its business relationships and its supply chain;</p>	<p>HU</p> <p>(Comments):</p> <p>We recommend a precise definition of the terms such as value chain and supply chain.</p> <p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p><b>Point (ii) can be deleted because it has been moved to letter (b) under (ii) (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</b></p> <p>DK</p> <p>(Drafting):</p> <p><del>(ii) — the principal actual or potential adverse impacts connected with the group’s value chain, including its own operations, its products and services, its business relationships and its supply chain;</del></p>

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	<p>DK (Comments): Consequence of moving sections regarding due diligence.</p>
<p>(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</p>	<p>NL (Drafting):</p> <p>NL (Comments): Point (iii) can be deleted because it has been moved to letter (b) under (iii) (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>PL (Drafting): (iii) any actions taken by the group, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</p> <p>PL (Comments): PL – the reference to the group is missing.</p> <p>DK (Drafting): <del>(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;</del></p> <p>DK</p>



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	<p>(Comments): Consequence of moving sections regarding due diligence.</p>
<p>(f) a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on such <b>matters</b> factors, and how the group manages those risks;</p>	<p>NL (Drafting):</p> <p>NL (Comments): <b>Letter (f) can be deleted because it has been moved to letter (c) (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</b></p> <p>DK (Drafting): <del>(f) a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on such <b>matters</b> factors, and how the group manages those risks;</del> <b>(e) a description of the key elements of the group's policies in relation to sustainability matters;</b></p> <p>DK (Comments): Consequence of moving sections regarding due diligence.</p> <p>We propose focusing the content of this provision further. Thus, we would ensure that the necessary information should be disclosed rather than focus on it merely being brief.</p>
<p>(g) indicators relevant to <del>the relevant to</del> the disclosures referred to in points (a) to (f).</p>	<p>NL</p>

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	<p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p>Letter (g) can be deleted because it has been moved to letter (d) (see above). Please also be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.</p> <p>DK</p> <p>(Drafting):</p> <p>(g, f) indicators relevant to <del>the relevant to</del> the disclosures referred to in points (a) to (f e).</p> <p>DK</p> <p>(Comments):</p> <p>Consequence of moving sections regarding due diligence.</p>
<p>Parent undertakings shall also report information on <b><u>the key intangible resources on which the business model of the group fundamentally depends, and explain this dependency and how they are a source of value creation for the group.</u></b> <del>intangibles, including information on intellectual, human, and social and relationship capital.</del></p>	<p>NL</p> <p>(Comments):</p> <p>The Netherlands would like to present a scrutiny reservation to the new definition for key intangible resources in the compromise text. In general, the Netherlands considers the proposed compromise text on intangibles a move in the right direction. However, an even more clear link to the relevant sustainability matters could be considered.</p> <p>LT</p> <p>(Drafting):</p> <p>Parent undertakings shall also report information on <b><u>the key intangible</u></b></p>

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	<p><b><u>resources on and shall explain the business model of group dependency and how they are a source of value creation for the group</u></b></p> <p>SE (Comments):</p> <p>DK (Drafting):</p> <p>Parent undertakings shall also report information on <b><u>the key intangible resources on which the business model of the group fundamentally depends, and explain this dependency and how they are a source of value creation for the group</u></b>, intangibles, including information on intellectual, human, and social and relationship capital.</p> <p>DK (Comments):</p> <p>We suggest deleting intangibles as subject to sustainability reporting since a clear link between intangible resources and sustainability matters is missing and the content of intangibles as a reporting subject is vague and uncertain. We do agree, that intangibles that is not recognized in the balance sheet is important assets in many companies, as for instance tech-companies and pharmaceutical companies. The discussion on more disclosures relating to the intangibles (or possible recognition in the balance sheet) should be taken as a broad discussion based on the financial statements – and any outcome may be reflected in the non-financial reporting.</p>
<p>Parent undertakings shall <del>describe</del> <b>report</b> the process carried out to identify the information that they have included in the consolidated management report in accordance with this Article <b>paragraph 1 and in this process they shall take account of short, medium and long-term</b></p>	

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<b>horizons.</b>	
<p>3. <del>The information referred to in paragraphs 1 and 2 shall contain forward looking information and information about past performance, and qualitative and quantitative information. This information shall take into account short, medium and long term time horizons, where appropriate.</del></p>	<p>PT (Comments): <b>PT:</b> Please refer to our comment on (new) Article 29b (new) paragraph 2a.</p>
<p><b>Where appropriate,</b> the information referred to in paragraphs 1 and 2 shall include information about the group’s value chain, including its own operations, its products and services, its business relationships and its supply chain, <del>where appropriate.</del></p>	<p>NL (Drafting): <b>Where appropriate,</b> the information referred to in paragraphs 1 and 2 shall include information about the group’s value chain, including its own operations, its products and services, its business relationships and its supply chain <del>where appropriate.</del> In the event that not all the necessary information about the business relationships and the supply chain is available, the group shall include the information in its possession and a statement indicating that the business relationships and the undertakings in its value chain did not make the necessary information available.</p> <p>NL (Comments): Please be referred to Article 19a paragraph 3 for the explanation of these drafting suggestions.</p> <p>MT (Drafting): Where <del>appropriate</del> <b>applicable,</b> the information referred to in paragraphs 1 and 2 shall include information about the group’s value chain, including its own operations, its products and services, its business relationships and its supply chain, <del>where appropriate.</del></p> <p>MT</p>

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	<p>(Comments):</p> <p>MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p>
<p><b>Where appropriate</b>, the information referred to in paragraphs 1 and 2 shall also, <del>where appropriate</del>, include references to, and additional explanations of, other information included in the consolidated management report in accordance with Article 29 of this Directive and amounts reported in the consolidated financial statements.</p>	<p>MT</p> <p>(Drafting):</p> <p>Where <del>appropriate</del> <b>applicable</b>, the information referred to in paragraphs 1 and 2 shall also, <del>where appropriate</del>, include references to, and additional explanations of, other information included in the consolidated management report in accordance with Article 29 of this Directive and amounts reported in the consolidated financial statements.</p> <p>MT</p> <p>(Comments):</p> <p>MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p>
<p>Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the group, provided that such omission does not prevent a fair and balanced understanding of the group's development, performance, position and impact of its activity.</p>	<p>HU</p> <p>(Drafting):</p> <p>Member States may allow information relating to impending developments or matters in the course of negotiation to <b>be omitted in exceptional cases where</b>, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the group, provided that such omission does not prevent a fair and balanced understanding of the group's development, performance, position and impact of its activity.</p> <p>HU</p>

(Comments):

According to the proposal Member States may allow the omission of information on forthcoming developments or issues under discussion in exceptional cases where, in the opinion of the members of the administrative, management and supervisory bodies, acting in their capacity under national law and collectively responsible for the opinion, the disclosure of such information would, in their duly reasoned opinion, seriously harm the business position of the undertaking. We are concerned about the proposed text as we believe that this could lead to abuse. The question arises as to what period of time the omission of information relates to and will this information be presented at a later stage? As in the CBCR, we suggest that the information that companies omit from the report on the grounds of trade secrets should be disclosed after 5 years.

PT

(Drafting):

Member States may allow information relating to **any aspect of the business (also as regards subsidiaries)**, impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the group, provided that such omission does not prevent a fair and balanced understanding of the group's development, performance, position and impact of its activity.

PT

(Comments):

**PT:** There might be sensitive information key to the regular operations of the undertaking that if publicly disclosed may compromise its competitive position and viability – including information on intangibles other than recognised

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	<p>intangible assets. The drafting proposal envisages to accommodate those situations. Please refer also to our comment in Article 19a</p>
4. Parent undertakings shall report the information referred to in paragraphs 1 to 3 in accordance with the sustainability reporting standards referred to in Article <del>19</del> <u>29</u> b.	
<p><del>5. — By way of derogation from Article 29a, paragraphs 1-4, parent undertakings that are small and medium sized undertakings referred to in Article 2, point (1), point (a), may report in accordance with the sustainability reporting standards for small and medium sized undertakings referred to in Article 19c.</del></p>	<p>MT (Drafting): 5. By way of derogation from Article 29a, paragraphs 1-4, parent undertakings that are small and medium sized undertakings referred to in Article 2, point (1), point (a), may report in accordance with the sustainability reporting standards for small and medium sized undertakings referred to in Article 19c.  MT (Comments): <b>Sustainability reporting standards for SMEs</b>  In MT's opinion, parent undertakings which are SMEs, should be allowed to prepare consolidated sustainability reporting in accordance with simplified standards.</p>
6. A parent undertaking that complies with the requirements set out in paragraphs 1 to 4 shall be deemed to have complied with the requirements set out in the third subparagraph of Article 19(1) <del>and</del> <b>and</b> Article 19a <del>and Article 29</del> .	<p>PL (Drafting): 6. A parent undertaking that complies with the requirements set out in paragraphs 1 to 4 shall be deemed to have complied with the requirements set out in the Article 29<del>and Article 29</del>.</p>

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	<p>PL</p> <p>(Comments):</p> <p>PL would like to draw attention to the fact that parent undertaking should be deemed to have complied with the requirements set out in the Article 29. Article 29 already refers as regards the content of information to the Article 19.</p> <p>Also the reference to Article 19a is inappropriate because Article 19a does not contain any requirements applicable to the parent undertakings. Moreover Article 29a is a copy of Article 19a but adjusted to the reporting by the parent undertaking.</p>
<p>7. A parent undertaking (<b>the exempted parent undertaking</b>) which is also a subsidiary undertaking shall be exempted from the obligations set out in paragraphs 1 to 4 if that exempted parent undertaking and its subsidiaries are included in the consolidated management report of another undertaking, drawn up in accordance with Article 29 and this Article. A parent undertaking that is a subsidiary undertaking from a parent undertaking that is established in a third country shall also be exempted from the obligations set out in paragraphs 1 to 4 where that undertaking and its subsidiary undertakings are included in the consolidated management report of that parent undertaking and where the consolidated <del>management report</del> <b>sustainability reporting</b> is drawn up in a manner <del>that may be considered equivalent</del> <b>to sustainability reporting standards adopted pursuant to Articles 29b and 29c, determined</b> in accordance with the relevant implementing measures adopted pursuant to Article 23(4), <b>point (i), and Article 23(4), fourth subparagraph</b> of Directive 2004/109/EC <del>to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive.</del></p>	<p>SE</p> <p>(Comments):</p> <p>See comments above at article 19a(7).</p>
<p><b><u>The management report of the exempted parent undertaking shall contain all of the following information:</u></b></p>	



<p><b><u>(a) the name and registered office of the parent undertaking that reports information at group level in accordance with Article 29 and this Article, or in a manner equivalent to sustainability reporting standards adopted pursuant to Articles 29b and 29c of this Directive, determined in accordance with the implementing measures adopted pursuant to Article 23(4), point (i) of Directive 2004/109/EC;</u></b></p>	
<p><b><u>(b) the web links to the consolidated management report of the parent undertaking referred to in the first subparagraph and to the opinion referred to in Article 34(1), second subparagraph, point (aa) of this Directive;</u></b></p>	
<p><b><u>(c) the fact that the parent undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article.</u></b></p>	
<p><b><u>When the consolidated management report referred to in the second subparagraph is not drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted parent undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa), are published in a language that it accepts, or in a language customary in the sphere of international finance, depending on the choice of the exempted parent undertaking, and that any necessary translation into those languages is certified.</u></b></p>	<p>SK (Drafting): SK</p> <p><b><u>When the consolidated management report referred to in the second subparagraph is not drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted parent undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa), are published in a language that it accepts, or in a language customary in the sphere of international finance, , and that any necessary translation into those languages is certified.</u></b></p> <p>SK (Comments):</p>

<p>SK</p> <p>We believe that the choice should be up to the Member State and not for the exempted undertaking.</p> <p>CZ</p> <p>(Drafting):</p> <p>When the consolidated management report referred to in the second subparagraph is not drawn up in a language customary in the sphere of international finance or in a language accepted by the Member State by which the exempted parent undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa), are published in a language that it accepts, or in a language customary in the sphere of international finance, <del>depending on the choice of the exempted parent undertaking</del>, and that any necessary translation into those languages is certified.</p> <p>CZ</p> <p>(Comments):</p> <p>A similar change as we propose in Article 19a para 7 point c).</p> <p>PL</p> <p>(Drafting):</p> <p><b><u>When the consolidated management report referred to in the second subparagraph, point (b) is not drawn up in a language accepted by the Member State by which the exempted parent undertaking is governed, this Member State may require that the referred consolidated management report and the opinion referred to in Article 34(1), second subparagraph, point (aa), are published in a language that it accepts, and that any necessary translation into those languages is certified.</u></b></p> <p>PL</p>
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	<p>(Comments):</p> <p>See PL remarks and drafting suggestion in the parallel/corresponding Article 19a(7).</p>
<p><b><u>When the parent undertaking referred to in the first subparagraph is established in a third country, its consolidated management report and the opinion referred to in Article 34(1) second subparagraph, point (aa) of this Directive shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the exempted parent undertaking is governed.</u></b></p>	
<p><b><u>The Member State by which the exempted parent undertaking is governed, may require that the consolidated management report referred to in the third subparagraph of this paragraph is published in an official language of the Member State or in a language customary in the sphere of international finance, at the choice of the exempted subsidiary, and that any necessary translation into those languages is certified.</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p>The Member State by which the exempted parent undertaking is governed, may require that the consolidated management report referred to in the third subparagraph of this paragraph is published in an official language of the Member State or in a language customary in the sphere of international finance, <del>at the choice of the exempted subsidiary,</del> and that any necessary translation into those languages is certified.</p> <p>CZ</p> <p>(Comments):</p> <p>A similar change as we propose in Article 19a para 7 point c).</p> <p>PL</p> <p>(Drafting):</p> <p><b><u>The Member State by law of which the exempted parent undertaking is governed, may require that the consolidated management report referred to in the fourth subparagraph of this paragraph is published in a language that it accepts , and that any necessary translation into this language is certified.</u></b></p>

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	<p>PL</p> <p>(Comments):</p> <p>See PL remarks and drafting suggestion in the parallel/corresponding Article 19a(7).</p>
<p><b><u>Parent undertakings which are exempted from preparing a management report according to Article 37 of this Directive, need not to provide the information of points (a), (b) and (c) of second subparagraph, provided they publish the consolidated management report referred to in the first subparagraph of this paragraph in accordance with Article 37 of this Directive.</u></b></p>	
<p><b><u>For the purposes of the first subparagraph, and where Article 10 of Regulation (EU) No 575/2013 applies, credit institutions referred to in Article 1, point (3), point (b) of this Directive that are permanently affiliated to a central body which supervises them under the conditions laid down in that same article shall be treated as subsidiaries of the central body.</u></b></p>	
<p><del>The consolidated management report of the parent undertaking referred to in subparagraph 1 shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the parent undertaking that is exempted from the obligations set out in paragraphs 1 to 4 is governed.</del></p>	
<p><del>The Member State by which the parent undertaking that is exempted from the obligations set out in paragraphs 1 to 4 is governed may require that the consolidated management report referred to in in the first subparagraph of this paragraph is published in its official language or in a language customary in the sphere of international finance, and that any necessary translation into those languages is certified.</del></p>	

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<p>The consolidated management report of a parent undertaking that is exempted from the obligations set out in paragraphs 1 to 4 shall contain all of the following information:</p>	
<p>(a) — the name and registered office of the parent undertaking that reports information at group level in accordance with Articles 29 and this Article, or in a manner that may be considered equivalent, in accordance with the relevant implementing measures adopted pursuant to Article 23(4)(i) of Directive 2004/109/EC, to the manner required by the sustainability standards adopted pursuant to Article 19b;</p>	<p>DE (Comments):</p> <ul style="list-style-type: none"> <li>• <b>Art. 19b para. 2 subpara. 2 lit b) (new: Art. 29b para. 2 subpara. 2 lit. b)) Draft Accounting Directive:</b> We thank the Presidency for accepting our proposal to change the wording to "<b>social and human rights factors</b>". But we would like the <b>definition of "social factors" to be further discussed</b>. This seems necessary especially with regard to future legislative and non-legislative proposals in the field of sustainability. -The CSRD should draw on the wording from recital (7) of the current Non-financial reporting directive and therefore read as follows: "working conditions, secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, respect for the right of workers to be informed and consulted, respect for trade union rights, work-life balance, and a healthy, safe and well-adapted work environment;"</li> <li>• <b>Art. 19b para. 2 subpara. 2 lit. c) (i) (new: Art. 29b para. 2 subpara. 2 lit. c) (i)) Draft Accounting Directive:</b> What is the <b>meaning of "their capacity to fulfil this role"</b> especially compared to the COM-proposal of "and their composition"?</li> </ul>
<p>(b) — the fact that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article.?’;</p>	
<p><b><u>7a. The exemption of paragraph 7 shall also apply to public interest entities subject to the requirements of this Article.’</u></b></p>	<p>SE</p>

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	(Comments): See comment at article 19a(7a)
<b>(7)a A new chapter title is inserted</b>	
<b><u>“Chapter 6a – Sustainability standards”</u></b>	<p>RO</p> <p>(Comments):</p> <p><b>RO:</b> We are of the opinion that the future reporting standards should have flexibility to allow companies to report on those areas that are significant and relevant to their business. A flexible content of the reporting standards will give the possibility to the entities to properly adapt the disclosures to their own specific.</p> <p>CZ</p> <p>(Comments):</p> <p>The Czech Republic agree with creating a single set of European standard aligned with current global developments that could be voluntarily applied by Member States or companies for their purposes. This will ensure that this measure would be targeted at areas where it is important, and in particular to avoid unnecessary administrative burdens and the associated loss of competitiveness. Furthermore, it will provide a sufficient database for possible future consideration of the mandatory introduction of this obligation.</p> <p>LT</p> <p>(Drafting):</p> <p><b><u>“Chapter 6a – Sustainability reporting standards”</u></b></p>
<b>(7)b Articles 29b and 29c have been added</b>	
‘Article <del>2</del> 9b	

Sustainability reporting standards	
<p>1. The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the information that undertakings are to report in accordance with Articles 19a and 29a and, where relevant, shall specify the structure in which that information shall be reported. In particular:</p>	<p>CZ (Comments): The Czech Republic does not support that the Commission should be empowered to adopt delegated acts setting sustainability reporting standards.</p> <p>BE (Drafting): <b><u>Sustainability reporting standards are set out in Annex VIII.</u></b> <del>1. The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the information that undertakings are to report in accordance with Articles 19a and 29a and, where relevant, shall specify the structure in which that information shall be reported. In particular:</del></p> <p>BE (Comments): BE reiterates that the sustainability standards have to be annexed to the directive</p> <p>PT (Drafting): 1. The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the information that undertakings are to report in accordance with Articles 19a and 29a and, <b><u>where relevant to the extent possible</u></b>, shall specify the structure in which that information shall be reported. In particular:</p> <p>PT</p>

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	<p>(Comments):</p> <p><b>PT:</b> Common reporting standards are paramount to enhance comparability and transparency and to avoid undertakings' unnecessary costs. Therefore, we believe it is important to clarify in the text that standardisation of the reporting (incl. its structure) will be pursued to the extent possible. Please refer also to our comment on Article 29c.</p>
<p>(a) by 31 October 2022, the Commission shall adopt delegated acts specifying the information that undertakings are to report in accordance with paragraphs 1 and 2 of Article 19a, <b><u>and paragraphs 1 and 2 of Article 29a where appropriate</u></b>, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.</p>	<p>HU</p> <p>(Drafting):</p> <p>(a) <b>by 31 October 2022</b>, the Commission shall <b>adopt delegated acts</b> specifying the information that undertakings are to report in accordance with paragraphs 1 and 2 of Article 19a, and paragraphs 1 and 2 of Article 29a where appropriate, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.</p> <p>HU</p> <p>(Comments):</p> <p>We express our concerns about the rules on reporting standards. In our opinion, it should be clearly defined whether, for these standards, the EU only adopts standards prepared by other organisations (e.g. the International Accounting Standards Board of the International Financing Report Foundation) or prepares them independently as EU standards. Otherwise, we maintain our concerns about the tight timeframe foreseen for the development of the standards.</p> <p>CZ</p> <p>(Comments):</p> <p>The more detailed information of what should be reported should not be done through the delegated acts, but directly in the Directive.</p>



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	<p>NL</p> <p>(Drafting):</p> <p>(a) by 30 April 2023, the Commission shall adopt delegated acts specifying the information that undertakings are to report in accordance with paragraphs 1 and 2 of Article 19a, <b>and paragraphs 1 and 2 of Article 29a where appropriate</b>, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.</p> <p>NL</p> <p>(Comments):</p> <p>The deadline for the publication of the standards of 1 October 2022 can be delayed with half a year. The reason of this is the implementation period mentioned hereinafter under Article 5. This extension would allow for extra time for EFRAG to carefully develop the standards.</p> <p>BE</p> <p>(Drafting):</p> <p>(a) — by 31 October 2022, the Commission shall adopt delegated acts specifying the information that undertakings are to report in accordance with paragraphs 1 and 2 of Article 19a, <b>and paragraphs 1 and 2 of Article 29a where appropriate</b>, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.</p>
<p>(b) by 31 October 2023, the Commission shall adopt delegated acts specifying:</p>	<p>HU</p> <p>(Drafting):</p> <p>(b) <b>by 31 October 2023</b>, the Commission shall adopt delegated acts specifying</p>

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	<p>HU</p> <p>(Comments):</p> <p>We express our concerns about the rules on reporting standards. In our opinion, it should be clearly defined whether, for these standards, the EU only adopts standards prepared by other organisations (e.g. the International Accounting Standards Board of the International Financing Report Foundation) or prepares them independently as EU standards.</p> <p>Otherwise, we maintain our concerns about the tight timeframe foreseen for the development of the standards.</p> <p>BE</p> <p>(Drafting):</p> <p><del>(b) — by 31 October 2023, the Commission shall adopt delegated acts specifying:</del></p>
<p>(i) complementary information that undertakings shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;</p>	<p>ES</p> <p>(Comments):</p> <p>It is not clear what kind of complementary information, other than that mentioned in section (a), will be addressed by the Commission.</p> <p>It would be convenient to specify the difference between the information that will be addressed in the delegated acts that the Commission will adopt before October 31, 2022 and the complementary information that the Commission is expected to include in the delegated acts that will adopt before October 31, 2023.</p> <p>BE</p> <p>(Drafting):</p> <p><del>(i) — complementary information that undertakings shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;</del></p>

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<p>(ii) information that undertakings shall report that is specific to the sector in which they operate.</p>	<p>BE (Drafting): <del>(ii) — information that undertakings shall report that is specific to the sector in which they operate.</del></p>
<p>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.</p>	<p>NL (Drafting): 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, to the greatest extent possible, relevant developments, including developments with regard to international standards.</p> <p>NL (Comments): <b>We would like to affirm the importance of the commitment of the EU to come to global/international standards. This commitment should be reflected stronger in the text of this directive. We would like to see explicitly outlined in Article 29b paragraph 1 that the work of global standard-setting initiatives for sustainability reporting should be taken into account to the fullest extent.</b></p> <p>BE (Drafting): The Commission shall, at least every three years after its date of application, review <del>any delegated act adopted pursuant to this Article,</del> <b>the sustainability standards</b> taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG), and where necessary shall amend <del>such delegated act</del> <b>the sustainability standards</b> to take into account</p>

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	relevant developments, including developments with regard to international standards.
<b><u>The Commission shall, at least once a year, consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on EFRAG’s work programme as regards the development of sustainability reporting standards.</u></b>	<p>SK (Drafting): SK</p> <p><b><u>The Commission shall, at least once a year, consult the Accounting Regulatory Committee on EFRAG’s work programme as regards the development of sustainability reporting standards.</u></b></p> <p>SK (Comments): SK</p> <p>We do not see it appropriate that the Accounting Regulatory Committee plays no role in the sustainability area which creates a part of the Accounting Directive.</p> <p>CZ (Drafting):</p> <p>The Commission shall, at least once a year, consult <b><u>the Accounting Regulatory Committee and</u></b> Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on EFRAG’s work programme as regards the development of sustainability reporting standards.</p> <p>CZ (Comments):</p> <p>We think that ARC should be a part of a consultation process</p>

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	<p>BE</p> <p>(Comments):</p> <p>The committee referred to Article 6 of the Regulation 1606/2002 has to be consulted before the Commission adopts changes of the sustainability reporting standards.</p> <p>DK</p> <p>(Drafting):</p> <p><u>The Commission shall, at least once a year, consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 and the Accounting Directive Committee referred to in Article 50 of Directive 2013/34/EU on EFRAG’s work programme as regards the development of sustainability reporting standards.</u></p> <p>DK</p> <p>(Comments):</p> <p>Denmark suggests involving the Accounting Directive Committee (ADC), that has been established by Article 50 of Directive 2013/34/EU. We believe that the ADC could be a way to strengthen the Member states involvement in the process and ensure the connection between the financial part of the annual report and the sustainability report.</p>
<p>2. The sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, <del>representative</del>, verifiable, comparable, and is represented in a faithful manner.</p>	<p>BE</p> <p>(Comments):</p> <p>What does “represented in a faithful manner” mean? It looks that it is a requirement for the undertakings.</p>
<p>The sustainability reporting standards shall, taking into account the subject matter of a particular standard:</p>	<p>HU</p> <p>(Drafting):</p>

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	<p>The sustainability reporting standards shall, <b>taking into account the subject matter of a particular standard:</b></p> <p>HU</p> <p>(Comments):</p> <p>We express our concern about the highlighted sub-item. We suggest further consideration of the section on the content of reporting standards. We believe it is inconsistent with other related points in the proposal.</p>
<p>(a) specify the information that undertakings are to disclose about environmental factors, including information about:</p>	<p>NL</p> <p>(Drafting):</p> <p>(a) specify the information that undertakings are to disclose about the following environmental factors:</p> <p>NL</p> <p>(Comments):</p> <p>The summaries of environmental, social and governance factors in Article 29b paragraph 2 are not exhaustive (as indicated by the phrase “including information about”). The Netherlands proposes that the lists of environmental, social and governance factors should be made exhaustive.</p>
<p>(i) climate change mitigation;</p>	
<p>(ii) climate change adaptation;</p>	
<p>(iii) water and marine resources;</p>	<p>DK</p> <p>(Drafting):</p> <p>(iii) <i>the sustainable use and protection of</i> water and marine resources;</p> <p>DK</p>

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	<p>(Comments):</p> <p>We understand from the proposal and from the Working Party meetings that the proposal intends to ensure the alignment of the CSRD sustainability reporting requirements with relevant EU legislation, in particular the Sustainable Finance Disclosure Regulation and the Taxonomy Regulation.</p> <p>To our understanding, this sentence is intended to be aligned with the environmental objective in article 9, point c of the Taxonomy Regulation. Thus, we suggest to write out the full name of the relevant environmental objective. Alternatively, we suggest to refer to the article in the sentence, i.e.: “water and marine resources, cf. article 9, point c, cf. of Regulation (EU) 2020/852;”</p>
(iv) resource use and circular economy;	<p>DK</p> <p>(Drafting):</p> <p>(iv) <b><i>the transition to a</i></b> circular economy;</p> <p>DK</p> <p>(Comments):</p> <p>For the reasons mentioned above under point iii, we suggest to align it with article 9, point d in the Taxonomy Regulation.</p>
(v) pollution;	<p>DK</p> <p>(Drafting):</p> <p>(v) pollution <b><i>prevention and control;</i></b></p> <p>DK</p> <p>(Comments):</p> <p>For the reasons mentioned above under point iii, we suggest to align it with article 9, point d in the Taxonomy Regulation.</p>

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<p>(vi) biodiversity and ecosystems;</p>	<p>DK (Drafting): (vi) <i>the protection and restoration of</i> biodiversity and ecosystems; DK (Comments): For the reasons mentioned above under point iii, we suggest to align it with article 9, point d in the Taxonomy Regulation.</p>
<p>(b) specify the information that undertakings are to disclose about social <b>and human rights</b> factors, including information about:</p>	<p>NL (Drafting): (b) specify the information that undertakings are to disclose about the following social <b>and human rights</b> factors: NL (Comments): <b>See (a) above</b> PT (Comments): <b>PT</b> supports the inclusion of “human rights”. EE (Comments): Chapeau: Some Member States (eg NL and DE) have proposed to change the chapeau so that the list in point (b) is closed. We could support such proposals, as the current wording provides an indicative list in point (b) and other issues can be addressed in the standard.</p>



Subparagraph (ii):  
"secure and adaptable employment" - it is not clear what is meant by this. An ambiguous term and can essentially mean anything. "Working conditions" already cover most important issues, so it is unclear why "secure and adaptable employment" needs to be added. It could then be clarified which working conditions are meant by this.  
We suggest deleting "well-adapted" as it already covers "healthy and safe work environment".  
In other words, the wording would be as follows: working conditions, including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment.  
Sub-paragraph (iii): This sub-paragraph sets out a number of very important international instruments that need to be complied with. However, in this case it is not clear what and how exactly the company must report. All of these documents cover many different topics, do companies need to report in detail on how they are all being met? Many of the requirements are not met by companies at all, and many of the issues overlap with those already outlined in (ii). It is currently not clear what exactly is required of companies. For example, data protection is one of the issues addressed in these documents - should it also be reported in this regard? If it is important for companies to report on certain topics, they should be specifically mentioned in the directive. Therefore, it would also be proposed to set out in point (iii) a specific list of issues on which companies are required to report.

DE

(Comments):

**Art. 19b para. 2 subpara. 2 lit b) (new: Art. 29b para. 2 subpara. 2 lit. b)) Draft Accounting Directive:** We **thank** the Presidency for accepting our proposal to change the wording to "**social and human rights factors**". But we would like the **definition of "social factors" to be further discussed**. This seems necessary especially with regard to future legislative and non-legislative proposals in the field of sustainability.

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	<p>The CSRD should draw on the wording from recital (7) of the current Non-financial-reporting-directive and therefore read as follows: “working conditions, secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, respect for the right of workers to be informed and consulted, respect for trade union rights, work-life balance, and a healthy, safe and well-adapted work environment;”</p>
	<p>EE</p> <p>(Comments):</p> <p>We are particularly concerned about the addition of Article 19b (2) (b):</p> <p>(b) specify the information that undertakings are to disclose about social factors, including information about:</p>
<p>(i) equal opportunities for all, including gender equality and equal pay for equal work <b>or work of equal value</b>, training and skills development, and employment and inclusion of people with disabilities;</p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p>(i) equal opportunities for all, including equality between women and men and equal pay for equal work <b>or work of equal value</b>, training and skills development, and employment and inclusion of people with disabilities;</p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>Based on the comments received from the Conference of Bishops of Slovakia we suggest replacing the words “gender equality” by the words “equality between women and men” in order to align the text with the wording in Article 10 of the Treaty on the Functioning of the European Union.</p>

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	<p>PT</p> <p>(Drafting):</p> <p>(i) equal opportunities for all, including gender equality and equal pay for equal work <b>or work of equal value</b>, training and skills development, and employment and inclusion of people with disabilities; <b>among others that may be relevant given the different national realities;</b></p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We believe that the possibility to include other situations that hinder equal opportunities will make the text more inclusive, and adaptable to the different national realities.</p> <p>LT</p> <p>(Drafting):</p> <p>i) equal opportunities for all, including gender equality and equal pay for equal work <b>or work of equal value</b>, training and skills development, and employment and inclusion of people with disabilities;</p> <p>EE</p> <p>(Comments):</p> <p>(i) equal opportunities for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;</p>
(ii) working conditions, including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of	EE

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<p>workers, work-life balance, and a healthy, safe and well-adapted work environment;</p>	<p>(Comments):</p> <p>(ii) working conditions, including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment;</p>
<p>(iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.</p>	<p>PT</p> <p>(Drafting):</p> <p>iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, <b>such as the UN Guiding Principles on Business and Human Rights</b>, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We think that, after analysing the Draft Report of the Committee on Legal Affairs of the European Parliament, a compromise can already be reached.</p> <p>EE</p> <p>(Comments):</p> <p>respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.</p> <p>DK</p>

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	<p>(Drafting):</p> <p>(iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, <b><i>the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises</i></b>, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.</p> <p>DK</p> <p>(Comments):</p> <p>We suggest adding a reference to UNGPs and OECD guidelines, which Denmark considers as highly relevant in this context.</p> <p>These also serve as the basis for the minimum social safeguards in the taxonomy regulation. To ensure sufficient data for the taxonomy, the CSRD standards should also cover the UNGPs and OECD guidelines.</p>
<p>(c) specify the information that undertakings are to disclose about governance factors, including information about:</p>	<p>NL</p> <p>(Drafting):</p> <p>(c) specify the information that undertakings are to disclose about the following governance factors:</p> <p>NL</p> <p>(Comments):</p> <p><b>See (a) above</b></p> <p>DK</p> <p>(Drafting):</p> <p>(c) specify the information that undertakings are to disclose about governance factors <b><i>in relation to due diligence for sustainability matters</i></b>,</p>

	<p>including information about:</p> <p>DK</p> <p>(Comments):</p> <p>It should be clarified that these reporting requirements only concern corporate governance in relation to due diligence for sustainability matters.</p>
<p>(i) the role of the undertaking’s administrative, management and supervisory bodies, <del>including</del> with regard to sustainability matters, and their <b>capacity to fulfil this role</b> <del>composition</del>;</p>	<p>BE</p> <p>(Drafting):</p> <p>(i) the role of the undertaking’s administrative, management and supervisory bodies, <del>including</del> with regard to sustainability matters, <del>and their</del> <b>capacity to fulfil this role</b> <del>composition</del>;</p> <p>BE</p> <p>(Comments):</p> <p>How to disclose information about “their capacity to fulfil this role”? The new language is not clear.</p> <p>LT</p> <p>(Comments):</p> <p>It’s not clear what means “capacity to fulfil this role”. What kind of information should be disclosed?</p> <p>DE</p> <p>(Comments):</p> <ul style="list-style-type: none"> <li>• <b>Art. 19b para. 2 subpara. 2 lit. c) (i) (new: Art. 29b para. 2 subpara. 2 lit. c) (i)) Draft Accounting Directive:</b> What is the meaning of “<b>their capacity to fulfil this role</b>” especially compared to the COM-proposal of “and their composition”?</li> </ul>

<p><b><u>(i)a the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting process:</u></b></p>	<p>HU (Drafting): <del>(i)a the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting process:</del> DK (Drafting): <u>(i)a the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting process;</u> DK (Comments): <u>Correction of typo.</u></p>
<p>(ii) business ethics and corporate culture, including anti-corruption and anti-bribery;</p>	
<p>(iii) political engagements of the undertaking, including its lobbying activities;</p>	<p>DE (Comments): <b>Art. 19b para. 2 subpara. 2 lit. c) (iii) (new: Art. 29b para. 2 subpara. 2 lit. c) (iii)) Draft Accounting Directive: We maintain our request to delete the provision concerning the reporting on lobbying activities.</b></p>
<p>(iv) the management and quality of relationships with <b><u>customers, suppliers and communities affected by the activities of the undertaking</u></b> business partners, including payment practices;</p>	<p>SE (Comments): SE does not support the extension of the text.</p>

<p>(v) — <del>the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.</del> <i>[moved to (i)a]</i></p>	
<p>2a. <b><u>The information specified in the sustainability reporting standards shall contain forward-looking and retrospective information, and qualitative and quantitative information, as appropriate.</u></b></p>	<p>SK (Drafting): SK</p> <p>2a. <b><u>The information specified in the sustainability reporting standards shall contain</u></b> an indication of undertaking's likely future development, <b><u>and retrospective information, and qualitative and quantitative information, as appropriate.</u></b></p> <p>SK (Comments): SK Forward looking information should not be a part of the assurance. Therefore only assumptions of the future development should be required to disclose. Otherwise it should be clearly stated that this type of information is out of the scope of the assurance.</p> <p>HU (Drafting): 2a. The information specified in the sustainability reporting standards shall contain <b>forward-looking and retrospective information</b>, and qualitative and quantitative information, as appropriate.</p> <p>HU (Comments): The question arises as to what time frame should be taken into account for "forward-looking and retrospective information"?</p>



<p>BE</p> <p>(Drafting):</p> <p>The <b><u>standards shall specify that regarding the</u></b> information specified in the sustainability reporting standards <b><u>undertakings</u></b> shall <del>contain</del> <b><u>include</u></b> forward-looking and retrospective information, and qualitative and quantitative information, as appropriate.</p> <p>BE</p> <p>(Comments):</p> <p>BE: preference to delete the words "forward-looking and retrospective information".</p> <p>Article 29b lays down specifications for the sustainability standards. As such this article does not directly concern the sustainability reporting of undertakings. Wording is adapted in order to better reflect the addressee of this provision.</p> <p>PT</p> <p>(Drafting):</p> <p>2a. The information specified in the sustainability reporting standards shall contain forward-looking and retrospective information, and qualitative and quantitative information, as appropriate. <b><u>This information shall take into account short, medium and long-term time horizons, where appropriate.</u></b></p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We understand that Articles 19a(3) and 29a(3) were replaced by this new point 2a.</p> <p>We propose to add a new sentence which in fact was envisaged in the COM proposal in Article 29a(3): "(...) <i>This information shall take into account short, medium and long-term time horizons, where appropriate.</i>"</p>
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	<p>The distinctive features of climate-related and environmental risks compared to traditional sources of financial risk (such as the breadth and magnitude of their possible impacts, the uncertain and long-term time horizon of risk materialization, its non-linear pace, and the dependence on short-term action) requires that such risks need to be considered and managed differently by undertakings. In that regard, forward-looking assessments of climate-related risks under time horizons distinct from traditional ones are therefore important to provide the sustainability information envisaged in Articles 19a and 29a.</p>
	<p>PT</p> <p>(Drafting):</p> <p><b>New provision</b></p> <p><b>2b. The information specified in the sustainability reporting standards shall take account of the double materiality perspective.</b></p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> Despite the explicit reference made in Recital 25 to the double-materiality principle underlying the sustainability information to be reported under Articles 19a and 29a – where both perspectives are described -, we consider that for a matter of consistency and transparency, it would be beneficial to add an explicit reference to this core principle as well, that shall underlie the development of the sustainability reporting standards.</p> <p>We therefore propose to add a new provision 2b.</p>
<p>3. When adopting delegated acts pursuant to paragraph 1, the Commission shall <b><u>to the greatest extent possible</u></b> take account of:</p>	<p>BE</p> <p>(Drafting):</p> <p>Standards are based on international standards and other initiatives, in particular: 3. <del>When adopting delegated acts pursuant to paragraph 1, the Commission shall <b><u>to the greatest extent possible</u></b> take account of:</del></p> <p>SE</p>

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	<p>(Comments):</p> <p>SE believes that on a longer term there should be a global harmonisation of sustainability reporting. It is therefore important that the EU framework can be adapted in line with global developments. SE welcomes the compromise text’s stronger commitment to global standards and initiatives.</p> <p>DE</p> <p>(Comments):</p> <ul style="list-style-type: none"> <li>• <b>New: Art. 29b para. 3 subpara. 2 Draft Accounting Directive:</b> We welcome this proposal and would like to propose an additional provision to make sure that the explanations accompanying the delegated act will be submitted in time to be considered within the consultations mentioned in Art. 49 para. 3a.</li> </ul>
<p>(a) the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development;</p>	<p>DE</p> <p>(Comments):</p> <p><b>Art. 19b para. 3 (a) (new: Art. 29b para 3 (a)) Draft Accounting Directive: As al-ready mentioned in the Table for MS comments on ST 8132/21 dated 6 October 2021, after “frameworks for nature capital accounting” it should be added “and for green-house gas accounting”.</b></p>
<p>(b) the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation;</p>	

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(c) <del>the criteria set out in</del> the delegated acts adopted pursuant to Regulation (EU) 2020/852 <sup>15</sup> ;	
(d) the disclosure requirements applicable to benchmarks administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816 <sup>16</sup> , (EU) 2020/1817 <sup>17</sup> and (EU) 2020/1818 <sup>18</sup> ;	
(e) the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013 <sup>19</sup> ;	
(f) Commission Recommendation 2013/179/EU <sup>20</sup> ;	
(g) Directive 2003/87/EC of the European Parliament and of the	

<sup>15</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

<sup>16</sup> Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).

<sup>17</sup> Commission Delegated Regulation (EU) 2020/1817 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology (OJ L 406, 3.12.2020, p. 12).

<sup>18</sup> Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).

<sup>19</sup> Commission Implementing Regulation laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council (C(2021)1595)

<sup>20</sup> Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1).

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Council <sup>21</sup> ;	
(h) Regulation (EC) No 1221/2009 of the European Parliament and of the Council <sup>22</sup> .	
	<p>DK</p> <p>(Drafting):</p> <p><b><i>(i)internationally recognised principles and frameworks on responsible business conduct, corporate social responsibility, and sustainable development, including the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct and related sectoral guidelines, the UN Global Compact, the Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy, the ISO 26000 standard on social responsibility, and the UN Principles for Responsible Investment.</i></b></p> <p>DK</p> <p>(Comments):</p> <p>Due to the importance of the inserted principles and frameworks, Denmark suggests having them referenced in the article text and not only in the recitals. This willserve to underline the equal value of the work in the area of business and human rights and other regulation.</p>
<del>Article 429c</del>	

<sup>21</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

<sup>22</sup> Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).

<p><b>Sustainability reporting standards for SMEs</b></p>	<p>DE</p> <p>(Comments):</p> <ul style="list-style-type: none"> <li>• <b>Art. 19c (new: Art. 29c) Draft Accounting Directive: We welcome that the Presidency agrees with comments by delegations on the need to further specify the core disclosures to be included in the sustainability reporting standards for SMEs and await EFRAG's technical analysis.</b></li> </ul>
<p>The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards proportionate to the capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify which information referred to in Articles 19a and 29a small and medium-sized undertakings referred to in Article 2, point (1)(a) shall report. They shall take into account the criteria set out in Article 129b, paragraphs 2 and 3. They shall also, where relevant, specify the structure in which that information shall be reported.</p>	<p>CZ</p> <p>(Comments):</p> <p>Information of what should be reported should not be done through the delegated acts, but directly in the Directive. The Czech Republic therefore suggests that specification of information what undertaking should report should be included in the Directive and should be approved by Member States.</p> <p>BE</p> <p>(Drafting):</p> <p>The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards proportionate to the capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify which information referred to in Articles 19a and 29a small and medium-sized undertakings referred to in Article 2, point (1)(a) shall report. They shall take into account the criteria set out in Article 129b, paragraphs 2, 2a and 3. They shall also, where relevant, specify the structure in which that information shall be reported.</p> <p>BE</p> <p>(Comments):</p> <p>BE: Inclusion of the criteria mentioned in paragraph 2a of article 29b for the</p>

sustainability reporting standards for SMEs.  
Why will the structure of the information only be specified *where relevant* in the case of SME-standards? Does this mean that there is more leeway for SME's when using the SME standards than non-SME's when applying the non-SME-standards? Please clarify for instance in a recital.  
How to understand that standards "proportionate to the capacities and characteristics of small and medium-sized undertakings".  
Are there criteria to define the capacities and characteristics?  
What about SMEs with high risk activities (timber, minerals,..)?  
BE prefers that these criteria are set out in the Directive.

PT

(Drafting):

The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards proportionate to the **scale and complexity of the activities**, capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify which information referred to in Articles 19a ~~and 29a~~ small and medium-sized undertakings referred to in Article 2, point (1)(a) shall report. They shall take into account the criteria set out in Article ~~42~~29b, paragraphs 2 and 3. They shall also, **where relevant to the extent possible**, specify the structure in which that information shall be reported

PT

(Comments):

**PT:**  
First drafting suggestion: to further clarify that the specific features attached to SMEs derive also from their smaller scale and the lower complexity of their activities.  
Second drafting suggestion:  
Common reporting standards are paramount to enhance comparability and transparency and to avoid undertakings' unnecessary administrative burden. Therefore, it is important to clarify in the text that also for the proportionate

sustainability reporting from SMEs, standardisation of the reporting (incl. its structure) will be pursued to the extent possible, without prejudice to the specific information to be disclosed depending on the SMEs' sector of activity. This consideration is consistent with Recital 46. Please refer also to our comment on Article 29b.

FI  
(Drafting):

FI  
(Drafting):

[FINLAND] The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards **relevant and** proportionate to the capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify **for** small and medium-sized undertakings referred to in Article 2, point (1)(a), **information to be reported regarding the following matters:**

- (a) **the principal risks to the undertaking related to sustainability matters and the resilience of the undertaking to those risks;**
- (b) **how the undertaking takes account of the interests of the stakeholders;**
- (c) **the impacts of the undertaking with regard to sustainability matters;**
- (d) **the targets related to sustainability matters set by the undertaking and the level of its achieving those targets;**
- (e) **the role of the administrative, management and supervisory bodies with regard to sustainability matters;**
- (f) **the due diligence process with regard to sustainability matters;**
- (g) **the principal actual or potential adverse impacts connected with the undertaking's value chain and its supply chain;** and
- (h) **actions taken to prevent, mitigate or remediate actual or potential adverse impacts.**

They shall also, where relevant, specify the structure in which that information shall be reported.

**The number of disclosure items defined by delegated acts shall not exceed two thirds**



*of the disclosure items defined by the delegated act adopted under article 29a*

FI

(Comments):

FI

(Comments):

– In order to underline that the standards should burden the SMEs less than the large undertakings, the principle of relevance should be recognized equally with proportionality.

– Correspondingly, the information necessary to understand a SME's impact on sustainability matters, and information necessary to understand how sustainability matters affect an SME's performance and position has to be defined in order to allow an undisputedly clear delegation to the Commission to adopt the delegated standards.

– It is also noteworthy to underline in the text the spirit of the directive: the SMEs should be burdened with fewer obligations in order to balance the proportionally bigger impact cost otherwise affecting them.

Hence, we propose that the SME-reporting core – including the most relevant issues – is recognized in the legal text itself, providing a sound basis for the standard delegation.

– As a technical vehicle to maintain the proportionality of SME requirements, we propose that an objective ratio is introduced in the article regarding the

number of disclosure items required under the SME regime vis-à-vis the regime of large undertakings.

SE

(Drafting):

The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards proportionate and relevant to the capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify which information referred to in Articles 19a and 29a small and medium-sized undertakings referred to in Article 2, point (1)(a) shall report. They shall take into account the criteria set out in Article 129b, paragraphs 2 and 3. They shall also, where relevant, specify the structure in which that information shall be reported.

SE

(Comments):

See comments and drafting suggestions above to the effect that no SME:s should be included in the scope.

SE also believes that it should be possible to specify the content of sustainability reporting for SME:s in the directive. SE supports the presidency's suggestion to base such discussion on recommendations from Efrag. It is however important that such recommendations are provided soon.

PL

(Drafting):

The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards proportionate to the capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify which information referred to in Articles 19a and 29a small and medium-sized undertakings referred to in Article 19a paragraph 1 shall report. They shall take into account the criteria set

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	<p>out in Article <del>129</del><b>129b</b>, paragraphs 2 and 3. They shall also, where relevant, specify the structure in which that information shall be reported.</p> <p>PL</p> <p>(Comments):</p> <p>PL suggests to refer to the scope defined already in Article 19a paragraph 1 – see also the same suggestion in Art. 19a paragraph 5.</p> <p>DK</p> <p>(Comments):</p> <p>We look forward to further discussions regarding this article when EFRAG presents their preliminary work on standards for SME’s including a cost benefit analysis. It is important that social partners are properly included in EFRAG's work on the standards.</p> <p>Regarding relevant elements for SMEs, we would like to highlight the importance of standards for SMEs in high-risk sectors.</p>
<p>The Commission shall adopt those delegated acts at the latest by 31 October 2023.’</p>	
<p><b><u>(7)c A new chapter title is inserted</u></b></p>	
<p><b><u>“Chapter 6b – Electronic format”</u></b></p>	
<p><b><u>(7)d A new article is added</u></b></p>	
<p><i>‘Article <del>129d</del></i></p>	<p>DE</p> <p>(Comments):</p> <p><b>Art. 29d Draft Accounting Directive: A legal basis for the</b></p>

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	<p>Commission to adopt requirements for marking up the sustainability reporting <b>seems to be missing</b>. To us it is <b>unclear</b> what is meant by the wording “shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with the format referred to in that Delegated Regulation.” The requirements in Art. 4ff. of Regulation 2019/815/EU on marking up the consolidated financial statements do not fit in this respect.</p>
<b>Single electronic reporting format</b>	<p>IT (Comments):</p> <p>On the electronic reporting format, it may be appropriate to further examine how the choice provided to single MS to use a different electronic format for not listed entities may affect the level of comparability of sustainability reporting. In addition, this level of flexibility seems to be referred exclusively to the electronic format for communication while for tagging is always considered the electronic format provided by ESEF regulation. It may be further assessed if this flexibility is sufficient only for communication and not also for tagging.</p>
<p>1. Undertakings subject to Article 19a shall prepare their financial statements and their management report in <del>the</del> <b>a single</b>-electronic reporting format <b>referred to in accordance with</b> Article 3 of Commission Delegated Regulation (EU) 2019/815<sup>23</sup> and shall mark-up their sustainability</p>	<p>HU (Drafting):</p> <p>Undertakings subject to Article 19a shall prepare their financial statements and</p>

<sup>23</sup> Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).;

<p>reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with <b><u>the format referred to in</u></b> that Delegated Regulation.</p>	<p>their management report in the <b>single</b> electronic reporting format referred to in Article 3 of Commission Delegated Regulation (EU) 2019/815<sup>24</sup> and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with the format referred to in that Delegated Regulation.</p> <p>HU</p> <p>(Comments):</p> <p>We would like to know what was the reason behind deleting the word ‘single’?</p> <p>LV</p> <p>(Comments):</p> <p><b>Latvia</b></p> <p>Recently published draft Regulation on the establishment and functioning of the European Single Access Point (ESAP) provides for the delegation of powers to issue the Implementing Technical Standards (ITS) that prescribe more detailed requirements for information to be prepared. These requirements have not yet been identified.</p> <p>Therefore, in the context of the Single Electronic Format our concern is that the requirements laid down in Article 29(d) could not be consistent with the draft ESAP regulatory framework.</p> <p>From our perspective, the option stipulated in the compromise text (bold) is to allow institutions to prepare their financial statements in another electronic format, though whether this option will not create problems in the future when financial reporting information is to be submitted to ESAP.</p> <p>SE</p>
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<sup>24</sup> Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).;

	<p>(Drafting):</p> <p>.</p> <p>SE</p> <p>(Comments):</p> <p>Issuers subject to the Transparency directive are required by article 4(7) of that Directive to prepare their annual financial reports (including financial statements and management reports) in ESEF. Article 4(7) TD seems to offer sufficient legal basis for the introduction of requirements for such issuers to mark-up sustainability information.</p> <p>Therefore, this provision seems relevant only to non-issuers.</p> <p>SE does not see why requirements for non-issuers to prepare their <i>financial statements</i> in electronic formats are included in the CSRD. This is not a sustainability issue. Further, according to the proposed article 30(1a), only the management report is to be made available to the OAM:s. Thus CSRD would only enable the OAM:s to provide the management report of non-issuers to a future ESAP anyway.</p> <p>As for the <i>management reports</i> of non-issuers, considering the recent ESAP-proposal, the benefits of introducing these requirements in the CSRD are not clear. According to the ESAP-proposal, new requirements on digital formats for <i>inter alia</i> management reports of these non-issuers would apply from 1 January 2025. There is a risk of either locking up the negotiations on policy choices in ESAP or causing unnecessary costs for undertakings related to adapting to temporary requirements in CSRD that would soon be replaced through ESAP. SE therefore maintains that the best option would be to remove these requirements from CSRD (for non-issuers), to be considered in the context of the ESAP-proposal.</p>
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<p><b><u>Member States may allow undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.</u></b></p>	<p>SK (Drafting): SK</p> <p><b><u>Member States may allow or require undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.</u></b></p> <p>SK (Comments): SK</p> <p>Although we welcome the new wording that introduces an option for a different electronic format, we believe that the option should allow MS to require a different electronic format. This would also take into account technical possibilities of the register to handle different electronic formats. In Slovakia, there is a list of possible electronic formats prescribed by the law that the state institutions are obliged to accept. We can also agree with the condition that only machine readable electronic formats are acceptable.</p> <p>HU (Drafting): Member States may allow undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare <b>their financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.</b></p> <p>HU</p>
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	<p>(Comments):</p> <p>We would like to know what was the reason behind deleting the word ‘single’?</p> <p>ES</p> <p>(Comments):</p> <p>In our view, it would be necessary to analyse the impact of allowing the use of different electronic formats by non-listed companies in terms of comparability. In any case, the format used to report must be machine readable</p> <p>BE</p> <p>(Drafting):</p> <p>Member States may allow <b>or require</b> undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.</p> <p>BE</p> <p>(Comments):</p> <p>BE supports the proposal to add “or require” as proposed at the Working Party of 8 December 2021</p> <p>LT</p> <p>(Comments):</p> <p>“Different electronic format” should be described by stating clear requirements (machine-readable, etc.) for that format.</p> <p>LU</p> <p>(Drafting):</p> <p>Member States may allow undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their</p>
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**annual financial statements and their management report** in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.

LU

(Comments):

Compared to the Commission's initial proposal, the Presidency compromise text provides for a Member State option allowing undertakings (other than listed undertakings) to prepare their (annual) financial statements (art. 29d para. 1 sub-para.2) and their consolidated financial statements (art. 29d para. 2 sub-para. 2) in accordance with an electronic format other than the EU single electronic reporting format.

Considering that some Member States (including LU) have already implemented at national level an electronic format for the preparation and filing of annual and/or consolidated financial statements, we are of the view that this amendment goes in the right direction.

However, it is our view that the Member State option should go further and also allow undertakings (other than listed undertakings) to prepare their management report (including sustainability reporting) in accordance with an electronic format other than the EU single electronic format.

SE

(Drafting):

PL

(Drafting):

**Member States may allow or require undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815, including machine**

	<p><b><u>readable format.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL insists on the option for Member States to require a particular electronic format, including a machine readable format. At the same time PL does not oppose to the option for Member States to allow other format to be used upon the decision by an undertaking (the current wording leads in this case to the outcome that in such Member States entities would be free to choose between ESEF format and the other format allowed but not required by those Member States).</p> <p>DK</p> <p>(Drafting):</p> <p><u>Member States may allow <i>or require</i> undertakings subject to Article 19a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their financial statements in accordance with a different <i>machine readable</i> electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.</u></p> <p>DK</p> <p>(Comments):</p> <p>We would like an elaboration on what is meant by a different electronic format and how it corresponds with the ESAP proposal. We find it important that the format is the same as in ESEF. We find that it can create challenges if several different formats can be accepted. In any event, the format must be machine readable.</p>
<p>2. Undertakings subject to Article 29a shall prepare their consolidated financial statements and their consolidated management report in a <b>the</b> single electronic reporting format <b>referred to in</b> accordance with <b>in</b> Article 3 of Delegated Regulation (EU) 2019/815 and</p>	<p>HU</p> <p>(Drafting):</p> <p>2. Undertakings subject to Article 29a shall prepare their consolidated</p>

<p>shall mark-up sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, <b><u>in accordance with the format referred to in that Delegated Regulation.</u></b></p>	<p>financial statements and their consolidated management report in a the <b>single electronic reporting format</b> referred to in Article 3 of Delegated Regulation (EU) 2019/815 and shall mark-up sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with the format referred to in that Delegated Regulation.</p> <p>HU</p> <p>(Comments):</p> <p>We propose a standardized electronic reporting format for individual and consolidated accounts.</p> <p>SE</p> <p>(Drafting):</p>
<p><b><u>Member States may allow parent undertakings subject to Article 29a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their consolidated financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.’;</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p>Member States may allow parent undertakings subject to Article 29a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare <b>their consolidated financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.’;</b></p> <p>HU</p> <p>(Comments):</p> <p>We would like to know what was the reason behind deleting the word ‘single’?</p> <p>BE</p> <p>(Drafting):</p> <p>Member States may allow <b>or require</b> parent undertakings subject to Article 29a other than those referred to in Article 2, point (1), point (a) of this</p>

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	<p>Directive to prepare their consolidated financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.?’;</p> <p>BE</p> <p>(Comments):</p> <p>Add “or require”</p> <p>LT</p> <p>(Comments):</p> <p>The same comment as previous</p> <p>LU</p> <p>(Drafting):</p> <p>Member States may allow parent undertakings subject to Article 29a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their consolidated financial statements <b><u>and their consolidated management report</u></b> in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.?’;</p> <p>LU</p> <p>(Comments):</p> <p>See our comment on point 1 above.</p> <p>SE</p> <p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p><b><u>Member States may allow or require parent undertakings subject to</u></b></p>
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	<p><b><u>Article 29a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their consolidated financial statements in accordance with a different electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815, including a machine readable format.</u></b>’;</p> <p>PL</p> <p>(Comments):</p> <p>See PL comment above in para. 1 second subparagraph.</p> <p>DK</p> <p>(Drafting):</p> <p><u>Member States may allow <i>or require</i> parent undertakings subject to Article 29a other than those referred to in Article 2, point (1), point (a) of this Directive to prepare their consolidated financial statements in accordance with a different <i>machine readable</i> electronic format than the one prescribed in Article 3 of Commission Delegated Regulation (EU) 2019/815.</u>’;</p> <p>DK</p> <p>(Comments):</p> <p>We would like an elaboration on what is meant by a different electronic format and how it corresponds with the ESAP proposal. We find it important that the format is the same as in ESEF. We find that it can create challenges if several different formats can be accepted. In any event, the format must be machine readable.</p>
<p>(8) Article 30 is amended as follows:</p>	<p>IT</p> <p>(Comments):</p> <p>It may be considered an higher degree of coordination between the CSRD proposal and the ESAP Regulation proposal, especially on the criteria to be followed to identify the subject appointed to collect and communicate the</p>

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	sustainability information and other accounting information required by ESAP regulation.
(a) paragraph 1 is replaced by the following:	
<p>‘1. Member States shall ensure that undertakings publish within a reasonable period of time, which shall not exceed 12 months after the balance sheet date, the duly approved annual financial statements and the management report in the format prescribed by Article <del>42</del><sup>29</sup>d of this Directive where applicable, together with the opinions and statement submitted by the statutory auditor or audit firm referred to in Article 34 of this Directive, as laid down by the laws of each Member State in accordance with <b>Title 1</b>, Chapter <b>III</b><del>3</del> of Directive (EU) 2017/1132 of the European Parliament and of the Council<sup>26</sup>.</p>	<p>ES</p> <p>(Drafting):</p> <p>‘1. Member States shall ensure that undertakings publish within a reasonable period of time, which shall not exceed 6 months after the balance sheet date, the duly approved annual financial statements and the management report in the format prescribed by Article <del>42</del><sup>29</sup>d of this Directive where applicable, together with the opinions and statement submitted by the statutory auditor or audit firm referred to in Article 34 of this Directive, as laid down by the laws of each Member State in accordance with <b>Title 1</b>, Chapter <b>III</b><del>3</del> of Directive (EU) 2017/1132 of the European Parliament and of the Council<sup>27</sup>.</p> <p>ES</p> <p>(Comments):</p> <p>We suggest assessing whether it is possible to reduce this period of time to six month. We do not consider it won't be a significant burden for non-listed companies and it will allow that the financial and no financial information is published in a timelier manner.</p> <p>SE</p>

<sup>26</sup> Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (*OJ L 169, 30.6.2017, p. 46*).

<sup>27</sup> Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (*OJ L 169, 30.6.2017, p. 46*).

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	<p>(Drafting):</p> <p>‘1. Member States shall ensure that undertakings publish within a reasonable period of time, which shall not exceed 12 months after the balance sheet date, the duly approved annual financial statements and the management report together with the opinions and statement submitted by the statutory auditor or audit firm referred to in Article 34 of this Directive, as laid down by the laws of each Member State in accordance with <b>Title 1</b>, Chapter <b>III</b> of Directive (EU) 2017/1132 of the European Parliament and of the Council<sup>28</sup>.</p> <p>SE</p> <p>(Comments):</p> <p>See comment above at art. 29d.</p>
<p>Where an independent assurance services provider gives the opinion referred to in <del>point (aa)</del> of Article 34(1), <b>second subparagraph, point (aa)</b>, this opinion shall be published together with the reports referred to in the first subparagraph.</p>	<p>PL</p> <p>(Drafting):</p> <p>Where an independent assurance services provider gives the opinion referred to in point (aa) of Article 34(1), <b>second subparagraph, point (aa)</b>, this opinion shall be published together with the documents referred to in the first subparagraph.</p> <p>PL</p> <p>(Comments):</p> <p>PL suggests referring to ‘documents’ instead of ‘reports’.</p>
<p>Member States may, however, exempt undertakings from the obligation to publish the management report where a copy of all or part of any such report can be easily obtained upon request at a price not exceeding its administrative cost.</p>	

<sup>28</sup> Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (*OJ L 169, 30.6.2017, p. 46*).

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<p>The exemption laid down in the third subparagraph shall not apply to undertakings subject to Articles 19a and 29a.’;</p>	<p>NL (Drafting): The exemption laid down in the third subparagraph shall not apply to undertakings subject to Articles 19a and 29a. An undertaking subject to Articles 19a and 29a shall make the management report available on its website free of charge to the public.’;</p> <p>NL (Comments): <b>The Netherlands is of the opinion that an undertaking should also publish its management report on its website when that undertaking is obliged to publish sustainability information in its management report.</b></p>
<p>(b) the following paragraph 1a is inserted:</p>	
<p>‘1a. Member States shall ensure that <b>(consolidated)</b> management reports <del>containing sustainability reporting</del> drawn up by undertakings subject to Articles 19a and 29a <b>other than those referred to in Article 2, point (1), point (a)</b> are also made available to <b>one of</b> the relevant officially appointed mechanisms referred to in Article 21(2) of Directive 2004/109/EC <b>of the Member State where the undertaking has its registered office, at the latest</b> without delay following their publication.</p>	<p>RO (Comments): RO: Regarding the submission of financial and sustainability reportings through the official appointed mechanism, we mention that at the national level, such responsibilities are shared between different authorities according to the legal provisions. Hence we consider that the establishment of the mechanism and the designation of the national authorities should be left at the discretion of the Member States. We also consider that this aspect should clearly result from the text of the Directive and not only from the introductory recitals.</p> <p>ES (Drafting): ‘1a. Member States shall ensure that <b>(consolidated)</b> management reports <del>containing sustainability reporting</del> drawn up by undertakings subject to Articles</p>



19a and 29a **other than those referred to in Article 2, point (1), point (a)** are also made available to **one of** the relevant officially appointed mechanisms referred to in Article 21(2) of Directive 2004/109/EC **of the Member State where the undertaking has its registered office, at the latest** without delay following their publication.

**Member States are allowed to designate business registers (or other similar repositories) as the instituttios where undertaking subject to Articles 19a and 29a other than those referred to in Article 2, point (1), point (a) need to make available their (consolidated) mangement reports containing sustainability reporting.**

ES

(Comments):

The drafting of article 30 1a seems to require that the management reports containing sustainability information of non-listed companies are submitted to the OAM referred in the Transparency Directive.

In Spain, the OAM is also the National Competent Authority responsible of the enforcement of regulated information. However, the enforcement of those management reports of non-listed entities would not be under the enforcement of the NCA.

For this reason, we proposed in the previous table that Member States may decide that these management reports of non-listed entities were submitted to a different appointed mechanism, for instance the business register, ensuring the interconnectivity with the ESAP.

We still think that this is the best solution to avoid double reporting for companies and to not generate confusion about the enforcement of financial states by the NCA.

That is why we propose an alternative text of article 30 1a.

However, in case this text is not possible, we also would find useful if Recital

49 could be part of article 30 1a.

LU

(Drafting):

1a. Member States shall ensure that (consolidated) management reports drawn up by **undertakings public interest entities referred to in Article 2, point (1), point (a)** subject to Articles 19a and 29a ~~other than those referred to in Article 2, point (1), point (a)~~ are also made available to one of the relevant officially appointed mechanisms referred to in Article 21(2) of Directive 2004/109/EC of the Member State where the undertaking has its registered office, ~~at the latest without delay following their publication.~~

**Member States may allow large undertakings subject to Articles 19a and 29a other than those referred to in Article 2, point (1), point (a) to make available their (consolidated) management reports to one of the relevant officially appointed mechanisms referred to in Article 21(2) of Directive 2004/109/EC of the Member State where the undertaking has its registered office.**

LU

(Comments):

Similar to the Commission’s initial proposal, the Presidency compromise text still provides for an obligation by non-listed undertakings to file their management report and consolidated management report with an officially appointed mechanism (OAM). In order to avoid a double reporting by undertakings we would recommend to maintain the status quo and to limit the mandatory filing of the (consolidated) management report to the OAM to listed entities (Article 2, point (1), point (a) of Directive 2013/34/UE) and to make such filing optional or voluntary for (non-listed) large undertakings.

Moreover, we would like to point out that the dissemination under the Transparency directive shall be done “without delay”, in opposition to the storage on the OAM (which is less a time critical requirement). We thus also suggest to delete the wording “without delay following their publication” in connection with OAMs in paragraph 1a as it is not in line with current

	<p>requirements of the Transparency Directive. The same amendment should be made in Recital 49.</p> <p>SE</p> <p>(Drafting):</p> <p>.</p> <p>SE</p> <p>(Comments):</p> <p>The purpose of this provision seems to be the establishment of OAM:s under TD as “collection bodies” under ESAP. It is not clear that there is any value in introducing this system through CSRD, before ESAP is established. The establishment of collection bodies and their functioning in relation to the ESAP should be considered in the context of the ESAP-proposal instead.</p> <p>PL</p> <p>(Drafting):</p> <p>‘1a. Member States shall ensure that <b>(consolidated)</b> management reports <del>containing sustainability reporting</del> drawn up by undertakings subject to Articles 19a and 29a <b>other than those referred to in Article 2, point (1), point (a)</b> are also made available to <b>one of</b> the relevant officially appointed mechanisms referred to in Article 21(2) of Directive 2004/109/EC <b>of the Member State where the undertaking has its registered office</b>, without delay following their publication.</p> <p>PL</p> <p>(Comments):</p> <p>PL – the wording should be either “at the latest” or “without delay”.</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 30 para. 1a Draft Accounting Directive:</b> Is there still a need for the</p>
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	<p>proposed Art. 30 para. 1a of the Draft Accounting Directive with a view to the Commissions recent proposals as regards the establishment and functioning of the European single access point (ESAP)? Article 9 of the Omnibus-Directive-Proposal (new 33a para 1 Accounting Directive) provides for the same requirement. Regardless of that question, DEU would propose to delete this provision since it is creating an unnecessary additional burden that is not in line with the once-only principle when it comes to reporting requirements</p> <p>DK</p> <p>(Drafting):</p> <p>‘1a. Member States shall ensure that (consolidated) management reports containing drawn up by undertakings subject to Articles 19a and 29a other than those referred to in Article 2, point (1), point (a) are also made available to one of the relevant officially appointed mechanisms referred to in Article 21(2) of Directive 2004/109/EC of the Member State <b>or the collecting body</b> where the undertaking has its registered office, at the latest without delay following their publication.</p> <p>DK</p> <p>(Comments):</p> <p>To ensure alignment with the ESAP proposal, we suggest that non-listed companies should not be obligated to report to the OAM, but can continue reporting to the national collection body as the collecting body after the ESAP proposal can send the information to the ESAP portal.</p>
<p><del>Where the undertaking drawing up the management report is not subject to Directive 2004/109/EC, the relevant officially appointed mechanism shall be one of the officially appointed mechanisms of the Member State where the undertaking has its registered office.’;</del></p>	
<p>(9) in Article 33, paragraph 1 is replaced by the following:</p>	

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<p>‘1. Member States shall ensure that the members of the administrative, management and supervisory bodies of an undertaking, acting within the competences assigned to them by national law, have collective responsibility for ensuring that the following documents are drawn up and published in accordance with the requirements of this Directive and, where applicable, with the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002, with Delegated Regulation 2019/815, with the sustainability reporting standards referred to in Article <del>1</del><u>29</u>b of this Directive, and with the requirements of Article <del>1</del><u>29</u>d of this Directive:</p>	<p>SE</p> <p>(Drafting):</p> <p>‘1. Member States shall ensure that the members of the administrative, management and supervisory bodies of an undertaking, acting within the competences assigned to them by national law, have collective responsibility for ensuring that the following documents are drawn up and published in accordance with the requirements of this Directive and, where applicable, with the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002, with Delegated Regulation 2019/815, and with the sustainability reporting standards referred to in Article <del>1</del><u>29</u>b of this Directive:</p> <p>SE</p> <p>(Comments):</p> <p>See comment and drafting suggestion above at art. 29d.</p> <p>PL</p> <p>(Drafting):</p> <p>‘1. Member States shall ensure that the members of the administrative, management and supervisory bodies of an undertaking, acting within the competences assigned to them by national law, have collective responsibility for ensuring that the following documents are drawn up and published in accordance with the requirements of this Directive and, where applicable, with the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002, with Delegated Regulation 2019/815, with the sustainability reporting standards referred to in Article <del>1</del><u>29</u>b, or Article 29c where applicable, of this Directive, and with the requirements of Article <del>1</del><u>29</u>d of this Directive:</p> <p>PL</p> <p>(Comments):</p>
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	In PL view the reference to simplified reporting standards in Article 29c is missing here.
(a) the annual financial statements, the management report and the corporate governance statement when provided separately;	
(b) the consolidated financial statements, the consolidated management reports and the consolidated corporate governance statement when provided separately.?’;	
(10) Article 34 is amended as follows:	SK (Comments): SK  We believe that Article 34 including its title should be also amended. The changes are needed in order to prescribe a clear obligation for undertakings to have an opinion based on an assurance engagement or in other words to obtain a new assurance service with regard to sustainable information in the management report. This is important in particular in case when the service is not provided by the statutory auditor/audit firm who also carries out the statutory audit and also with regard to enforcement.
(a) in paragraph 1, the second subparagraph is amended as follows:	
(i) point (a)(ii) is replaced by the following:	
‘whether the management report has been prepared in accordance with the applicable legal requirements, excluding the requirements on sustainability reporting laid down in Article 19a;’;	
(ii) the following point (aa) is inserted:	

<p>(aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article <del>129</del><u>29</u>b or Article <del>129</del><u>29</u>c, the process carried out by the undertaking to identify the information reported pursuant to those reporting standards, and the compliance with the requirement to mark-up sustainability reporting in accordance with Article <del>129</del><u>29</u>d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’;</p>	<p>CZ (Drafting): (aa) where applicable, express an opinion <del>based on a limited assurance engagement</del> as regards the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article <del>129</del><u>29</u>b or Article <del>129</del><u>29</u>c, the process carried out by the undertaking to identify the information reported pursuant to those reporting standards, and the compliance with the requirement to mark-up sustainability reporting in accordance with Article <del>129</del><u>29</u>d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’;</p> <p>CZ (Comments): Until the standard is adopted by the Commission Member states should be left free to decide upon the level of assurance.</p> <p>NL (Drafting): (aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive, with the exemption of the requirement of the undertaking to publish forward-looking information pursuant to paragraph 3 of the Articles 19a and 29a. This opinion includes the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article <del>129</del><u>29</u>b or Article <del>129</del><u>29</u>c, the process carried out by the undertaking to identify the information reported pursuant to those reporting standards, and the compliance with the requirement to mark-up sustainability reporting in accordance with Article <del>129</del><u>29</u>d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’;</p> <p>NL</p>
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	<p>(Comments):</p> <p>The Directive states in paragraph 3 of the Articles 19a and 29a that the sustainability information shall also include forward-looking information. The Netherlands does not think it feasible for the accountant to give (limited) assurance on forward-looking information. We therefore propose to exclude the forward-looking information from the limited assurance engagement of the audit.</p> <p>BE</p> <p>(Comments):</p> <p>Should the guidelines adopted by the CEAOB be the framework for the opinion based on a limited assurance? (see comments art. 26a)</p> <p>SE</p> <p>(Drafting):</p> <p>(aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article <del>129b</del> or Article <del>129c</del>, the process carried out by the undertaking to identify the information reported pursuant to those reporting standards, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’;</p> <p>SE</p> <p>(Comments):</p> <p>See comment and drafting suggestion above at art. 29d.</p>
(b) paragraph 3 is replaced by the following:	
‘3. Member States may allow an independent assurance services provider to express the opinion referred to in paragraph 1, second	SK



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<p>subparagraph, point (aa), provided that it is subject to requirements that are <del>consistent</del> <b>equivalent</b> with those set out in Directive 2006/43/EC <b>of the European Parliament and of the Council</b><sup>29</sup> as regards the assurance of sustainability reporting as defined in Article 2(4), point <b>22(±)</b> of that Directive, <b><u>in particular with requirements on:-</u></b></p>	<p>(Drafting): SK SK</p> <p>(Comments): SK</p> <p>We welcome the improvement of the text. However, it is not clear who will be responsible to decide about the equivalence, whether it should also be assessed in time or whether it could be even revoked. Furthermore, it is not clear based on what assurance standards the opinion of the independent assurance services provider should be expressed.</p> <p>Based on wording of the Recital 54 the list of requirements should also contain a requirement on sanctions.</p> <p>BE</p> <p>(Comments): How can the level playing field between the statutory auditor and the independent assurance services provider be assured? 'in particular': does this mean that member states can require additional requirements? Should the requirements of the chapter IX 'appointment and dismissal' also be equivalent for the independent assurance services provider?</p> <p>PT</p> <p>(Comments):</p>
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<sup>29</sup> Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (*OJ L 157, 9.6.2006, p. 87*).

	<p>LT</p> <p>(Comments):</p> <p>There should also be more clarity on the requirements for the provision of assurance engagement of sustainability reporting when an assurance service is provided by an independent assurance service provider (for example, appointment of key sustainability partner, development of an audit file, etc.)</p> <p>MT</p> <p>(Drafting):</p> <p>‘3. Member States may allow an independent assurance services provider to express the opinion referred to in paragraph 1, second subparagraph, point (aa), provided that it is subject to requirements that are <u>consistent-equivalent</u> with those set out in Directive 2006/43/EC <b><u>of the European Parliament and of the Council</u></b><sup>30</sup>as regards the assurance of sustainability reporting as defined in Article 2(1), point <b><u>22(†)</u></b> of that Directive, <del>in particular with</del> <b><u>including but not limited to the requirements on:</u></b></p> <p>MT</p> <p>(Comments):</p> <p><b>Assurance of Sustainability Reporting</b></p> <p>While noting that auditors are best placed to provide the expected assurance of Sustainability Reporting, Independent Assurance Service Providers (IASPs), if allowed, should be subject to <b>all</b> the requirements that are equivalent with those applicable for auditors. In fact, making reference to “particular” requirements (as per the current proposal) contradicts with the same proposal whereby IASPs are being subject to “equivalent” rules.</p>
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<sup>30</sup> Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (*OJ L 157, 9.6.2006, p. 87*).

	<p>In addition, the accreditation process to be carried out with respect to these IASPs must ensure that they had the necessary training and examination that is equivalent to that of auditors and fulfils the same objective.</p> <p>PL</p> <p>(Drafting):</p> <p>‘3. Member States may allow an independent assurance services provider to express the opinion referred to in paragraph 1, second subparagraph, point (aa), provided that such independent assurance services provider is subject to requirements that are <del>consistent</del> <b>equivalent to</b> those set out in Directive 2006/43/EC <b>of the European Parliament and of the Council</b><sup>31</sup> as regards the assurance of sustainability reporting as defined in Article 2(4), point <b>22(†)</b> of that Directive, <b>in particular with requirements on:-</b></p> <p>PL</p> <p>(Comments):</p> <p>Since the independent assurance services provider may be not only a legal person but also a natural person, the word “it” does not seem to be appropriate.</p> <p>DE</p> <p>(Comments):</p> <p>Art. 34 para. 3 Draft Accounting Directive: We are wondering what the change from “consistent” to “equivalent” might mean? We welcome the additional provisions on the requirements for the approval of independent assurance service providers; these provisions aim at a coherent high level of quality of assurance as well as a „level playing field“. Furthermore, we would like to ask how this has to be understood in connection with the grandfathering clause?</p> <p>DK</p>
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<sup>31</sup> Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (*OJ L 157, 9.6.2006, p. 87*).

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	(Comments):
<b>i) <u>training and examination, ensuring that independent assurance services providers acquire the necessary expertise on sustainability reporting and the assurance of sustainability reporting;</u></b>	<p>BE</p> <p>(Comments):</p> <p>It is not clear how to define “independence” in this context. How shall member states verify these requirements for independent assurance services providers. By national exams? By an authority?</p>
<b>ii) <u>continuing education;</u></b>	<p>ES</p> <p>(Drafting):</p> <p><b><u>iii) confidentiality and secrecy duty</u></b></p> <p>ES</p> <p>(Comments):</p> <p>To ensure a level playing field among the auditors and the independent assurance services providers, as stated in whereas 54 also provisions regarding confidentiality and secrecy rules should be included.</p> <p>Paragraph 3 of article 34 could also mention the confidentiality and secrecy rules among the requirements equivalent to the independent assurance services providers.</p>
<b>iii) <u>quality assurance systems;</u></b>	
<b>iv) <u>independence; and</u></b>	<p>LU</p> <p>(Drafting):</p>

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	<p><b>iv) independence <u>and objectivity</u>; and</b>          LU          (Comments):          In Recital 54, there is also a reference to objectivity that is not included here.</p> <p>PL          (Drafting):  <b>iv) <u>independence and objectivity; and</u></b>          PL          (Comments):          The amendment aims at bringing the text in line with the text in recital 54 and with the system that is applicable to statutory auditors and audit firms.</p>
	<p>BE          (Comments):          Which requirements of which articles of the audit directive concerning independence should apply to the independent assurance services provider?</p>
<p><b>v) <u>supervision.</u></b></p>	<p>ES          (Comments):          There is a lack of consistency in the drafting of whereas 54 and article 34.3. since in the whereas it mentions “investigations and sanctions” and in article 34 there is a mention to “supervision” which according to article 32 of the Directive includes registration, inspections, investigation and sanctions. We propose that the drafting is aligned. Inspections should be included.</p> <p>On the other hand, regarding the inclusion of the “supervision” requirement as equivalent requirement for the independent assurance services providers, we question whether this includes the registration of</p>

	<p>the independent assurance services providers in a separate register from that established for auditors or if the accreditation provided by the national organism as per Regulation 765/2008 is enough. This could also be clarified to avoid inconsistencies among Member States which make use of this option.</p> <p>LU (Drafting): <b>v) <del>supervision</del> investigations and sanctions.</b></p> <p>LU (Comments): In Recital 54, there is a reference to investigations and sanctions instead of supervision.</p> <p>PL (Drafting): <b>v) <u>investigations and sanctions.</u></b></p> <p>PL (Comments): The amendment aims at bringing the text in line with the text in recital 54 and with the system that is applicable to statutory auditors and audit firms.</p>
	<p>SK (Drafting): <b>vi) <u>sanctions</u></b></p>
<p><b><u>Where an independent assurance services provider gives the opinion referred to in paragraph 1, second subparagraph, point (aa), this opinion shall be prepared in accordance with Article 28a of Directive 2006/43/EC.</u></b></p>	

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<p><b><u>Member States shall ensure that independent assurance services providers accredited before 1 January 2024 for the assurance of sustainability reporting in accordance with Regulation (EC) No 765/2008, are not subject to the training and examination requirements referred to in the first subparagraph, point i).</u></b></p>	
<p><b><u>Member States shall ensure that independent assurance services providers that on 1 January 2024 are undergoing the accreditation process in accordance with the relevant national requirements are not subject to the new accreditation requirements as regards the assurance of sustainability reporting provided they finish the process by 1 January 2026.</u></b></p>	<p>PL (Drafting):</p> <p><b><u>Member States shall ensure that independent assurance services providers that on 1 January 2024 are undergoing the accreditation process in accordance with the relevant national requirements are not subject to the training and examination requirements referred to in the first subparagraph, point (i) as regards the assurance of sustainability reporting provided they finish the process by 1 January 2026.</u></b></p> <p>PL (Comments):</p> <p>The amendment aims at aligning the wording with the one in the third subparagraph (to explicitly refer to the training and examination requirements as the term “new accreditation requirements” is not precise and may cause doubts).</p>
<p><b><u>Member States shall ensure that the independent assurance services providers referred to in the third and fourth subparagraphs acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via the continuing education requirement referred to in the first subparagraph, point ii).’</u></b></p>	
<p><b><u>(ba) The following paragraph is inserted:</u></b></p>	

<p><b><u>‘3a. When the Commission adopts standards for reasonable assurance according to Article 26a(2), second subparagraph of Directive 2006/43/EU, the opinion referred to in Article 34(1), second subparagraph, point (aa) shall be based on a reasonable assurance engagement.’;</u></b></p>	<p>CZ (Drafting): <del><b><u>‘3a. When the Commission adopts standards for reasonable assurance according to Article 26a(2), second subparagraph of Directive 2006/43/EU, the opinion referred to in Article 34(1), second subparagraph, point (aa) shall be based on a reasonable assurance engagement.’;</u></b></del></p> <p>CZ (Comments): The standards for assurance of sustainability reporting itself should determine the level of assurance.</p> <p>LU (Drafting): ‘3a. When the Commission adopts standards for reasonable assurance according to Article 26a(2) second subparagraph of Directive 2006/43/EU, <b><u>following an impact assessment to determine that it is possible for an auditor to provide reasonable assurance,</u></b> the opinion referred to in Article 34(1), second subparagraph, point (aa) shall be based on a reasonable assurance engagement.’;</p> <p>LU (Comments): We are not in favour of an automatic transition as it would first have to be assessed whether - on the basis of the sustainability reporting standards for which EFRAG has received a mandate - it is possible for the auditor to provide reasonable assurance.  We would suggest that such a transition, from limited to reasonable, should be done given an impact assessment that allows to determine that it is possible for an auditor to provide reasonable assurance.</p>
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	<p>DK</p> <p>(Drafting):</p> <p><u>‘3a. When the Commission adopts standards for reasonable assurance according to Article 26a(2), second subparagraph of Directive 2006/43/EU, the opinion referred to in Article 34(1), second subparagraph, point (aa) shall be based on a reasonable assurance engagement.’;</u></p> <p><b><i>(a)The standards for reasonable assurance shall apply at the earliest 3 years after the reporting requirements of this directive have taken effect, cf. Article 5 of this Directive.</i></b></p> <p>DK</p> <p>(Comments):</p> <p>It’s important that the standards for reasonable assurance rely on sufficient data. We propose ensuring this by not letting the assurance engagement pass over to reasonable assurance until the entities have had 3 years of reporting after CSRD, thus the data quality is guaranteed.</p> <p>If the proposed article 5 in this compromise text of the CSRD is adopted, we propose that the standards for reasonable assurance shall be based on those transposition dates resulting in a gradual application for the different groups of undertakings.</p>
(11) Article 49 is amended as follows:	
(a) paragraphs 2 and 3 are replaced by the following:	<p>BE</p> <p>(Comments):</p> <p>As Belgium prefers that sustainability standards are set out in the Annex, the proposed amendment of Article 49 can be omitted.</p>

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<p>‘2. The power to adopt delegated acts referred to in Article 1(2), Article 3(13), Article 46(2), Article <del>1</del><u>29</u>b and Article <del>1</del><u>29</u>c shall be conferred on the Commission for an indeterminate period of time.</p>	<p>CZ</p> <p>(Comments):</p> <p>The Czech Republic generally does not agree with the EC's authorization to adopt delegated acts setting out sustainable reporting standards, in particular the range of information to be reported by companies and, if relevant, the structure in which they are to be reported.</p> <p>This aspect should remain the responsibility of the Member States.</p> <p>The Czech Republic suggests the same regime as in case of IFRS adoptions. On the base of a technical advice, Member States will approve the sustainability standards.</p>
<p>3. The delegation of power referred to in Article 1(2), Article 3(13), Article 46(2), Article <del>1</del><u>29</u>b and Article <del>1</del><u>29</u>c may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of that decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.’;</p>	
<p>(b) the following paragraph 3a is inserted:</p>	
<p>‘3a. When adopting delegated acts pursuant to Articles <del>1</del><u>29</u>b and <del>1</del><u>29</u>c, the Commission shall take into consideration technical advice from EFRAG, provided such advice:</p>	<p>DE</p> <p>(Comments):</p> <p>Art. 49 para. 3a subpara. 1 Draft Accounting Directive: What happens, if these re-quirements are not met by EFRAG?</p>
<p><b>a)</b> _____ has been developed with proper due process, public oversight and transparency and with the expertise of relevant stakeholders, <del>and</del></p>	

<p><b>b) _____ is accompanied by cost-benefit analyses that include analyses of the impacts of the technical advice on sustainability matters, <u>and</u></b></p>	
<p><b><u>c) _____ is accompanied by an explanation of how it takes account of the initiatives and legislation listed in Article 29b(3), first subparagraph.</u></b></p>	<p>NL (Drafting): <b><u>c) _____ is accompanied by an explanation of how it takes account of the legislation listed in Article 29b(3), first subparagraph, and;</u></b></p> <p>PT (Drafting): <b><u>c) _____ is accompanied by an explanation of how it takes account of the initiatives and legislation listed in Article 29b(3), first subparagraph and the cost-benefit analysis on the level of alignment of the reporting requirements with international initiatives in this area.</u></b></p> <p>PT (Comments): <b>PT:</b> Although we welcome the insertion of this new provision, it only partially addresses the concern also shared by other delegations with regard to the importance of ensuring the consistency of the EU sustainability reporting standards with international requirements, which is key to enhance European companies' competitiveness and to avoid unnecessary costs for cross-border groups. Therefore, our drafting suggestion aims to explicitly clarify that in the assessment of EFRAG's technical advice, the Commission will take into account, among other aspects, the EFRAG's cost benefit analysis on the level of alignment of the sustainability reporting requirements with those foreseen at the international level, meaning the impact analysis for EU undertakings associated to potential divergences to the sustainability reporting requirements envisaged in other <i>fora</i>.</p>

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	<p>Please refer to our comment in Recital 34.</p> <p>SE</p> <p>(Drafting):</p> <p><b><u>c) is accompanied by an explanation of how it takes account of the initiatives and legislation listed in Article 29b(3) .</u></b></p> <p>SE</p> <p>(Comments):</p> <p>Article 29b(3) contains only one subparagraph.</p>
	<p>NL</p> <p>(Drafting):</p> <p>(d) is accompanied by an explanation of how it uses the initiatives, standards and frameworks listed in Article 29b(3), first subparagraph under (a) as a starting point.</p> <p>NL</p> <p>(Comments):</p> <p><b>The commitment of EFRAG to come to global/international standards should be reflected stronger in the text of this directive. We would like to see it explicitly outlined here that the work of global standard-setting initiatives for sustainability reporting shall be used as a starting point.</b></p>
<p>The Commission shall consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on the <b>draft delegated acts</b> <del>technical advice provided by EFRAG prior to their adoption of the delegated acts</del> <b>as</b> referred to in in Articles <del>129b and 129c</del>.</p>	<p>CZ</p> <p>(Drafting):</p> <p>The Commission shall consult <b>Accounting Regulatory Committee and</b> the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on the draft delegated acts <del>technical advice provided by EFRAG prior to their adoption of the delegated acts</del> <b>as</b> referred to in in Articles <del>129b and 129c</del>.</p>

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CZ

(Comments):

We think that ARC should be a part of a consultation process.

BE

(Comments):

The committee referred to Article 6 of the Regulation 1606/2002 has to be consulted before the Commission adopts changes to the sustainability reporting standards.

LT

(Drafting):

The Commission shall consult **jointly** the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 **and the Accounting Regulatory Committee referred to in Article 6 of Regulation (EU) 1606/2002** on the **draft delegated acts** ~~technical advice provided by EFRAG prior to their~~ adoption of the ~~delegated acts~~ **as** referred to in Articles ~~129~~**29**b and ~~129~~**29**c.

LT

(Comments):

As information in company's financial and non- financial – sustainability, management - reports should be interrelated, joint Expert Group's on Sustainable Finance meetings with the Accounting Regulatory Committee (ARC) could contribute to holistic approach. There could be joint meetings. This could also add to transparency as not all member states are participating in EFRAG. ARC should be involved in these consultations as it is composed from experts, competent in accounting, reporting matters – measurement, judgement and disclosure processes.

MT

<p>(Drafting):</p> <p>The Commission shall consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on the <b>draft delegated acts and the</b> technical advice provided by EFRAG prior to their adoption of the delegated acts <b>as</b> referred to in in Articles <del>129b</del> and <del>129c</del>.</p> <p>MT</p> <p>(Comments):</p> <p><b>Exercise of delegated powers</b></p> <p>MT recommends that the consultation with the Member State Expert Group on Sustainable Finance takes into consideration both the draft delegated acts and the technical advice provided by EFRAG.</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 49 para. 3a subpara. 2 Draft Accounting Directive:</b> We (and several other MS) suggested to consult the Accounting Regulatory Committee (<b>ARC</b>) <b>instead of</b> the Member States Expert Group on Sustainable Finance (<b>MSEG</b>) when adopting the standards drafted by EFRAG. We maintain this suggestion since the CSRD creates new rules in accounting law and the ARC is the competent body under Art. 50 of the Accounting Directive. To ensure consistency the ARC (instead of the MSEG) should also be foreseen in the new Art. 29b para. 1 subpara. 3 Draft Accounting Directive.</p> <p>DK</p> <p>(Drafting):</p> <p>The Commission shall consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 <b>and the Accounting Directive Committee referred to in Article 50 of Directive 2013/34/EU</b> on the <b>draft delegated acts</b> technical advice provided by EFRAG prior to their adoption of the delegated acts <b>as</b> referred to in in Articles <del>129b</del></p>
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	<p>and <del>42</del><sup>429</sup>c. DK (Comments):</p> <p>There are already two groups giving advice to the Commission on accounting issues. The first is Accounting Reporting Committee (ARC) which gives advice regarding the International Financial Reporting Standards (IFRS). ARC has expertise regarding accounting standards, an expertise that should be used also for non-financial reporting. We are however aware, that there are some legal issues regarding ARC and the Lisbon Treaty, which may limit the possibility to give new tasks to ARC. Denmark therefore suggest involving the Accounting Directive Committee (ADC), that has been established by Article 50 of Directive 2013/34/EU. We believe that the ADC could be a way to strengthen the Member states involvement in the process and ensure the connection between the financial part of the annual report and the sustainability report.</p> <p>The same arguments as have been used for involving EFRAG because of their expertise on financial reporting, this is also the case for ARC, when it comes to member state involvement. We would therefore suggest, that ADC also is involved in the process of adopting standards for sustainability reporting.</p>
<p>The Commission shall request the opinion of the European Securities and Markets Authority on the technical advice provided by EFRAG, in particular with regard to its consistency with Regulation (EU) 2019/2088 and its delegated acts. The European Securities and Markets Authority shall provide its opinion within two months from the date of receipt of the request from the Commission.</p>	<p>PT (Drafting):</p> <p>The Commission shall request the opinion of the European Securities and Markets Authority on the technical advice provided by EFRAG, in particular with regard to its consistency with Regulation (EU) 2019/2088 and its delegated acts. <b><u>The Commission shall also request the opinion of the European Banking Authority and of the European Insurance and Occupational Pensions Authority on the technical advice provided by EFRAG.</u></b> The European Securities and Markets Authority, <b><u>the European Banking Authority and the European Insurance and Occupational</u></b></p>

	<p><b>Pensions Authority</b> shall provide <b>its their</b> opinion within two months from the date of receipt of the request from the Commission.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> While acknowledging the role played by ESMA in the enforcement of accounting standards and the need to ensure coherence between ESMA’s regulatory technical standards and sustainability reporting standards, as alluded to in this Recital 34, the requirement for ESMA to provide an opinion on EFRAG’s technical advice should be extended to the EBA and EIOPA as well. The current text only accounts for the possibility for the EBA and EIOPA to provide an opinion on EFRAG’s technical advice, and not a requirement to do so. An opinion from each of the three ESAs would be aligned with their common role of fostering supervisory convergence and achieving an effective and consistent application and national supervision of the disclosure requirements, promoting a level playing field and protecting investors. In fact, within that context, the three ESAs are frequently consulted by the Commission and requested to prepare joint opinions and to develop Regulatory Technical Standards (RTS) on several matters in the financial sector space, including the elaboration of RTS on the content and presentation of disclosures pursuant the SFDR</p>
<p>The Commission shall also consult the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance established pursuant to Article 20 of Regulation (EU) 2020/852 on the technical advice provided by EFRAG prior to the adoption of delegated acts referred to in Articles <del>12</del><b>29</b>b and <del>12</del><b>29</b>c. Where any of those bodies decide to submit an opinion, they shall do so within two months from the date of being consulted by the Commission.’;</p>	<p>PT</p> <p>(Drafting):</p> <p>The Commission shall also consult the <del>European Banking Authority, the European Insurance and Occupational Pensions Authority</del>, the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance established pursuant to Article 20 of Regulation (EU) 2020/852 on the technical advice provided by EFRAG prior to the adoption of delegated acts referred to in Articles 19b and 19c. Where any of those bodies decide to submit an opinion, they shall do so</p>



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	<p>within two months from the date of being consulted by the Commission.’;</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> For consistency with the previous paragraph.</p>
(c) paragraph 5 is replaced by the following:	
<p>‘5. A delegated act adopted pursuant to Article 1(2), Article 3(13), Article 46(2), Article <del>429</del>b and Article <del>429</del>c shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council.’;</p>	
	<p>DK</p> <p>(Comments):</p> <p>It is important that companies, stakeholders and Member States can rely on a consistent and uniform interpretation of the technical implementation of the standards. An Interpretation Committee inspired by the IFRS IC or a different set-up would ensure one point of access where technical questions can be answered.</p>
(12) Article 51 is replaced by the following:	<p>SE</p> <p>(Drafting):</p> <p>SE</p> <p>(Comments):</p> <p>SE sees difficulties in transposing the penalties in the proposed second</p>

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	<p>subparagraph into a national legal system where criminal sanctions are primary for infringements of the national provisions adopted in accordance with the Directive on financial reporting. The proposed minimum penalties presuppose the introduction of public supervision of sustainability reporting by non-issuers not currently required by union law. Such supervision can be expected to require substantial public resources.</p> <p>At the same time, no evidence has been put forward to support that these specific penalties are particularly effective in promoting compliance with the new requirements on sustainability reporting.</p> <p>In view of the above, SE does not support the proposed amendments to article 51.</p> <p>PL (Drafting):</p> <p>PL (Comments):</p> <p>PL insists on keeping Article 51 unchanged. As indicated at the working party meetings we already have the criminal sanctions system both for financial reporting and non-financial reporting. We would like to keep this consistent sanctioning system.</p>
‘Article 51	<p>SE (Drafting):</p> <p>PL</p>

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	<p>(Drafting):</p> <p>DE</p> <p>(Comments):</p> <p><b>Article 51 Draft Accounting Directive:</b> DEU would like to propose the <b>deletion of Art. 51 para. 2 and 3 of the Draft Accounting Directive</b>. Especially the penalties foreseen in Art. 51 para. 2 pose <b>severe systematic issues</b> that are contrary to the law of accounting as we know it. Moreover, the publication of statements indicating those responsible for an infringement <b>gives rise to constitutional concerns in DEU</b>, in particular where <b>natural persons</b> are affected and personal data are made publicly available. Furthermore, it is <b>not clear</b> to us why stricter sanction regulations should apply in the new regulatory area of sustainability reporting than in the at least equally important area of financial reporting.</p>
<p><b>Penalties</b></p>	<p>HU</p> <p>(Drafting):</p> <p><b>Penalties</b></p> <p>HU</p> <p>(Comments):</p> <p>In our view, the sanctions provisions in the draft are not consistent with the sanctions provisions in the current general reporting disclosure requirements. We do not propose to amend Article 51 of the Accounting Directive.</p> <p>CZ</p> <p>(Comments):</p> <p>The Czech Republic cannot support this proposal. We suggest the original</p>

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	<p>wording of Article 51.</p> <p>SE (Drafting):</p> <p>IT (Comments):</p> <p>On penalties, we positively acknowledge the flexibility granted by the amendments to ensure a proper alignment with other administrative sanctions applied by single MS to reporting requirements even though the provisions identified by the draft directive on penalties regimes may be more homogeneous between sustainability and accounting reporting.</p> <p>DK (Drafting):</p> <p><b>Penalties</b></p>
<p>1. Without prejudice to paragraph 2, Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive.’</p>	<p>LV (Comments):</p> <p><b>Latvia</b> We support the compromise text in terms of substance. To avoid clearly differing practices for setting the amount of penalty in different countries, we consider it necessary to indicate more precisely the specific amounts. Considering the principle of proportionality, the penalties imposed on small and medium-sized companies could be set in different amounts.</p> <p>BE (Comments):</p>

	<p>Belgium : maintain paragraph 1 in Article 51 and delete the whole paragraph 2</p> <p>LT</p> <p>(Drafting):</p> <p>Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive.’</p> <p>LT</p> <p>(Comments):</p> <p>Suggested sanctions for sustainability reporting would require the creation of a new supervisory body. Also establishment of sanctions for infringements in sustainability reporting cases could create unequal regime comparing to the sanction regime applicable in cases of infringements in sustainability reporting . Therefore we propose to keep same sanctions for sustainability reporting as established for financial reporting - delete Article 1, paragraph 12 (Article 51 AD (2) and (3).</p> <p>SE</p> <p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p>DK</p> <p>(Drafting):</p> <p><del>1. Without prejudice to paragraph 2, Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to</del></p>
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	<p><del>ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive.</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>2. In case of a breach of the national provisions transposing Articles 19a, <del>29d</del> and 29a, Member States shall provide for at least the following <b>penalties</b> <del>administrative measures and sanctions</del>:</p>	<p>HU</p> <p>(Drafting):</p> <p><del>2. In case of a breach of the national provisions transposing Articles 19a, 29d and 29a, Member States shall provide for at least the following penalties:</del></p> <p>HU</p> <p>(Comments):</p> <p>In our view, the sanctions provisions in the draft are not consistent with the sanctions provisions in the current general reporting disclosure requirements.</p> <p>We also have concerns about disclosure, as current regulations require companies to publish their annual report on their website, raising questions about who will be able to verify sustainability reports and in what form.</p> <p>The question arises why sustainability reporting should be treated more strictly than equally important (or more important) financial reporting.</p> <p>The publication of statements identifying the persons responsible for the infringement raises concerns under Hungarian law. It is proposed to delete paragraphs 2 and 3 of Article 51 of the draft as regards sanctions.</p>

CZ

(Drafting):

~~2. In case of a breach of the national provisions transposing Articles 19a, 129d and 29a, Member States shall provide for at least the following **penalties** administrative measures and sanctions:~~

CZ

(Comments):

We do not see any reason why there should be different regime for financial and non financial information.

ES

(Comments):

We would like to note that the term used in the Audit Directive is “sanctions”. It could be desirable the use of the same terms in both legislations, unless there is a specific legislative reason to use the term “penalties” in article 51 of the Accounting Directive.

NL

(Comments):

The Netherlands supports the use of the neutral term ‘penalties’ in Article 51 paragraph 2, first sentence, of this compromise text. However, the sanctions and circumstances mentioned under (a), (b) and (c) and in paragraph 3 below are still presuppose some sort of administrative enforcement by an authority. This leads to different regimes of sanctioning for the financial and non-financial part of the management report, which does not optimise the enforcement of the whole package. Therefore, we would propose to delete the letters (a), (b) and (c) of the second paragraph and the third paragraph of Article 51. Similarly to the rules on financial information, MS should be able to choose the exact administrative or criminal measures and sanctions.

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BE

(Drafting):

~~2. In case of a breach of the national provisions transposing Articles 19a, 129d and 29a, Member States shall provide for at least the following **penalties** administrative measures and sanctions:~~

PT

(Comments):

**PT:** We appreciate the elimination of the reference to administrative measures and sanctions and its replacement by a more general reference (penalties) which allows MS to decide the penalties regime upon its national law and to so address any possible constitutional constraints.

LT

(Drafting):

LU

(Comments):

The Presidency compromise text has not modified in substance the provisions of article 51 “Penalties” despite the suppression of the explicit references to “administrative measures and sanctions”.

In this respect, we would like to reiterate the fact that the implementation of administrative sanctions for (non-listed) large undertakings is impracticable insofar as these undertakings do not fall under the supervision of a regulating agency unlike public interest entities.

We would therefore suggest to introduce administrative measures and sanctions only to public-interest entities i.e. those undertakings falling under the supervision of a regulating agency in charge of enforcing the applicable laws and regulations.

For non-listed large undertaking, we would suggest to limit administrative



sanctions to the minimum. Such administrative sanctions would focus on objective factors that could be easily verified by the business registers such as:

(i) was the management report (including the sustainability reporting) duly filed: yes or no?

(ii) was the management report (including the sustainability reporting) filed on time: yes or no?

Considering the above, the business registers could impose sanctions to entities that have not filed or that have filed late their management report (including the sustainability reporting) but would not be in charge of checking the compliance of the content of the management report.

SE

(Drafting):

SE

(Comments):

As stated above, SE does not support the provisions on penalties. At least these specific penalties should be optional for MS. This could be achieved by replacing the word “shall” with “may” in paragraph 2.

PL

(Drafting):

PL

(Comments):

Alternatively PL could consider a Member State option that would allow those Member State willing to have administrative sanctions system in the area of sustainability reporting to have such a system, while at the same time allowing other Member States to keep their current criminal sanctions system for both financial reporting and sustainability reporting. In that case the wording in

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	<p>paragraph 2 should be changed accordingly:  “2. In case of a breach of the national provisions transposing Articles 19a, <del>129d</del> and 29a, Member States may provide for at least the following <b>penalties</b> <del>administrative measures and sanctions</del>.”</p> <p>DK</p> <p>(Drafting):</p> <p><del>2. In case of a breach of the national provisions transposing Articles 19a, 129d and 29a, Member States shall provide for at least the following <b>penalties</b> administrative measures and sanctions:</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(a) a public statement indicating the natural person or the legal entity responsible and the nature of the infringement;</p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p>SK</p> <p>(Comments):</p> <p>SK</p>

	<p>We strongly oppose to these types of penalties. We believe that it is not appropriate to prescribe different penalties for breaches concerning the management report as a whole.</p> <p>HU</p> <p>(Drafting):</p> <p><del>(a) a public statement indicating the natural person or the legal entity responsible and the nature of the infringement</del></p> <p>HU</p> <p>(Comments):</p> <p>We do not think it is clear who determines the sanctions, in what form and to what extent, and who publishes them.</p> <p>Hungarian law considers this type of personalisation as personal data. The Auditor Directive also provides for the possibility for Member States to disclose sanctions anonymously, in particular where disclosure would cause disproportionate harm to the institutions or individuals concerned. It is proposed to ensure consistency between the Directives and to delete paragraphs 2 and 3 of Article 51 of the draft as regards sanctions.</p> <p>CZ</p> <p>(Drafting):</p> <p><del>(a) — a public statement indicating the natural person or the legal entity responsible and the nature of the infringement;</del></p> <p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p>
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Subparagraph (a) should be deleted. See for an explanation above under Article 51 paragraph 2. In addition, we find the sanction of naming and shaming natural persons especially excessive. If it is indeed deemed necessary to give some sort of publicity to violations of this Directive this should not go further than the option for a MS to provide as a sanction for the publication of a final decision [of a court] on a penalty.

BE

(Drafting):

~~(a) — a public statement indicating the natural person or the legal entity responsible and the nature of the infringement;~~

LT

(Drafting):

SE

(Drafting):

PL

(Drafting):

DK

(Drafting):

~~(a) — a public statement indicating the natural person or the legal entity responsible and the nature of the infringement;~~

DK

(Comments):

It is important that an adjustment to the article assures consistency with the

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	<p>sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(b) an order requiring the natural person or the legal entity responsible to cease the conduct constituting the infringement and to desist from any repetition of that conduct;</p>	<p>SK (Drafting):</p> <p>HU (Drafting): <del>(b) — an order requiring the natural person or the legal entity responsible to cease the conduct constituting the infringement and to desist from any repetition of that conduct;</del></p> <p>CZ (Drafting): <del>(b) — an order requiring the natural person or the legal entity responsible to cease the conduct constituting the infringement and to desist from any repetition of that conduct;</del></p> <p>NL (Drafting):</p> <p>NL (Comments): Subparagraph (b) should be deleted. See for an explanation under Article 51 paragraph 2</p>

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	<p>BE</p> <p>(Drafting):</p> <p><del>(b) — an order requiring the natural person or the legal entity responsible to cease the conduct constituting the infringement and to desist from any repetition of that conduct;</del></p> <p>LT</p> <p>(Drafting):</p> <p>SE</p> <p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p>DK</p> <p>(Drafting):</p> <p><del>(b) — an order requiring the natural person or the legal entity responsible to cease the conduct constituting the infringement and to desist from any repetition of that conduct;</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing</p>
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	national systems and constitutional limitations in the EU.
(c) <del>administrative</del> pecuniary sanctions.	<p>HU (Drafting): <del>(e) — pecuniary sanctions.</del></p> <p>CZ (Drafting): <del>(e) — administrative pecuniary sanctions.</del></p> <p>NL (Drafting):</p> <p>NL (Comments): Subparagraph (c) should be deleted. See for an explanation under Article 51 paragraph 2</p> <p>BE (Drafting): <del>(e) — administrative pecuniary sanctions.</del></p> <p>LT (Drafting):</p> <p>SE (Drafting):</p>

	<p>PL (Drafting):</p> <p>DK (Drafting):</p> <p><del>(e) — administrative pecuniary sanctions.</del></p> <p>DK (Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>3. Member States shall ensure that, when determining the type and level of penalties, <del>administrative sanctions or measures</del> referred to in paragraph 2, all relevant circumstances are taken into account, including:</p>	<p>HU (Drafting):</p> <p><del>3. — Member States shall ensure that, when determining the type and level of penalties, referred to in paragraph 2, all relevant circumstances are taken into account, including:</del></p> <p>HU (Comments):</p> <p>The publication of statements identifying the persons responsible for the infringement raises concerns under Hungarian law. It is proposed to delete paragraphs 2 and 3 of Article 51 of the draft as regards sanctions.</p>



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	<p>CZ</p> <p>(Drafting):</p> <p><del>3. Member States shall ensure that, when determining the type and level of penalties, administrative sanctions or measures referred to in paragraph 2, all relevant circumstances are taken into account, including:</del></p> <p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p>Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2</p> <p>BE</p> <p>(Drafting):</p> <p><del>3. Member States shall ensure that, when determining the type and level of penalties, administrative sanctions or measures referred to in paragraph 2, all relevant circumstances are taken into account, including:</del></p> <p>LT</p> <p>(Drafting):</p> <p>LU</p> <p>(Comments):</p> <p>See our comment to point 2. above</p> <p>SE</p>
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	<p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p>DK</p> <p>(Drafting):</p> <p><del>3. — Member States shall ensure that, when determining the type and level of penalties, administrative sanctions or measures referred to in paragraph 2, all relevant circumstances are taken into account, including:</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(a) the gravity and the duration of the breach;</p>	<p>HU</p> <p>(Drafting):</p> <p><del>(a) — the gravity and the duration of the breach;</del></p> <p>CZ</p> <p>(Drafting):</p> <p><del>(a) — the gravity and the duration of the breach;</del></p>

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NL

(Drafting):

NL

(Comments):

Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2

BE

(Drafting):

~~(a) — the gravity and the duration of the breach;~~

LT

(Drafting):

SE

(Drafting):

PL

(Drafting):

DK

(Drafting):

~~(a) — the gravity and the duration of the breach;~~

DK

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	<p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(b) the degree of responsibility of the natural person or legal entity responsible;</p>	<p>HU</p> <p>(Drafting):</p> <p><del>(b) the degree of responsibility of the natural person or legal entity responsible;</del></p> <p>CZ</p> <p>(Drafting):</p> <p><del>(b) the degree of responsibility of the natural person or legal entity responsible;</del></p> <p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p><b>Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2</b></p> <p>BE</p> <p>(Drafting):</p> <p><del>(b) the degree of responsibility of the natural person or legal entity</del></p>

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	<p>responsible; LT (Drafting):</p> <p>SE (Drafting):</p> <p>PL (Drafting):</p> <p>DK (Drafting):</p> <p>(b) — the degree of responsibility of the natural person or legal entity responsible; DK (Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(c) the financial strength of the natural person or legal entity responsible;</p>	<p>HU (Drafting):</p>

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(e) — the financial strength of the natural person or legal entity responsible;

CZ

(Drafting):

(e) — the financial strength of the natural person or legal entity responsible;

NL

(Drafting):

NL

(Comments):

Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2

BE

(Drafting):

(e) — the financial strength of the natural person or legal entity responsible;

LT

(Drafting):

SE

(Drafting):

PL

(Drafting):

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	<p>DK (Drafting): <del>(e) — the financial strength of the natural person or legal entity responsible;</del> DK (Comments): It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting. Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(d) the importance of profits gained or losses avoided by the natural person or legal entity responsible, in so far as such profits or losses can be determined;</p>	<p>HU (Drafting): <del>(d) — the importance of profits gained or losses avoided by the natural person or legal entity responsible, in so far as such profits or losses can be determined;</del> CZ (Drafting): <del>(d) — the importance of profits gained or losses avoided by the natural person or legal entity responsible, in so far as such profits or losses can be determined;</del> NL (Drafting):  NL (Comments):</p>

<p><b>Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2</b></p> <p>BE</p> <p>(Drafting):</p> <p><del>(d) — the importance of profits gained or losses avoided by the natural person or legal entity responsible, in so far as such profits or losses can be determined;</del></p> <p>LT</p> <p>(Drafting):</p> <p>SE</p> <p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p>DK</p> <p>(Drafting):</p> <p><del>(d) — the importance of profits gained or losses avoided by the natural person or legal entity responsible, in so far as such profits or losses can be determined;</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing</p>
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	national systems and constitutional limitations in the EU.
(e) the losses sustained by third parties as a result of the breach, in so far as those losses can be determined;	<p>HU (Drafting): <del>(e) — the losses sustained by third parties as a result of the breach, in so far as those losses can be determined;</del></p> <p>CZ (Drafting): <del>(e) — the losses sustained by third parties as a result of the breach, in so far as those losses can be determined;</del></p> <p>NL (Drafting):</p> <p>NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2</p> <p>BE (Drafting): <del>(e) — the losses sustained by third parties as a result of the breach, in so far as those losses can be determined;</del></p> <p>LT (Drafting):</p>

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	<p>SE (Drafting):</p> <p>PL (Drafting):</p> <p>DK (Drafting):</p> <p><del>(e) — the losses sustained by third parties as a result of the breach, in so far as those losses can be determined;</del></p> <p>DK (Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(f) the level of cooperation of the natural person or legal entity responsible with the competent <b><u>national or judicial</u></b> authority;</p>	<p>HU (Drafting):</p> <p><del>(f) — the level of cooperation of the natural person or legal entity responsible with the competent national or judicial authority;</del></p> <p>CZ</p>

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(Drafting):  
~~(f) — the level of cooperation of the natural person or legal entity responsible with the competent **national or judicial** authority;~~  
NL  
(Drafting):  
NL  
(Comments):  
**Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2**  
BE  
(Drafting):  
~~(f) — the level of cooperation of the natural person or legal entity responsible with the competent **national or judicial** authority;~~  
LT  
(Drafting):  
SE  
(Drafting):  
PL  
(Drafting):  
DK

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	<p>(Drafting):</p> <p><del>(f) — the level of cooperation of the natural person or legal entity responsible with the competent <b>national or judicial</b> authority;</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
<p>(g) previous infringements by the natural person or legal entity responsible.’.</p>	<p>HU</p> <p>(Drafting):</p> <p><del>(g) — previous infringements by the natural person or legal entity responsible.’.</del></p> <p>CZ</p> <p>(Drafting):</p> <p><del>(g) — previous infringements by the natural person or legal entity responsible.’.</del></p> <p>NL</p> <p>(Drafting):</p> <p>NL</p> <p>(Comments):</p> <p><b>Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation</b></p>

	<p><b>under Article 51 paragraph 2</b></p> <p>BE</p> <p>(Drafting):</p> <p><del>(g) — previous infringements by the natural person or legal entity responsible.?</del></p> <p>LT</p> <p>(Drafting):</p> <p>SE</p> <p>(Drafting):</p> <p>PL</p> <p>(Drafting):</p> <p>DK</p> <p>(Drafting):</p> <p><del>(g) — previous infringements by the natural person or legal entity responsible.?</del></p> <p>DK</p> <p>(Comments):</p> <p>It is important that an adjustment to the article assures consistency with the sanctions regarding financial reporting.</p> <p>Consequently we would prefer to maintain article 51 as proposed in this compromise text. The sanctions regime should be able to cater for the existing national systems and constitutional limitations in the EU.</p>
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Article 2 <b>Amendments to Directive 2004/109/EC</b>	
Directive 2004/109/EC is amended as follows:	
(1) in Article 2(1) the following point (r) is added:	
‘(r) ‘sustainability reporting’ means sustainability reporting as defined in Article 2(18) of Directive 2013/34/EU of the European Parliament and of the Council <sup>32</sup> ’;	
(2) Article 4 is amended as follows:	
(a) in paragraph 2, point (c) is replaced by the following:	
‘(c) statements made by the persons responsible within the issuer, whose names and functions shall be clearly indicated, to the effect that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and, where appropriate, that it is prepared in accordance with sustainability reporting standards referred to in Articles <del>129</del> b and <del>129</del> c of	MT (Drafting): ‘(c) statements made by the persons responsible within the issuer, whose names and functions shall be clearly indicated, to the effect that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal

<sup>32</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

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<p>Directive 2013/34/EU.’;</p>	<p>risks and uncertainties that they face and, where <del>appropriate</del> <b>applicable</b>, that it is prepared in accordance with sustainability reporting standards referred to in Articles <del>429b</del> and <del>429c</del> of Directive 2013/34/EU.’;</p> <p>MT</p> <p>(Comments):</p> <p>MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p>
<p>(b) paragraphs 4 and 5 are replaced by the following:</p>	
<p>‘4. The financial statements shall be audited in accordance with Article 34 of Directive 2013/34/EU and Article 28 of Directive 2006/43/EC.</p>	
<p>The audit report, signed by the person or persons responsible for carrying out the work set out in paragraphs 1 and 2 of Article 34 of Directive 2013/34/EU shall be disclosed in full to the public together with the annual financial report.</p>	
<p><b><u>Where applicable, the assurance report on sustainability reporting referred to in Article 28a of Directive 2006/43/EC shall be disclosed in full to the public.</u></b></p>	<p>BE</p> <p>(Drafting):</p> <p>Where applicable, the assurance report on sustainability reporting referred to in Article 28a of Directive 2006/43/EC shall be disclosed in full to the public <b><u>together with the annual financial report.</u></b></p> <p>BE</p> <p>(Comments):</p> <p>BE: Additional clarification assuring the timeliness of the public disclosure of the assurance report on sustainability reporting.</p>

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	<p>LT (Drafting): <b><u>Where applicable, the assurance report on sustainability reporting referred to in Article 28a of Directive 2006/43/EC shall be disclosed in full to the public together with the annual management report.</u></b></p> <p>LT (Comments): On purpose of clarity and in conformity of provisions of the previous subparagraph, the provision should be supplemented: “together with the annual management report”.</p>
<p>5. The management report shall be drawn up in accordance with Articles 19, 19a, <del>129d(1)</del> and 20 of Directive 2013/34/EU, <b><u>provided that the size thresholds prescribed in those articles are met</u></b> <del>when drawn up by undertakings referred to in those provisions.</del></p>	<p>BE (Comments): Which size thresholds are meant in articles 19, 19a, 29 d(1) and 20 of Directive 2013/34/EU?</p>
<p>Where the issuer is required to prepare consolidated accounts, the consolidated management report shall be drawn up in accordance with Articles <del>129d(2)</del>, 29 and 29a of Directive 2013/34/EU, <b><u>provided that the size thresholds prescribed in those articles are met</u></b> <del>when drawn up by undertakings referred to in those provisions.</del>’;</p>	<p>BE (Comments): Which size thresholds are meant in articles 29, 29a and 29 d(2) of Directive 2013/34/EU?</p>
<p>(3) in Article 23(4), the third and fourth subparagraphs are replaced by the following:</p>	
<p>‘The Commission shall, in accordance with the procedure referred to in Article 27(2), take the necessary decisions on the equivalence of accounting standards <b><u>under the conditions set out in Article 30(3)</u></b> and</p>	<p>BE (Comments):</p>



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<p>on the equivalence of sustainability reporting standards as referred to in Article 129d of Directive 2013/34/EU which are used by third-country issuers <del>under the conditions set out in Article 30(3)</del>. If the Commission decides that the accounting standards or the sustainability reporting standards of a third country are not equivalent, it may allow the issuers concerned to continue using such <del>accounting</del> standards during an appropriate transitional period.</p>	<p>BE: It is clear from the wording that the procedure referred to in article 27(2) will apply to both accounting as sustainability standards. However, while the conditions for equivalence of <i>accounting</i> standards are set out in article 30(3), no such conditions are specified for the equivalence of <i>sustainability</i> reporting standards. Please clarify why no alignment is provided on this point?</p>
<p>In the context of the third subparagraph, the Commission shall also adopt, by means of delegated acts adopted in accordance with paragraphs 2a, 2b and 2c of Article 27, and subject to the conditions laid down in Articles 27a and 27b, measures aimed at establishing general equivalence criteria regarding accounting standards and sustainability reporting standards relevant to issuers of more than one country.’;</p>	
<p>(4) the following Article 28(d) is inserted:</p>	
<p>‘Article 28d</p>	
<p><b>ESMA guidelines</b></p>	
<p>After consulting the European Environment Agency and the European Union Agency for Fundamental Rights, ESMA shall issue guidelines in accordance with Article 16 of Regulation 1095/2010 on the supervision of sustainability reporting by national competent authorities.’.</p>	
<p>Article 3 <i>Amendments to Directive 2006/43/EC</i></p>	<p>PT (Comments): We agree with most of the amendments, however we draw your attention to the following elements, which could be improved or amended (articles 1, 2, 6, 7, 8, 10, 11, 14, 26 and 28):</p>

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	<p>SE</p> <p>(Comments):</p> <p>SE has a scrutiny reservation for article 3</p> <p>SE comment: Many statutory auditors and audit firms do not have engagements from undertakings within the proposed scope of the CSRD. It is important that any new requirements on statutory auditors and audit firms in relation to sustainability reporting do not preclude smaller audit firms from continuing their operations, including giving trainees necessary practical experience to become statutory auditors. The compromise proposal solves this issue by, in practice, introducing a new class of auditors in union law. There is a need to consult relevant stakeholders on policy choices for the audit directive.</p>
	<p>DE</p> <p>(Comments):</p> <p><b>Art. 2 point 2 and 3, Art. 6 para. 2, Art. 7 para. 2, Art. 8 para. 3, Art. 10 para. 1 subpara. 2 Audit Directive:</b> The barriers for entrance to the auditor’s profession should not become too high. On account of this we are open for the proposal that statutory auditors should be able to choose if they want to qualify for assurance of sustainability reporting, combined with a grandfathering clause. But would not the requirement that at least one third of the practical training of an auditor-to-be shall be in the assurance of sustainability reporting make it difficult for auditors-to-be to find an audit firm where to absolve this practical training and could lead to the effect that smaller audit firms become less attractive for auditors-to-be for serving their practical training?</p>
Directive 2006/43/EC is amended as follows:	
(1) Article 1 is replaced by the following:	
<i>Article 1</i>	

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Subject matter	
This Directive establishes rules concerning the statutory audit of annual and consolidated accounts and the assurance of annual and consolidated sustainability reporting, <del>where this is performed by the statutory auditor or audit firm carrying out the statutory audit of financial statements.</del> ’;	
(2) Article 2 is amended as follows:	
(a) points 2 and 3 are replaced by the following:	
‘2. ‘statutory auditor’ means a natural person who is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, <b>where applicable</b> , assurance engagements of sustainability reporting;	<p>HU (Comments): We do not recommend to change the current definition in force as we see rational to keep only one audit report which contains the opinion of the sustainability reporting. Moreover we recommend that only one auditor or audit firm should carry out the audit tasks under one contract.</p> <p>BE (Drafting): ‘2. ‘statutory auditor’ means a natural person who is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, <b>where applicable</b>, assurance engagements of sustainability reporting;</p> <p>BE (Comments): The wording ‘where applicable’ is not clear. Does this mean that this is an option for the Member states? Belgium is not in favour of two categories of statutory auditors; preference for the original definition of the Commission proposal and the corresponding</p>

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	articles.
‘3. ‘audit firm’ means a legal person or any other entity, regardless of its legal form, that is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, <b>where applicable</b> , assurance engagements of sustainability reporting;’	<p>HU</p> <p>(Comments):</p> <p>We do not recommend to change the current definition in force as we see rational to keep only one audit report which contains the opinion of the sustainability reporting. Moreover we recommend that only one auditor or audit firm should carry out the audit tasks under one contract.</p> <p>BE</p> <p>(Drafting):</p> <p>‘3. ‘audit firm’ means a legal person or any other entity, regardless of its legal form, that is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, <del>where</del> <b>applicable</b>, assurance engagements of sustainability reporting;’</p> <p>BE</p> <p>(Comments):</p> <p>Belgium is not in favour of two categories of audit firms; preference for the original definition of the Commission proposal.</p>
<b><u>(aa) The following point 16a is added</u></b>	<p>CZ</p> <p>(Drafting):</p> <p><del>(aa) The following point 16a is added</del></p> <p>CZ</p> <p>(Comments):</p> <p>We do not find the need to introduce a definition as it is not introduced for other audit engagements (that are not statutory audits of financial statements)</p>

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	either. Besides, how would a key sustainability partner(s) be secured with an independent assurance services providers?
<b><u>‘16 a. ‘key sustainability partner(s)’ means:</u></b>	CZ (Drafting): <del>‘16 a. ‘key sustainability partner(s)’ means:</del>
<b><u>(a) the statutory auditor(s) designated by an audit firm for a particular assurance engagement of sustainability reporting as being primarily responsible for carrying out the assurance engagement of sustainability reporting on behalf of the audit firm; or</u></b>	CZ (Drafting): <del><b><u>(a) the statutory auditor(s) designated by an audit firm for a particular assurance engagement of sustainability reporting as being primarily responsible for carrying out the assurance engagement of sustainability reporting on behalf of the audit firm; or</u></b></del>
<b><u>(b) in the case of a group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the assurance engagement of sustainability reporting at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or</u></b>	CZ (Drafting): <del><b><u>(b) in the case of a group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the assurance engagement of sustainability reporting at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or</u></b></del>  PL (Drafting): <b><u>(b) in the case of the assurance of consolidated sustainability reporting , at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the assurance engagement of sustainability reporting at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material</u></b>

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	<p><b><u>subsidiaries; or</u></b></p> <p>PL</p> <p>(Comments):</p> <p>The wording “group audit” does not seem to be appropriate. It is reserved to be used in the context of verifying (i.e. auditing) consolidated financial statements, while this provision relates to carrying out the assurance engagement of sustainability reporting. It would be useful to rephrase the wording.</p>
<p><b><u>(c) the statutory auditor(s) who sign(s) the opinion on the assurance of sustainability reporting referred to in Article 34(1), second subparagraph, point (aa) and Article 34(2) of Directive 2013/34/EU in the audit report;</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><b><u>(e) the statutory auditor(s) who sign(s) the opinion on the assurance of sustainability reporting referred to in Article 34(1), second subparagraph, point (aa) and Article 34(2) of Directive 2013/34/EU in the audit report;</u></b></p> <p>PL</p> <p>(Comments):</p> <p>The reference to Article 34(1) is not clear. Do you mean that the key sustainability partner is also the statutory auditor who signs the opinion on the consolidated sustainability reporting?</p>
<p>(b) the following points 21 and 22 are added:</p>	
<p>‘21. ‘sustainability reporting’ means sustainability reporting as defined in Article 2, point (18), of Directive 2013/34/EU;</p>	
<p>22. ‘assurance <b><u>(engagement)</u></b> of sustainability reporting’ means the opinion expressed by the statutory auditor or audit firm in accordance with Article 34(1), second subparagraph, point (aa) and Article 34(2) of Directive 2013/34/EU .’;</p>	<p>BE</p> <p>(Comments):</p> <p>Why is the word “(engagement)” added and is this in brackets?</p>

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(3) Articles 6 and 7 are <del>is</del> replaced by the following:	
'Article 6	
<b>Educational qualifications</b>	<p>PT</p> <p>(Comments):</p> <p><b>PT:</b> The certification could, conceivably, be provided/issued by entities recognized at EU level. We consider the engagement of universities and academic experts in training is vital, both for training registered statutory auditors and new auditors. Limiting the assessment by the competent authority by auditors, creates a market limit to having access to qualified professionals who are not auditors. E.g., the entity that prepares the information should also have qualified professionals in the preparation process who are not necessarily auditors. An alternative solution, would be to mention that certain courses (duly certified) could allow the exception to take the exams in that authority, without thereby removing competence to assess knowledge for the purposes of sustainability auditing. The objective is to provide to the market as a whole - not confined to auditors ° more qualified professionals in matters of sustainability.</p>
<p><b>1.</b> <del>Without prejudice to Article 11, a natural person may be approved to carry out a statutory audit and an assurance engagement of sustainability reporting</del> only after having attained university entrance or equivalent level, then completed a course of theoretical instruction, undergone practical training and passed an examination of professional competence of university final or equivalent examination level, organised or recognised by the Member State concerned.</p>	<p>BE</p> <p>(Comments):</p> <p>Belgium is not in favour of two categories of statutory auditors and prefers the original text of the proposal of the European Commission.</p>
<p><b>2.</b> <u>A natural person may in addition be approved to carry out an assurance engagement of sustainability reporting when the additional specific requirements of Articles 7(2), 10(1) second subparagraph and</u></p>	<p>PL</p>

<p><b><u>14(2), fourth subparagraph of this Directive are met.</u></b></p>	<p>(Drafting):</p> <p><b><u>2. A natural person may in addition be approved to carry out an assurance engagements of sustainability reporting when the additional specific requirements of Articles 7(2), 10(1) second subparagraph and 14(2), fourth subparagraph of this Directive are met.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>The change aims at maintaining the consistency of the wording used throughout the whole text (see for example art. 7 para. 2 or art. 8 para. 2 where the plural form “engagements” is used).</p>
<p><b><u>3. The competent authorities referred to in Article 32 shall cooperate with each other with a view to achieving a convergence of the requirements set out in this Article. When engaging in such cooperation, those competent authorities shall take into account developments in auditing and in the audit profession and, in particular, convergence that has already been achieved by the profession. <b><u>They shall cooperate with the Committee of European Auditing Oversight Bodies (CEAOB) and the competent authorities referred to in Article 20 of Regulation (EU) No 537/2014 in so far as such convergence relates to the statutory audit and assurance of sustainability reporting of public-interest entities.</u></b></u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><b><u>3. The competent authorities referred to in Article 32 shall cooperate with each other with a view to achieving a convergence of the requirements set out in this Article. When engaging in such cooperation, those competent authorities shall take into account developments in auditing and in the audit profession and, in particular, convergence that has already been achieved by the profession. <b><u>They shall cooperate with the Committee of European Auditing Oversight Bodies (CEAOB) and the competent authorities referred to in Article 20 of Regulation (EU) No 537/2014 in so far as such convergence relates to the statutory audit and assurance of sustainability reporting of public-interest entities.</u></b></u></b></p> <p>CZ</p> <p>(Comments):</p> <p>We suggest deleting the added text. Cooperation of competent authorities referred to in Article 32 within the CEAOB is set in Article 30 of Regulation (EU) No 537/2014.</p>



<p><b>(3)a</b> <u>in Article 7, paragraph 2 is added:</u></p>	<p>HU (Drafting): (3)a in Article 7, paragraph 2 is added: HU (Comments): The current Directive does not contain Article 7(1). From a legal technical point of view, it is proposed to revise the introductory provision.</p>
<p><b>Examination of professional competence</b></p>	
<p>The examination of professional competence referred to in Article 6 shall guarantee the necessary level of theoretical knowledge of subjects relevant to statutory audit and assurance of sustainability reporting and the ability to apply such knowledge in practice. Part at least of that examination shall be written.’;</p>	
<p><b><u>‘2. In order for the statutory auditor to also be approved to carry out assurance engagements of sustainability reporting, the examination of professional competence referred to in Article 6 shall guarantee the necessary level of theoretical knowledge of subjects relevant to the assurance of sustainability reporting and the ability to apply such knowledge in practice. Part at least of that examination shall be written.’</u></b></p>	
<p>(4) Article 8(1) is amended as follows: <b><u>in Article 8, paragraph 3 is added:</u></b></p>	
<p><b><u>‘3. In order for the statutory auditor to also be approved to carry out assurance engagements of sustainability reporting, it shall also</u></b></p>	

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<b><u>cover at least the following subjects:</u></b>	
<b>a) <u>legal requirements and standards relating to the preparation of annual and consolidated sustainability reporting;</u></b>	CZ (Comments): Can you please clarify what standards other than those already set under point b)?
<b>b) <u>sustainability reporting standards;</u></b>	PL (Drafting):  PL (Comments): Sustainability reporting standards are already covered in point (a) under the term “standards relating to the preparation of annual and consolidated sustainability reporting”.
<b>c) <u>sustainability analysis;</u></b>	CZ (Comments): What exactly this subject of the examination shall cover? We seek for more precise text. LU (Comments): This point should be further clarified regarding its content and the knowledge expected. PL

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	<p>(Comments):</p> <p>It is not clear to us what is meant under the subject “sustainability analysis”. We would appreciate clarification on that. It would be useful to have this clarification in a recital.</p> <p>DK</p> <p>(Comments):</p> <p>We find that a definition of ‘sustainability analysis’ should be added, as it is unclear what is meant by ‘sustainability analysis’.</p>
<b>d) <u>due diligence processes with regard to sustainability matters;</u></b>	<p>LU</p> <p>(Comments):</p> <p>This point should be further clarified as to its content and the knowledge expected.</p>
<b>e) <u>sustainability assurance standards as referred to in Article 26a;</u></b>	<p>PL</p> <p>(Drafting):</p> <p>PL</p> <p>(Comments):</p> <p>Sustainability assurance standards as referred to in Article 26a” are already covered in point (f) under the term “professional standards relating to the assurance of sustainability reporting”.</p>
<b>f) <u>legal requirements and professional standards relating to the assurance of sustainability reporting and statutory auditors.’;</u></b>	<p>LT</p> <p>(Comments):</p> <p>At this point it is not clear what it means “<b>and statutory auditors</b>”.</p>

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	<p>PL</p> <p>(Comments):</p> <p>It should be explicitly stated that the subject should cover only those legal requirements and professional standards relating to statutory auditors that relate to the assurance of sustainability reporting (and not all the requirements like for example the ones that relate to statutory audit as these are already covered in Article 8 para. 1).</p>
(a) — the following point (bb) is inserted:	
‘(bb) — legal requirements and standards relating to the preparation of annual and consolidated sustainability reporting;’;	
(b) — the following point (cc) is inserted:	
‘(cc) — sustainability reporting standards;’;	
(e) — the following point (dd) is inserted:	
‘(dd) — sustainability analysis;’;	
(d) — the following point (ff) is inserted:	
‘(ff) — due diligence processes with regard to sustainability matters;’;	
(e) — the following point (ii) is inserted:	
‘(ii) — sustainability assurance standards as referred to in Article 26a;’;	
(f) — point (h) is replaced by the following:	

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<p><del>‘(h) — legal requirements and professional standards relating to statutory audit and assurance of sustainability reporting and statutory auditors;’;</del></p>	
<p>(5) in Article 10, <b><u>paragraph 1, the following subparagraph is added</u></b><del>1 is replaced by the following:</del></p>	<p>AT (Drafting): (5) in Article 10, <b><u>paragraph 1 is replaced by the following:</u></b><del>1 is replaced by the following:</del> AT (Comments):  The Austrian auditing profession is of the opinion that sustainability reporting should be implemented in every auditor's professional profile, especially in the areas of training and professional qualification. This would have the consequence that all statutory auditors will also be entitled to audit sustainability reporting. Accordingly, the training and thus the expertise requirements for all auditors should be raised. There are doubts as to whether the actual scope of available mandates and engagements in connection with sustainability reporting is sufficient for allowing auditors to acquire the relevant qualification times as foreseen in the compromise proposal. There is a risk that this amendment would restrict the group of statutory auditors approved to audit sustainability reports to a small fraction of all auditors and audit firms already active in this market segment. This would further contribute to market concentration. In this sense, we prefer the original text proposal.</p>
<p>‘1. In order <b><u>for the statutory auditor to also be approved to carry out assurance engagements of sustainability reporting, at least one third of such practical training shall be in the assurance of annual and consolidated sustainability reporting or other sustainability</u></b></p>	<p>HU (Drafting):</p>

<p><del><b>related services</b>’ to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years’ practical training in, inter alia, the auditing of annual financial statements, consolidated financial statements or similar financial statements and the assurance of annual and consolidated sustainability reporting. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.’;</del></p>	<p>‘1. In order for the statutory auditor to also be approved to carry out assurance engagements of sustainability reporting, at least one third of such practical training shall be in the assurance of annual and consolidated sustainability reporting or other sustainability related services’.</p> <p>HU</p> <p>(Comments):</p> <p>In the case if it is a new subparagraph under the 1 paragraph it should not have any number before the text. From a legal technical point of view, it is proposed to revise.</p> <p>CZ</p> <p>(Comments):</p> <p>Can you please clarify what “other sustainability related services” means ?</p> <p>PT</p> <p>(Drafting):</p> <p>In order for the statutory auditor to also be approved to carry out assurance engagements of sustainability reporting, at least one third of such practical training shall be in the assurance of annual and consolidated sustainability reporting or <b>other assurance services</b>.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We believe that the amendment made may still not be enough to ensure market deconcentration. It is likely that only big audit firms (that audit large and/or listed companies subject to the scope of the Accounting Directive and that are able to take up the investment that this new assurance requires) will perform sustainability assurances and therefore be able to take in interns. This will ultimately result in (further) concentration of the audit market, with adverse competition consequences.</p> <p>This proposal allows the increase of the number of services providers</p>
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(assurance services in a broader way than only sustainability related services). This could improve the competition and avoid concentration in a few number of service providers.

LU

(Drafting):

‘1. In order for statutory auditor **or the trainee** to also be approved to carry out assurance engagements of sustainability reporting, at least one third of such practical training shall be in the assurance of annual and consolidated sustainability reporting or other sustainability related services’

LU

(Comments):

The added second subparagraph of Article 10(1) refers to the statutory auditor and not to the trainee as in first subparagraph. It could then be understood that, after 1<sup>st</sup> January 2026, the natural person has first to be approved as statutory auditor and thereafter apply for a second approval to carry out assurance engagements on sustainability reporting and start again the process (test of theoretical knowledge, practical training and examination of professional competence). We propose to clarify that this subparagraph also concern the trainee.

PL

(Comments):

The provisions should be flexible enough to allow obtaining the qualification for assurance of sustainability reporting after a person has been approved as a statutory auditor (but just to audit the financial statements) and at a later time he/she decides additionally to obtain the qualification to carry out assurance engagements of sustainability reporting. The current wording, as we understand it, seems not to allow it because the one-year practical training in the assurance of sustainability reporting has to be completed within the 3-year practical training required to obtain the approval as a statutory auditor. Therefore the

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	<p>wording needs to be adjusted accordingly. Alternatively, perhaps adding a dedicated recital clarifying this issue would address this problem.</p> <p>Furthermore it is not clear whether this one-year practical training in the assurance of sustainability reporting has to be completed under the supervision of a statutory auditor/audit firm who is approved to carry out such assurance engagements (as in the case of practical training for the purpose of auditing financial statements).</p> <p>AT</p> <p>(Drafting):</p> <p>‘1. In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, inter alia, the auditing of annual financial statements, consolidated financial statements or similar financial statements and the assurance of annual and consolidated sustainability reporting. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.’; <del>to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, inter alia, the auditing of annual financial statements, consolidated financial statements or similar financial statements and the assurance of annual and consolidated sustainability reporting. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.’;</del></p>
(6) — in Article 11, point (a) is replaced by the following:	
<p>‘(a) that he or she has, for 15 years, engaged in professional activities which have enabled him or her to acquire sufficient experience in the fields of finance, law and accountancy, and sustainability reporting and has passed the examination of professional competence referred to in Article 7, or’;</p>	



<b>(6a) Article 12 is replaced by the following:</b>	
<i>'Article 12</i>	
<b><u>Combination of practical training and theoretical instruction</u></b>	
<b><u>1. Member States may provide that periods of theoretical instruction in the fields referred to in Article 8, paragraphs 1 and 2, shall count towards the periods of professional activity referred to in Article 11, provided that such instruction is attested by an examination recognised by the State. Such instruction shall not last less than one year, nor may it reduce the period of professional activity by more than four years.</u></b>	
<b><u>2. The period of professional activity and practical training shall not be shorter than the course of theoretical instruction together with the practical training required in Article 10(1), first subparagraph.'</u></b>	
(7) in Article 14, paragraph 2, <b><u>the following subparagraph is added:</u></b> third subparagraph is replaced by the following:	
<b><u>'In order for the statutory auditor to also be approved to carry out assurance engagements of sustainability reporting, the aptitude test referred to in the first subparagraph shall cover the statutory auditor's adequate knowledge of the laws and regulations of that host Member State in so far as it is relevant to the assurance of sustainability reporting.'</u></b>	
(8) the following Article 14a is inserted:	
<i>'Article 14a</i> <b><u>Statutory auditors approved or recognised before 1 January 2024<del>3</del> and statutory auditors undergoing their approval process on 1</u></b>	PT (Comments):

<p><b><u>January 2024</u></b></p>	<p><b>PT:</b> There continues to be disproportion between the requirements of the new auditors specializing in sustainability and the existing ones who wish to issue an opinion on sustainability. This disproportionality can cause serious distortions of knowledge. Article 14 sets forth that the statutory auditors approved before 1 January 2026 who want to carry out assurance engagements of sustainability reporting, acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via the continuing education requirement of article 13. It is our opinion they must demonstrate that they have adequate knowledge related to sustainability matters and therefore provide proof of knowledge within the scope of article 8 (3).</p> <p>PL</p> <p>(Drafting):</p> <p><i>'Article 14a</i></p> <p><b><u>Statutory auditors approved or recognised before 1 January 2024<del>3</del> and persons undergoing the approval process for statutory auditors on 1 January 2024</u></b></p> <p>PL</p> <p>(Comments):</p> <p>From the formal point of view persons undergoing the approval process are not statutory auditors yet. Therefore it would useful to rephrase the wording.</p>
<p>Member States shall ensure that statutory auditors that are approved or recognised to carry out statutory audits before 1 January 2024<del>3</del> are not subject to the requirements of Articles 7(2), 10(1) second <b><u>subparagraph and 14(2), fourth subparagraph 4 of this Directive.</u></b></p>	
<p><b><u>Member States shall ensure that statutory auditors that are undergoing the approval process foreseen in Articles 6 to 14 on 1 January 2024, are not subject to the requirements of Articles 7(2), 10(1), second subparagraph and 14(2), fourth subparagraph of this Directive, provided they finish the process by 1 January 2026.</u></b></p>	<p>PL</p> <p>(Drafting):</p> <p><b><u>Member States shall ensure that persons that are undergoing the</u></b></p>

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	<p><b><u>approval process foreseen in Articles 6 to 14 on 1 January 2024, are not subject to the requirements of Articles 7(2), 10(1), second subparagraph and 14(2), fourth subparagraph of this Directive, provided they finish the process by 1 January 2026.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>From the formal point of view persons undergoing the approval process are not statutory auditors yet. Therefore it would useful to rephrase the wording.</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 14a subpara. 2 Audit Directive:</b> We welcome the provision on a transitional period for statutory auditors that are in the process of passing the exams.</p>
<p>Member States shall ensure that statutory auditors approved before 1 January 2026<del>3</del> <b><u>who want to carry out assurance engagements of sustainability reporting</u></b>, acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via the continuing education requirement of Article 13.’;</p>	
	<p>DK</p> <p>(Drafting):</p> <p>Article 16, paragraph 1, litra c is amended as follows:  <b><i>(c) If applicable, approval to provide assurance on sustainability reporting.</i></b>  <b><i>(ed)</i></b> all other registration(s) as statutory auditor with the competent authorities of other Member States and as auditor with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s).</p> <p>DK</p>

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	(Comments): It's important to ensure transparency regarding which auditors are approved to provide assurance on sustainability reporting.
(9) Article 24b is amended as follows:	
(a) paragraph 1 is replaced by the following:	
'1. Member States shall ensure that, when the statutory audit <del>and the assurance of sustainability reporting</del> is carried out by an audit firm, that audit firm designates at least one key audit partner. The audit firm shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.	
<b><u>Member States shall ensure that, when the assurance of sustainability reporting is carried out by an audit firm, that audit firm designates at least one key sustainability partner, who can be (one of) the key audit partner(s). The audit firm shall provide the key sustainability partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.</u></b>	CZ (Drafting): <del><b><u>Member States shall ensure that, when the assurance of sustainability reporting is carried out by an audit firm, that audit firm designates at least one key sustainability partner, who can be (one of) the key audit partner(s). The audit firm shall provide the key sustainability partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.</u></b></del> CZ (Comments): See our comments to point 16a added to Article 2. PL

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	<p>(Comments):</p> <p>We understand that the wording “who can be (one of) the key audit partner(s)” means that the audit firm may designate the key audit partner(s) to be the key sustainability partner(s) at the same time. However it should not be interpreted as a requirement and the audit firm may decide to designate other statutory auditor(s) as the key sustainability partner(s). We would be grateful for confirming this understanding.</p> <p>DE</p> <p>(Comments):</p> <p><b>Art. 24b para 1 Audit Directive:</b> Which persons may fall under the term ‘key sustainability partners’? Could you give some examples related to environmental matters with respect to EU-law?</p>
<p>Securing audit quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner(s) <b><u>and, where applicable, the key sustainability partner(s)</u></b> to be designated. The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit. <b><u>The key sustainability partner shall be actively involved in the carrying-out and of</u></b> the assurance of sustainability reporting.’;</p>	<p>CZ</p> <p>(Drafting):</p> <p>Securing audit quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner(s) <b><u>and, where applicable, the key sustainability partner(s)</u></b> to be designated. The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit. <b><u>The key sustainability partner shall be actively involved in the carrying-out and of</u></b> the assurance of sustainability reporting.’;</p> <p>CZ</p> <p>(Comments):</p> <p>See our comments to point 16a added to Article 2.</p> <p>PL</p> <p>(Drafting):</p> <p>Securing audit quality, independence and competence shall be the main criteria</p>

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	<p>when the audit firm selects the key audit partner(s) <b><u>and, where applicable, the key sustainability partner(s)</u></b> to be designated. The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit. <b><u>The key sustainability partner(s) shall be actively involved in the carrying-out and of</u></b> the assurance of sustainability reporting.’;</p> <p>PL</p> <p>(Comments):</p> <p>The proposed change aims at maintaining the consistency of the wording throughout the whole text (for example with two preceding sentences).</p>
<p>(b) the following paragraph 2a is inserted:</p>	
<p>‘2a. When carrying out the assurance of sustainability reporting, the statutory auditor shall devote sufficient time to the engagement and shall assign sufficient resources to enable him or her to carry out his or her duties appropriately.’;</p>	
<p>(c) in paragraph 4, point (c) is replaced by the following:</p>	<p>PL</p> <p>(Drafting):</p> <p>(c) in paragraph 4, points (b) and (c) are replaced by the following:</p> <p>PL</p> <p>(Comments):</p> <p>There is a need to amend point (b) as well (see the justification on point (b) below).</p>
	<p>PL</p> <p>(Drafting):</p> <p>‘(b) in the case of an audit firm, the name(s) of the key audit partner(s) and , where applicable, the name(s) of the key sustainability partner(s);’</p>

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	<p>PL</p> <p>(Comments):</p> <p>Since the audit firm will have to appoint the key sustainability partner(s) for the purpose of the assurance of sustainability reporting, this information should also be included in the client account. Therefore point (b) should also be adjusted.</p>
‘(c) the fees charged for the statutory audit, for the assurance of sustainability reporting and the fees charged for other services in any financial year.’;	
(d) paragraph 5 is replaced by the following:	
‘5. A statutory auditor or an audit firm shall create an audit file for each statutory audit. <del>The audit file shall also include information related to the assurance of sustainability reporting, where applicable.</del> ’	<p>HU</p> <p>(Drafting):</p> <p><del>‘5. — A statutory auditor or an audit firm shall create an audit file for each statutory audit.</del></p> <p>HU</p> <p>(Comments):</p> <p>By deleting the part on sustainability, the existing text of the Directive is not changed! We recommend that the provision be revised.</p>
<b><u>The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b(1) of this Directive, and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.</u></b>	<p>HU</p> <p>(Drafting):</p> <p><del>The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b(1) of this Directive, and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.</del></p> <p>HU</p>

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	<p>(Comments):</p> <p>By deleting the part on sustainability, the existing text of the Directive is not changed! We recommend that the provision be revised.</p> <p>PL</p> <p>(Drafting):</p> <p><b><u>The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b of this Directive, and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>We understand that the proposed wording is copied from the current wording of Article 24b para. 5. However it should be noted that Article 22b referred to in this paragraph 5 has no paragraphs (therefore the reference should be to the whole text of Article 22b).</p>
<p><b><u>The statutory auditor or the audit firm shall retain any other data and documents that are of importance in support of the report referred to in Articles 28 of this Directive and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014 and for monitoring compliance with this Directive and other applicable legal requirements.</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>The statutory auditor or the audit firm shall retain any other data and documents that are of importance in support of the report referred to in Articles 28 of this Directive and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014 and for monitoring compliance with this Directive and other applicable legal requirements.</del></p> <p>HU</p> <p>(Comments):</p> <p>By deleting the part on sustainability, the existing text of the Directive is not changed! We recommend that the provision be revised.</p>



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<p><b><u>The audit file shall be closed no later than 60 days after the date of signature of the audit report referred to in Article 28 of this Directive and, where applicable, Article 10 of Regulation (EU) No 537/2014.</u></b>’;</p>	<p>HU (Drafting): The audit file shall be closed no later than 60 days after the date of signature of the audit report referred to in Article 28 of this Directive and, where applicable, Article 10 of Regulation (EU) No 537/2014.’; HU (Comments): By deleting the part on sustainability, the existing text of the Directive is not changed! We recommend that the provision be revised.</p>
<p><b><u>(e) paragraph 5a is added:</u></b></p>	
<p><b><u>‘5a. A statutory auditor or an audit firm shall create an assurance file for each assurance engagement of sustainability reporting.</u></b></p>	
<p><b><u>The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b and 25b as regards the assurance of sustainability reporting.</u></b></p>	<p>PL (Drafting): <b><u>The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b as regards the assurance of sustainability reporting.</u></b> PL (Comments): The reference to Article 25b is not clear. In our opinion it should be deleted as there is no justification to impose the requirement to document data referred to in Articles 21, 23, 24 or 24a (these are the articles mentioned in Article 25b). First of all <u>there is no similar requirement (i.e. to document data pursuant to those articles) in case of statutory audits of financial statements (see Article 24b para. 5 second subparagraph which states that the statutory auditor/audit</u></p>

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	<p>firm shall document at least the data recorded pursuant to Article 22b(1) of the Directive). Furthermore it is not clear what for and how the statutory auditor carrying out the assurance of sustainability reporting would document the professional scepticism (Article 21), secrecy and confidentiality (Article 23), his/hers independence from the owners and management/supervisory bodies of the audit firm (Article 24) or internal organisation (Article 24a). As regards art. 22 (independence and objectivity), also mentioned in Article 25b, the requirement to document the compliance with this provision is already captured by the reference to Article 22b (which requires the statutory auditor to assess and document whether he/she complies with the requirements of Article 22). Concluding, the requirement on documenting data in case of assurance engagements of sustainability reporting should be similar to the one in case of statutory audits. Therefore the reference to Article 25b should be deleted.</p>
<p><b><u>The statutory auditor or the audit firm shall retain any data and documents that are of importance in support of the report referred to in Article 28a of this Directive and for monitoring compliance with this Directive and other applicable legal requirements.</u></b></p>	<p>PL (Drafting):</p> <p><b><u>The statutory auditor or the audit firm shall retain any data and documents that are of importance in support of the report referred to in Article 28a of this Directive and for monitoring compliance with this Directive and other applicable legal requirements as regards the assurance of sustainability reporting.</u></b></p> <p>PL (Comments):</p> <p>In our opinion the text should clearly indicate that the monitoring should cover only the compliance with the Directive and other applicable legal requirements relating to the assurance of sustainability reporting.</p>
<p><b><u>The assurance file shall be closed no later than 60 days after the date of signature of the assurance report referred to in Article 28a of this Directive;</u></b></p>	

<p><b><u>Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the information of the assurance file may be included in the audit file.’;</u></b></p>	<p>PL (Drafting): <b><u>Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the assurance file may be included in the audit file.’;</u></b> PL (Comments): The change aims at making the sentence clearer. DE (Comments): <b>Art. 1, Art. 24b para. 5a subpara. 5, Art. 28a para. 5 Audit Directive:</b> Do the most recent changes in the Audit Directive with the wording “<i>where the same statutory auditor carries out</i>” mean that the assurance of both, financial and sustainability reporting, can be done by different auditors? What happens if there is overlap between the areas of assurance? In our view this is, so far, not reflected in Art. 34 para. 2 of the Accounting Directive which provides that the auditor appointed to audit the financial statements also audits the management report and thus the sustainability reporting. As we understand it, Article 34 para. 3 refers to persons other than auditors.</p>
<p><b><u>(f) paragraph 6 is replaced by the following:</u></b></p>	
<p><b><u>‘The statutory auditor or the audit firm shall keep records of any complaints made in writing about the performance of the statutory audits and the assurance engagements of sustainability reporting carried out.’</u></b></p>	

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(10) Article 25 is replaced by the following:	
'Article 25	
<b>Audit fees</b>	<p>PL</p> <p>(Drafting):</p> <p><b>Audit and assurance fees</b></p> <p>PL</p> <p>(Comments):</p> <p>The change aims at aligning the wording with the wording used in other places in the Directive (eg. Article 4 of Regulation 537/2014)</p>
Member States shall ensure that adequate rules are in place which provide that fees for statutory audits and the assurance of sustainability reporting:	<p>HU</p> <p>(Comments):</p> <p>In the case where it is part of the audit [see Article 28a(5)], it is part of the general audit fee and need not be highlighted. However, the question of independent assurance providers also arises in this case.</p>
(a) are not influenced or determined by the provision of additional services to the audited entity;	<p>PL</p> <p>(Drafting):</p> <p>(a) are not influenced or determined by the provision of additional services to the entity being subject to statutory audit or assurance of sustainability reporting;</p> <p>PL</p> <p>(Comments):</p> <p>The change aims at better reflecting the fact that this requirement applies both to the provision of statutory audits of financial statements and the assurance of</p>

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	sustainability reporting.
(b) cannot be based on any form of contingency.’;	
(11) the following Article 25b is inserted:	
‘Article 25b	
<b>Professional Ethics and Scepticism, Independence, Objectivity, Confidentiality and Professional Secrecy as regards the assurance of sustainability reporting</b>	
The requirements of Articles 21 to 24a as regards the statutory audit of financial statements shall apply <b>mutatis mutandis</b> to the assurance of sustainability reporting.’;	HU (Comments): We do not propose to introduce a separate assurance report on the sustainability report. We maintain our previous view that it should form part of the audit report now in force.
(12) the following Article 26a is inserted:	
‘Article 26a	
<b>Assurance standards for sustainability reporting</b>	HU (Comments): In the case of the assurance standard, the question arises as to whether it would be an accretion of the existing ISA 3000 and ISA 3400 standards or the creation of a new european or international standard.
1. Member States shall require statutory auditors and audit firms to carry out the assurance of sustainability reporting in compliance with	

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assurance standards adopted by the Commission in accordance with paragraph 2.	
<p><del>2. Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted</del>  <b><u>The CEAOB referred to in Article 30 of Directive 2004/109/EC shall adopt guidelines to set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts</u></b> an assurance standard covering the same subject-matter.</p>	<p>SK  (Drafting):  SK</p> <p>2. Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.</p> <p>SK  (Comments):  SK</p> <p>We have concerns with regard to unintended consequences resulting from the proposed deletion.</p> <p>It is not clear how national assurance standards that are already in place would interact with the guidelines. Furthermore, we believe that without any national standards it is not possible to have reasonable assurance for undertakings that would like to wish so as stated in Recital 53.</p> <p>We would also like to point out that the CEAOB's guidelines are non-binding. Therefore it is unclear, how the enforcement would be ensured. Furthermore, the guidelines as such cannot be considered standards as in accordance with paragraph 1 assurance standards have to be adopted by the Commission provided that conditions stated in paragraph 3 are met.</p> <p>Although we acknowledge the need for harmonisation, we believe that the CEAOB is always entitled to issue guidelines and therefore it is not necessary to introduce such a provision. With regard to harmonisation in the field of</p>

	<p>assurance standards we are also of the opinion that the same attention should be paid to standards applicable to independent assurance services providers.</p> <p>Based on this we would prefer the wording in the EC's proposal.</p> <p>HU</p> <p>(Drafting):</p> <p>2. The <b>CEAOB referred to in Article 30 of Directive 2004/109/EC shall adopt guidelines to set out the procedures that the auditor shall perform</b> in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts an assurance standard covering the same subject-matter.</p> <p>HU</p> <p>(Comments):</p> <p>It should be noted that the CEAOB Guidelines are non-statutory, non-binding legal acts, and therefore cannot be binding. In view of the above, we propose to delete it.</p> <p>LV</p> <p>(Comments):</p> <p><b>Latvia</b></p> <p>The guidelines are not binding and can be used voluntarily.</p> <p>Question: In the absence of these guidelines, and pending the adoption of appropriate assurance standards by the European Commission, will auditors continue to be able to use International Standard on Assurance Engagements (ISAE) 3000 Revised "Assurance Engagements other than audits or reviews of historical financial information"?</p> <p>CZ</p> <p>(Drafting):</p> <p>2. <del>Member States shall apply national assurance standards, procedures or</del></p>
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~~requirements as long as the Commission has not adopted~~ **The CEAOB referred to in Article 30 of Regulation (EU) 537/2014 No 537/2014 of the European Parliament and of the Council shall adopt guidelines to set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts** an assurance standard covering the same subject-matter.

CZ

(Comments):

1. The reference to the directive is incorrect 2.  
Is there any legal certainty that the CEAOB adopts guidelines at the appropriate time? Will these guidelines be adopted as guidelines of the European Commission? The question is because for example the assurance report shall be prepared in accordance with those guidelines.

SP

(Comments):

Our question is since article 26.a no longer foresees the option to adopt assurance standards on sustainability information at national level, we doubt whether the modification in article 32 paragraph 4.b) to indicate the competence of the competent authority in relation to the adoption of assurance standards on sustainability information is still valid.

NL

(Drafting):

~~2. — Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted~~ **The CEAOB referred to in Article 30 of Directive 2004/109/EC shall adopt guidelines to set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts** an assurance standard covering the same subject-matter.  
When adopting an assurance standard covering the same subject-matter the



	<p>Commission will take account of the guidelines of the CEAOB to the fullest extent possible.</p> <p>NL</p> <p>(Comments):</p> <p>For the purpose of coherence it is important that the Commission will take the guidelines of the CEAOB into account to the fullest extent when adopting an assurance standard covering the same subject-matter.</p> <p>BE</p> <p>(Comments):</p> <p><u>Questions:</u></p> <p>Are the assurance of sustainability reporting guidelines CEAOB legally binding for the procedures that auditor shall perform for its conclusions on the assurance of sustainability reporting?</p> <p>Are these guidelines replacing the ISAE3000 standard of the IAASB?</p> <p>May Member States use their own standards of assurance of sustainability reporting?</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> We agree with the proposed changes. However, we draw attention to the following:</p> <ol style="list-style-type: none"> <li>1. CEAOB guidelines are not mandatory, meaning that the desired uniformity may not be ensured;</li> <li>2. CEAOB workplan for 2022, approved in November 2021, does not contemplate the development of guidelines, but rather monitor the development of EFRAG standards and discuss the need to change the current standards sufficiently;</li> <li>3. CEAOB may not have the necessary resources to develop such guidelines in the short term.</li> </ol> <p>LT</p>
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(Comments):

We strongly support harmonised standards on assurance of sustainability reporting. Therefore, the CEAOB guidelines can not be compulsory for auditors performing assurance of sustainability reporting, as other CEAOB guidelines for auditors are not mandatory (for example, CEAOB guidelines on ESEF of 9/11/2021).

LU

(Drafting):

~~2. Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted~~ The CEAOB referred to in Article 30 of **Directive 2004/109/EC Regulation EU 537/2014** shall adopt guidelines to set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts an assurance standard covering the same subject-matter

LU

(Comments):

The reference “referred to in Article 30 of Directive 2004/109/EC” does not seem to be correct, and should be replaced by “referred to in Article 30 of Regulation EU 537/2014”.

In addition, CEAOB guidelines are not binding and we see a risk that these guidelines will not be applied homogeneously in all Member States.

PL

(Drafting):

~~2. Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted~~ Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject-matter.

PL

(Comments):

According to Article 30 para. 9 of Regulation 537/2014 CEAOB may adopt non-binding guidelines and opinions. Thus it is up to the Member State or the competent authority whether to follow these guidelines. Therefore it should be maintained that it is the Member State to decide what assurance standards should be applied by statutory auditors/audit firms until the Commission adopts the common European assurance standard for reasonable assurance of sustainability reporting. Of course the CEAOB may issue some guidelines which would facilitate the coherent approach to limited assurance of sustainability reporting among Member States, but still the final decision whether to apply these guidelines should rest with a particular Member State. Such guidelines may be issued by the CEAOB without introducing any additional provisions in the Audit Directive – the current wording of Article 30 para. 9 of Regulation 537/2014 constitutes a sufficient legal basis allowing issuing such guidelines.

DE

(Comments):

**Art. 26a para 2 Audit Directive:** We welcome the greater role which is envisaged for the CEAOB. However, the CEAOB itself is not a standard setter, it is composed of the supervisory authorities of the Member States. The CEAOB also does not have the resources needed for standard setting and can therefore only give guidance on which international standards should apply.

DK

(Drafting):

~~2. — Member States shall apply national assurance standards, procedures or requirements as long as the Commission has not adopted~~ **The CEAOB referred to in Article 30 of Directive 2004/109/EC Regulation (EU) No 537/2014 shall adopt guidelines to set out the procedures that the auditor**

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	<p><b><u>shall perform in order to draw its conclusions on the assurance of sustainability reporting until the Commission adopts</u></b> an assurance standard covering the same subject-matter.</p> <p>DK</p> <p>(Comments):</p> <p>There seems to be a wrong reference to Directive 2004/109/EC which probably should be Regulation (EU) No 537/2014.</p>
<p><del>Member States shall communicate the assurance procedures or requirements to the Commission at least three months before their entry into force.</del></p>	<p>SK</p> <p>(Drafting):</p> <p>SK</p> <p>Member States shall communicate the assurance procedures or requirements to the Commission at least three months before their entry into force.</p> <p>SK</p> <p>(Comments):</p> <p>SK</p> <p>Please see our comments on Article 26a, first subparagraph.</p> <p>PL</p> <p>(Drafting):</p> <p><del>Member States shall communicate the assurance procedures or requirements to the Commission at least three months before their entry into force.</del> Member States shall communicate the assurance procedures or requirement to the Commission at least three months before their entry into force.</p> <p>PL</p>

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	<p>(Comments): The original text should be restored due to the changes proposed in the second subparagraph above.</p>
<p>3. The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 48a, the assurance standards referred to in paragraph 1 in order to set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting, including engagement planning, risk consideration and response to risks and type of conclusions to be included in the audit report.</p>	
<p><b><u>The Commission shall adopt assurance standards for reasonable assurance no later than [7 years after the entry into force of the CSRD]</u></b></p>	<p>HU (Drafting): The Commission shall adopt assurance standards for reasonable assurance no later than [7 years after the entry into force of the CSRD]</p> <p>HU (Comments): We propose a shorter timeframe for the adoption of assurance standards, instead of 7 years.</p> <p>LV (Comments): <b>Latvia</b> We would like to get more clarification on this term - what is the basis for such a deadline? Our concern - isn't it too long? Why it is not possible to adopt such standards in the shorter term?</p> <p>NL (Drafting):</p>

	<p>The Commission shall adopt assurance standards for reasonable assurance no later than 5 years after each respective application date referred to in Article 5, paragraph 1, points (a) to (c) [of the CSRD] for the Articles 1 to 3 [of the CSRD], and after obtaining technical advice, including a cost-benefit analysis, from EFRAG and consultation of amongst others the Member State Expert Group on Sustainable Finance.</p> <p>NL</p> <p>(Comments):</p> <p>In the timeline for adoption of the standards for reasonable assurance the phase-in approach of this Directive as set out in Article 5 paragraph 1 should be followed. This means that the standards for reasonable assurance should first apply to undertakings which currently already report non-financial information (e.g. the undertaking mentioned in Article 5, paragraph 1 subparagraph a), and a year later to the undertakings mentioned in Article 5, paragraph 1 subparagraph b, and then a year later to the undertakings mentioned in Article 5, paragraph 1 subparagraph c. Furthermore, standards for reasonable assurance can only be adopted after the Commission has obtained technical advice, including a cost-benefit analysis, from EFRAG and after a broad consultation by the Commission of amongst others the Member State Expert Group on Sustainable Finance.</p> <p>BE</p> <p>(Comments):</p> <p>What is the reason for the choice of the deadline of seven years after the entry into force of this Directive?</p> <p>AT</p> <p>(Comments):</p> <p>It is important to implement uniform standards across the EU. We support the principle to include a deadline, which is important for reasons of legal certainty.</p>
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The Commission may adopt the assurance standards only where they:	
(a) have been developed with proper due process, public oversight and transparency;	<p>LU</p> <p>(Drafting):</p> <p>(a) have been developed with proper due process, public oversight and transparency, <b><u>and are generally accepted internationally;</u></b></p> <p>LU</p> <p>(Comments):</p> <p>In order to achieve consistency with Article 26(3) of Directive 2006/43/EC.</p>
(b) contribute a high level of credibility and quality to the annual or consolidated sustainability reporting;	
(c) are conducive to the Union public good.?’	
	<p>LU</p> <p>(Drafting):</p> <p><b><u>(d) do not amend any of the requirements of this Directive or supplement any of its requirements apart from those set out in Chapter IV and Articles 27a and 28a.</u></b></p> <p>LU</p> <p>(Comments):</p> <p>In order to achieve consistency with article 26(3) the point (d) “do not amend any of the requirements of this Directive or supplement any of its requirements apart from those set out in Chapter IV and Articles 27a and 28” should be added.</p>
4. <del>Where the Commission adopts standards for reasonable assurance,</del>	

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<p><del>the opinion referred to in Article 34(1), second subparagraph, point (aa) of Directive 2013/34/EU shall be based on a reasonable assurance engagement.’; [Moved to Article 34 AD]</del></p>	
<p><b><u>4.a In accordance with Article 30(7), point (b) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, the CEAOB shall provide expert advice to the Commission at its request on issues related to the implementation of this Article.’</u></b></p>	<p>PL (Drafting):</p> <p><b><u>4.a In accordance with Article 30(7), point (b) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, the CEAOB shall provide expert advice to the Commission at its request on the preparation of the assurance standards for reasonable assurance of sustainability reporting.’</u></b></p> <p>PL (Comments):</p> <p>According to recital 53 the CEAOB should provide expert advice to the Commission on the preparation of the sustainability assurance standards. But the text of paragraph 4 does not reflect that. The proposed change aims at making the text of the article corresponding to the text in the recital. Nevertheless it is not clear what is meant by “provide expert advice”. Should it be understood that the CEAOB should prepare the draft of the standard which the Commission could ultimately adopt (similarly to the construction that has been proposed in case of sustainability reporting standards where EFRAG is to prepare the draft standards which the Commission could adopt)? Or it will be the Commission that will develop the draft standard which then will be subject to the opinion of the CEAOB?</p>
<p>(13) the following Article 27a is inserted:</p>	<p>PL (Comments):</p> <p>Article 27a needs further clarification.</p>



‘Article 27a	
<b>Assurance of consolidated sustainability reporting</b>	
The requirements of Article 27 as regards the audit of consolidated financial statements shall apply <i>mutatis mutandis</i> to the assurance of consolidated sustainability reporting. <sup>2</sup> ;	CZ (Drafting): The requirements of Article 27 as regards the audit of consolidated financial statements shall apply <b>where applicable</b> <i>mutatis mutandis</i> to the assurance of consolidated sustainability reporting.’;
<b><u>1. Member States shall ensure that in the case of an assurance engagement of consolidated sustainability reporting of a group of undertakings:</u></b>	CZ (Drafting): <del><b><u>1. Member States shall ensure that in the case of an assurance engagement of consolidated sustainability reporting of a group of undertakings:</u></b></del>
<b><u>(a) in relation to the consolidated sustainability reporting, the group auditor bears the full responsibility for the assurance report referred to in Article 28a of this Directive;</u></b>	CZ (Drafting): <del><b><u>(a) in relation to the consolidated sustainability reporting, the group auditor bears the full responsibility for the assurance report referred to in Article 28a of this Directive;</u></b></del> CZ (Comments): Who is the group auditor in case of assurance of sustainability reporting? Who is third-country auditor(s) and third-country audit entity(ies) in relation to assurance of sustainability reporting? LU

	<p>(Drafting):</p> <p>(a) in relation to the consolidated sustainability reporting, <b><u>the group auditor key sustainability partner</u></b> bears the full responsibility for the assurance report referred to in Article 28a of this Directive;</p> <p>LU</p> <p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading.</p>
<p><b><u>(b) the group auditor evaluates the assurance work performed by any third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies), or audit firm(s) for the purpose of the group audit, and documents the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor's review of relevant parts of those auditors' assurance documentation;</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><b><u>(b) the group auditor evaluates the assurance work performed by any third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies), or audit firm(s) for the purpose of the group audit, and documents the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor's review of relevant parts of those auditors' assurance documentation;</u></b></p> <p>LU</p> <p>(Drafting):</p> <p>(b) the <b><u>group auditor key sustainability partner</u></b> evaluates the assurance work performed by any <b><u>Independent Assurance Service Provider</u></b>, third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies), or audit firm(s) for the purpose of the <b><u>group-audit assurance engagement of consolidated sustainability reporting</u></b>, and documents the nature, timing and extent of the work performed by those <b><u>auditors assurance providers</u></b>, including, where applicable, the group auditor's review of relevant parts of those auditors' assurance documentation;</p> <p>LU</p>

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	<p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading.</p> <p>A reference to Independent Assurance Service Providers (IASP) is added, as IASPs can also be involved.</p>
<p><b><u>(c) the group auditor reviews the assurance work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group assurance engagement and documents it.</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><del><b><u>(e) the group auditor reviews the assurance work performed by third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the group assurance engagement and documents it.</u></b></del></p> <p>LU</p> <p>(Drafting):</p> <p>(c) the <b><u>group auditor key sustainability partner</u></b> reviews the assurance work performed by <b><u>Independent Assurance Service Provider</u></b>, third-country auditor(s) or statutory auditor(s) and third-country audit entity(ies) or audit firm(s) for the purpose of the assurance engagement <b><u>of consolidated sustainability reporting</u></b> and documents it.</p> <p>LU</p> <p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading.</p> <p>A reference to Independent Assurance Service Providers (IASP) is added, as IASPs can also be involved.</p>
<p><b><u>The documentation retained by the group auditor shall be such as to enable the relevant competent authority to review the work of the</u></b></p>	<p>CZ</p>

<p><b><u>group auditor.</u></b></p>	<p>(Drafting):</p> <p><b><u>The documentation retained by the group auditor shall be such as to enable the relevant competent authority to review the work of the group auditor.</u></b></p> <p>LU</p> <p>(Drafting):</p> <p>The documentation retained by the <b>group auditor key sustainability partner</b> shall be such as to enable the relevant competent authority to review the work of the <b>group auditor key sustainability partner.</b></p> <p>LU</p> <p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading.</p>
<p><b><u>For the purposes of point (c) of the first subparagraph of this paragraph, the group auditor shall request the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) concerned to the transfer of relevant documentation during the conduct of the assurance engagement of consolidated sustainability reporting, as a condition of the reliance by the group auditor on the work of those third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><b><u>For the purposes of point (c) of the first subparagraph of this paragraph, the group auditor shall request the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) concerned to the transfer of relevant documentation during the conduct of the assurance engagement of consolidated sustainability reporting, as a condition of the reliance by the group auditor on the work of those third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).</u></b></p> <p>LU</p> <p>(Drafting):</p> <p>For the purposes of point (c) of the first subparagraph of this paragraph, the <b>group auditor key sustainability partner</b> shall request the agreement of the</p>

	<p><b><u>Independent Assurance Service Provider</u></b>, third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) concerned to the transfer of relevant documentation during the conduct of the assurance engagement of consolidated sustainability reporting, as a condition of the reliance by the <b><u>group auditor key sustainability partner</u></b> on the work of those <b><u>Independent Assurance Service Provider</u></b>, third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).</p> <p>LU</p> <p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading. A reference to Independent Assurance Service Providers (IASP) is added, as IASPs can also be involved.</p>
<p><b><u>2. Where the group auditor is unable to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the relevant competent authority.</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><b><u>2. Where the group auditor is unable to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the relevant competent authority.</u></b></p> <p>LU</p> <p>(Drafting):</p> <p>2. Where the <b><u>group auditor key sustainability partner</u></b> is unable to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the relevant competent authority.</p> <p>LU</p> <p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading.</p>

<p><b><u>Such measures shall, as appropriate, include carrying out additional assurance work, either directly or by outsourcing such tasks, in the relevant subsidiary.</u></b></p>	<p>CZ (Drafting): <del><b><u>Such measures shall, as appropriate, include carrying out additional assurance work, either directly or by outsourcing such tasks, in the relevant subsidiary.</u></b></del> LU (Drafting): Such measures shall, as appropriate, include carrying out additional assurance work, either directly or by outsourcing such tasks, in the relevant subsidiary.</p>
<p><b><u>3. Where the group auditor is subject to a quality assurance review or an investigation concerning the assurance engagement of consolidated sustainability reporting of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the assurance work performed by the respective third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including any working papers relevant to the group assurance engagement.</u></b></p>	<p>CZ (Drafting): <del><b><u>3. Where the group auditor is subject to a quality assurance review or an investigation concerning the assurance engagement of consolidated sustainability reporting of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the assurance work performed by the respective third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including any working papers relevant to the group assurance engagement.</u></b></del> LU (Drafting): 3. Where the <b>group auditor key sustainability partner</b> is subject to a quality assurance review or an investigation concerning the assurance engagement of consolidated sustainability reporting of a group of undertakings, the <b>group auditor key sustainability partner</b> shall, when requested, make</p>

	<p>available to the competent authority the relevant documentation he, she or it retains concerning the assurance work performed by the respective <b><u>Independent Assurance Service Provider</u></b>, third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit, including any working papers relevant to the assurance engagement <b><u>of consolidated sustainability reporting</u></b>.</p> <p>LU</p> <p>(Comments):</p> <p>As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading. A reference to Independent Assurance Service Providers (IASP) is added, as IASPs can also be involved.</p>
<p><b><u>The competent authority may request additional documentation on the assurance work performed by any statutory auditor(s) or audit firm(s) for the purpose of the group audit from the relevant competent authorities pursuant to Article 36.</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><b><u><del>The competent authority may request additional documentation on the assurance work performed by any statutory auditor(s) or audit firm(s) for the purpose of the group audit from the relevant competent authorities pursuant to Article 36.</del></u></b></p> <p>LU</p> <p>(Drafting):</p> <p>The competent authority may request additional documentation on the assurance work performed by any statutory auditor(s) or audit firm(s) for the purpose of the <b><u>group audit assurance engagement of consolidated sustainability reporting</u></b> from the relevant competent authorities pursuant to Article 36.</p> <p>LU</p> <p>(Comments):</p>

	<p>As the IASP is not subject to quality assurance review by the same competent authority as statutory auditors, some specific dispositions should be included for the IASP to make available to requested documentation for the review by the competent authority.</p>
<p><b><u>Where the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings is carried out by an auditor or auditor(s) or an audit entity(ies) from a third country, the competent authority may request additional documentation on the assurance work performed by any third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 47.</u></b></p>	<p>CZ (Drafting):</p> <p><del><b><u>Where the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings is carried out by an auditor or auditor(s) or an audit entity(ies) from a third country, the competent authority may request additional documentation on the assurance work performed by any third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 47.</u></b></del></p> <p>LU (Drafting):</p> <p>Where the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings is carried out by an <b><u>Independent Assurance Service Provider</u></b>, an auditor or auditor(s) or an audit entity(ies) from a third country, the competent authority may request additional documentation on the assurance work performed by any third-country auditor(s) or third country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements. <b><u>referred to in Article 47.</u></b></p> <p>LU (Comments):</p> <p>A reference to Independent Assurance Service Providers (IASP) is added, as IASPs can also be involved.</p>



	<p>Moreover, as the IASP is not subject to quality assurance review by the same competent authority as statutory auditors, some specific dispositions should be included for the IASP to make available to requested documentation for the review by the competent authority.</p> <p>Cooperation with competent authorities from third countries in Article 47 does not cover specifically working paper related to assurance on sustainable reporting so we suggest to remove it.</p>
<p><b><u>By way of derogation from the third subparagraph, where an auditor or auditors or an audit entity or entities from a third country that has no working arrangements as referred to in Article 47, carried out the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the assurance work performed by such third-country auditor(s) or audit entity(ies), including the working papers relevant to the group assurance engagement. In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action. Where assurance working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.’;</u></b></p>	<p>CZ</p> <p>(Drafting):</p> <p><del><b><u>By way of derogation from the third subparagraph, where an auditor or auditors or an audit entity or entities from a third country that has no working arrangements as referred to in Article 47, carried out the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the assurance work performed by such third-country auditor(s) or audit entity(ies), including the working papers relevant to the group assurance engagement. In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action. Where assurance working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.’;</u></b></del></p>

LU

(Drafting):

By way of derogation from the third subparagraph, where an **Independent Assurance Service Provider**, auditor or auditors or an audit entity or entities from a third country that has no working arrangements **as referred to in Article 47**, carried out the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings, the **group auditor key sustainability partner** shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the assurance work performed by such **Independent Assurance Service Provider**, third-country auditor(s) or audit entity(ies), including the working papers relevant to **the group assurance engagement of consolidated sustainability reporting**. In order to ensure such delivery, the **key sustainability partner** shall retain a copy of such documentation, or alternatively agree with the **Independent Assurance Service Provider**, third-country auditor(s) or audit entity(ies) that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action. Where assurance working papers cannot, for legal or other reasons, be passed from **an Independent Assurance Service Provider**, a third country to the **key sustainability partner**, the documentation retained by the **group auditor key sustainability partner** shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the **Independent Assurance Service Provider**, third country concerned, evidence supporting the existence of such impediments.?’;

LU

(Comments):

As it is defined in Article 16a, this article should refer to the “key sustainability partner”, rather than to the group auditor which could be misleading. A reference to Independent Assurance Service Providers (IASP) is added, as IASPs can also be involved.

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	Cooperation with competent authorities from third countries in Article 47 does not cover specifically working paper related to assurance on sustainable reporting, so we suggest to delete it.
(14) In Article 28, -paragraph 2, point (e) is replaced by the following is amended as follows:	
(a) — paragraph 1 is replaced by the following:	
‘1. — The statutory auditor(s) or the audit firm(s) shall present the results of the statutory audit and, where applicable, of the assurance of sustainability reporting in an audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the Union or Member State concerned, as referred to in Article 26 and with the requirements of assurance standards adopted by the Commission or Member State concerned, as referred to in Article 26a.’;	
(b) — paragraph 2 is amended as follows:	
(i) — the following point (aa) is inserted:	
‘(aa) — specify the annual or consolidated sustainability reporting and the date and period they cover; and identify the sustainability reporting framework that has been applied in their preparation;’;	
(ii) — the following point (bb) is inserted:	
‘(bb) include a description of the scope of the assurance of sustainability reporting which shall, as a minimum, identify the assurance standards in accordance with which the assurance of sustainability reporting was conducted;’;	

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(e) — in paragraph 2, point (e) is replaced by the following:	
<p>‘(e) include <del>the</del> <b>an</b> opinions and statement, <b>both of</b> which shall be based on the work undertaken in the course of the audit, referred to in to in the second subparagraph of Article 34(1), <b>second subparagraph, points (a) and (b)</b> of Directive 2013/34/EU, where applicable (d) in paragraph 3, the following subparagraph is added:’</p>	<p>PL (Drafting): ‘(e) include the <b>an</b> opinions and statement, <b>both of</b> which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of Article 34(1), <b>second subparagraph, points (a) and (b)</b> of Directive 2013/34/EU, where applicable (d) in paragraph 3, the following subparagraph is added:’  PL (Comments): Editorial change</p>
<p>‘The requirements of the first subparagraph as regards the statutory audit shall apply to the assurance of sustainability reporting.’;</p>	
(d) — in paragraph 3, the following subparagraph is added:	
<p>‘The requirements of the first subparagraph as regards the statutory audit shall apply to the assurance of sustainability reporting.’;</p>	
(e) — in paragraph 4 the first subparagraph is replaced by the following:	
<p>‘The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the statutory audit and, where applicable, the assurance of sustainability reporting, the audit report shall bear the signature of at least the statutory auditor(s) carrying out the statutory audit and the assurance of sustainability reporting on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged, the audit report shall be signed by all statutory</p>	

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<p>auditors or at least by the statutory auditors carrying out the statutory audit and the assurance of sustainability reporting on behalf of every audit firm. In exceptional circumstances Member States may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person.<sup>2</sup>;</p>	
<p>(f) — paragraph 5 is replaced by the following:</p>	
<p>‘5. The report of the statutory auditor or the audit firm on the consolidated financial statements and, where applicable, on the consolidated sustainability reporting shall comply with the requirements set out in paragraphs 1 to 4. In reporting on the consistency of the management report and the financial statements as required by paragraph 2, point (e), the statutory auditor or the audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the statutory auditors or the audit firms required by this Article may be combined.’</p>	
<p><b>(14a)</b>      <b><u>Article 28a is added:</u></b></p>	<p>HU (Drafting): (14a) — <b>Article 28a is added:</b></p>
<p><b><u>Article 28a</u></b></p>	<p>HU (Drafting): ‘Article 28a</p>
<p><b><u>Assurance report on sustainability reporting</u></b></p>	<p>HU</p>

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	<p>(Drafting): Assurance report on sustainability reporting HU</p> <p>(Comments): We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p>
<p><b><u>1. The statutory auditor(s) or the audit firm(s) shall present the results of the assurance of sustainability reporting in an assurance report on sustainability reporting. The report shall be prepared in accordance with the requirements of assurance standards adopted by the Commission or, where applicable, the guidelines prepared by the CEAOB, as referred to in Article 26a.</u></b></p>	<p>SK</p> <p>(Drafting): SK</p> <p><b><u>1. The statutory auditor(s) or the audit firm(s) shall present the results of the assurance of sustainability reporting in an assurance report on sustainability reporting. The report shall be prepared in accordance with the requirements of national assurance standards or where applicable, the requirements of assurance standards adopted by the Commission</u></b></p> <p>SK</p> <p>(Comments): SK</p> <p>Please see our comments on Article 26a. HU</p> <p>(Drafting): <del>1. The statutory auditor(s) or the audit firm(s) shall present the results of the assurance of sustainability reporting in an assurance report on sustainability</del></p>

~~reporting. The report shall be prepared in accordance with the requirements of assurance standards adopted by the Commission or, where applicable, the guidelines prepared by the CEAOB, as referred to in Article 26a.~~

HU

(Comments):

The question arises: what happens if there is overlap between the areas of certainty?

Otherwise, we do not recommend a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.

Furthermore, we note that the CEAOB Guidance is a non-binding legal act and therefore its application should not be mandatory.

LT

(Comments):

**The same comment as in page No. 65**

CEAOB guidelines including preparation of sustainability report can not be compulsory for auditors and audit entities performing assurance of sustainability reporting. The other CEAOB guidelines for auditors and audit entities are not mandatory (for example, CEAOB guidelines on ESEF of 9/11/2021).

PL

(Drafting):

**1. The statutory auditor(s) or the audit firm(s) shall present the results of the assurance of sustainability reporting in an assurance report on sustainability reporting. The report shall be prepared in accordance with the requirements of assurance standards adopted by the Commission**

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	<p><b><u>or by Member States until the Commission adopts the assurance standards referred to in Article 26a.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>The change is linked to the change of the wording proposed in Article 26a para 1 second subparagraph.</p>
<p><b><u>2. The assurance report on sustainability reporting shall be in writing and shall:</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>2. — The assurance report on sustainability reporting shall be in writing and shall:</del></p> <p>HU</p> <p>(Comments):</p> <p>We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p> <p>LV</p> <p>(Comments):</p> <p><b>Latvia</b></p> <p>It is prescribed here what information should be included in the auditor's report, although this information is very general.</p> <p>Until the adoption of sustainability reporting standards will take place, the proposal for a directive should specify as clearly and in as much detail as possible the amount of information (such as the applicable criteria against which the adequacy of sustainability information is measured or assessed) that the auditor will need to verify. Because the scope of the auditor's responsibilities depends on it.</p>



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<p><b><u>(a) identify the entity whose annual or consolidated sustainability reporting are the subject of the assurance engagement;</u></b></p>	<p>HU (Drafting): <del>(a) identify the entity whose annual or consolidated sustainability reporting are the subject of the assurance engagement;</del> HU (Comments): We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p>
<p><b><u>(b) specify the annual or consolidated sustainability reporting and the date and period they cover; and identify the sustainability reporting framework that has been applied in their preparation;</u></b></p>	<p>HU (Drafting): <del>(b) specify the annual or consolidated sustainability reporting and the date and period they cover; and identify the sustainability reporting framework that has been applied in their preparation;</del> HU (Comments): We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p>
<p><b><u>(c) include a description of the scope of the assurance of sustainability reporting which shall, as a minimum, identify the assurance standards in accordance with which the assurance of sustainability reporting was conducted;</u></b></p>	<p>HU (Drafting): <del>(e) include a description of the scope of the assurance of sustainability</del></p>

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	<p><del>reporting which shall, as a minimum, identify the assurance standards in accordance with which the assurance of sustainability reporting was conducted;</del></p> <p>HU</p> <p>(Comments):</p> <p>We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p> <p>LU</p> <p>(Drafting):</p> <p>(c) include a description of the scope of the assurance of sustainability reporting which shall, as a minimum, identify <b><u>the CEAOB guidelines and thereafter, when available</u></b>, the assurance standards in accordance with which the assurance of sustainability reporting was conducted;</p> <p>LU</p> <p>(Comments):</p> <p>This paragraph should also refer to the CEAOB guidelines as in the first 7 years there will be no assurance standards adopted by the Commission.</p>
<p><b><u>(d) Include the opinion based on the work undertaken in the course of the assurance of sustainability reporting referred to in Article 34a(1), second subparagraph, point (aa) of Directive 2013/34/EU.</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>(d) — Include the opinion based on the work undertaken in the course of the assurance of sustainability reporting referred to in Article 34a(1), second subparagraph, point (aa) of Directive 2013/34/EU.</del></p> <p>HU</p> <p>(Comments):</p> <p>We do not propose to introduce a separate assurance report on the sustainability</p>

	<p>report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p> <p>Neither the current provision of the Accounting Directive nor the draft contains Article 34a. It is proposed to revise this provision.</p> <p>PL</p> <p>(Drafting):</p> <p><b><u>(d) Include the opinion based on the work undertaken in the course of the assurance of sustainability reporting, referred to in Article 34(1), second subparagraph, point (aa) of Directive 2013/34/EU.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>There is a need to insert the comma as the phrase “referred to in art. 34(1) second subparagraph point (aa)” relates to “the opinion” and not to “the assurance of sustainability reporting”.</p> <p>The second change is of an editorial character as there is no Article 34a, but Article 34 which deals with the opinion of the statutory auditor on the sustainability reporting.</p>
<p><b><u>3. Where the assurance on sustainability reporting was carried out by more than one statutory auditor or audit firm, the statutory auditor(s) or the audit firm(s) shall agree on the results of the assurance engagement on sustainability reporting and submit a joint report and opinion. In the case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the assurance report on sustainability reporting and shall state the reason for the disagreement.</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>3. — Where the assurance on sustainability reporting was carried out by more than one statutory auditor or audit firm, the statutory auditor(s) or the audit firm(s) shall agree on the results of the assurance engagement on sustainability reporting and submit a joint report and opinion. In the case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the assurance report on sustainability reporting and shall state the reason for the disagreement.</del></p>

	<p>HU</p> <p>(Comments):</p> <p>If several statutory auditors or audit firms can carry out the sustainability audit and provide a joint report and opinion, this raises an additional question. For example: sanctioning issues, liability issues, remuneration issues, quality control issues...etc.</p> <p>Otherwise, we do not recommend a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p> <p>CZ</p> <p>(Comments):</p> <p>We recommend reconsidering the appropriateness of allowing the joint assurance of sustainability reporting.</p>
<p><b><u>4. The assurance report on sustainability reporting shall be signed and dated by the statutory auditor. Where an audit firm carries out the assurance of sustainability reporting, the assurance report on sustainability reporting shall bear the signature of at least the statutory auditor(s) carrying out the assurance of sustainability reporting on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged, the assurance report on sustainability reporting shall be signed by all statutory auditors or at least by the statutory auditors carrying out the assurance of sustainability reporting on behalf of every audit firm. In exceptional circumstances Member States may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person.</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>4. The assurance report on sustainability reporting shall be signed and dated by the statutory auditor. Where an audit firm carries out the assurance of sustainability reporting, the assurance report on sustainability reporting shall bear the signature of at least the statutory auditor(s) carrying out the assurance of sustainability reporting on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged, the assurance report on sustainability reporting shall be signed by all statutory auditors or at least by the statutory auditors carrying out the assurance of sustainability reporting on behalf of every audit firm. In exceptional circumstances Member States may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal</del></p>

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	<p><del>security of any person.</del></p> <p>HU</p> <p>(Comments):</p> <p>We do not recommend a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p>
<p><b><u>In any event, the name(s) of the person(s) involved shall be known to the relevant competent authorities.</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>In any event, the name(s) of the person(s) involved shall be known to the relevant competent authorities.</del></p> <p>HU</p> <p>(Comments):</p> <p>We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p>
<p><b><u>5. Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the information required in paragraphs 1 and 2 may be presented in the audit report.</u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>5. Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the information required in paragraphs 1 and 2 may be presented in the audit report.</del></p> <p>HU</p> <p>(Comments):</p>

	<p>We propose uniform rules for the audit of the sustainability report. We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b> The possibility of the entity's auditor issuing a single report, both on financial statements and on sustainability, shall create problems of comparability of reports; additionally, there are the following risks:</p> <ol style="list-style-type: none"> <li>1. Technically, they are two different services (i.e. an audit of the accounts follow ISA and the sustainability assurance follows ISAE) therefore generating different liability regimes, and requiring different filing systems and different supervisory methods;</li> <li>2. The assurance level of the reports, at an initial stage, is different and, as such, the possibility of the auditor's reporting everything in the same report may generate false expectations of assurance and increase the risk of misconception;</li> <li>3. The possibility for the auditor to include in a single report will create divergences in the preparation of the guidelines. In the case of the ESEF, there were several difficulties in stabilizing the auditor's report form, because the directive was not clear in this respect.</li> </ol> <p>The sustainability assurance should be issued together with the audited accounts and in the same timeframe (i.e. in the same "package"), but in different documents.</p>
<p><b><u>6. The report of the statutory auditor or the audit firm on the consolidated sustainability reporting shall comply with the requirements set out in paragraphs 1 to 5.<sup>2</sup></u></b></p>	<p>HU</p> <p>(Drafting):</p> <p><del>6. The report of the statutory auditor or the audit firm on the consolidated sustainability reporting shall comply with the requirements set out in paragraphs 1 to 5.<sup>2</sup></del></p>

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	<p>HU</p> <p>(Comments):</p> <p>We do not propose to introduce a separate assurance report on the sustainability report. Considering that the sustainability report is part of the annual report, we recommend that the auditor's report expresses an opinion within the opinion on the annual report.</p>
(15) Article 29 is amended as follows:	
(a) in paragraph 1, point (d) is replaced by the following:	
<p>‘(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting and, <b>where appropriate,</b> in the assurance of sustainability reporting and sustainability reporting <b>or other sustainability related services</b> combined with specific training on quality assurance reviews;’;</p>	<p>ES</p> <p>(Comments):</p> <p>Article 29.1.d) regarding the requirements that reviewers should have to carry out the quality assurance review includes experience in “other services related to sustainability”, we would like the Commission to explain a Little bit this services and their content, to have a clear idea in this requirements.</p> <p>MT</p> <p>(Drafting):</p> <p>‘(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting and, where <del>appropriate</del> <b>applicable,</b> in the assurance of sustainability reporting and sustainability reporting <b>or other sustainability related services</b> combined with specific training on quality assurance reviews;’;</p> <p>MT</p> <p>(Comments):</p> <p>As regards the professional education and relevant experience that persons who</p>

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	<p>carry out quality assurance reviews should possess, MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p> <p>PL</p> <p>(Comments):</p> <p>The requirement to provide assurance on sustainability reporting will be a new requirement. Therefore there is a very limited number of persons on our market that have practical experience in that area. Thus it will be difficult, at least in the initial period, for the competent authority to attract persons with such practical experience in the assurance of sustainability reporting for the purpose of carrying out quality assurance reviews. For that reason, in order for the competent authority to meet this requirement, it is essential that statutory auditors, who will obtain the right to provide the assurance of sustainability reporting based on the grandfathering clause referred to in Article 14a first subparagraph, are deemed to meet the requirement of having the relevant experience in the assurance of sustainability reporting referred to in point (d). This way the competent authority will be able to use such statutory auditors as the reviewers. Alternatively, an appropriately long transitional period should be introduced during which the requirement to have relevant experience in the assurance of sustainability reporting will not apply. This will enable the competent authority to adapt properly to this new requirement and find persons with relevant professional experience.</p> <p>As a result the text of recital 62 should be supplemented accordingly.</p>
<p><b>(aa) in paragraph 1, point (f) is replaced by the following:</b></p>	
<p><b><u>‘(f) the scope of the quality assurance review, supported by adequate testing of selected audit files and, where appropriate assurance files, shall include an assessment of compliance with applicable auditing standards and, where appropriate, assurance standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm;’</u></b></p>	<p>ES</p> <p>(Drafting):</p> <p><b><u>‘(f) the scope of the quality assurance review, supported by adequate testing of selected audit files and, where appropriate assurance files, shall include an assessment of compliance with applicable auditing standards and, where appropriate, assurance standards and independence</u></b></p>



**requirements, of the quantity and quality of resources spent, of the audit and assurance of sustainability information fees charged and of the internal quality control system of the audit firm;'**

ES

(Comments):

Article 29.1.f) in the scope of the quality assurance review a mention to the audit fees is included, we question whether a mention to the assurance on sustainability information should also be included.

MT

(Drafting):

**'(f) the scope of the quality assurance review, supported by adequate testing of selected audit files and, where appropriate applicable assurance files, shall include an assessment of compliance with applicable auditing standards and, where appropriate applicable, assurance standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm;'**

MT

(Comments):

As regards the professional education and relevant experience that persons who carry out quality assurance reviews should possess, MT recommends that the term "where appropriate" is replaced with *where applicable*.

PL

(Drafting):

**'(f) the scope of the quality assurance review, supported by adequate testing of selected audit files and, where appropriate assurance files, shall**

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	<p><b><u>include an assessment of compliance with applicable auditing standards and, where appropriate, assurance standards and independence requirements, of the quantity and quality of resources spent, of the audit fees and assurance fees charged and of the internal quality control system of the audit firm;</u></b></p> <p>PL</p> <p>(Comments):</p> <p>There is a need to insert “assurance fees” as they should also be within the scope of the quality assurance review to check whether they meet the criteria of the changed Article 25 (which introduced a requirement that also assurance fees may not be influenced or determined by the provision of additional services as well as cannot be based on any form of contingency).</p>
<p>(b) in paragraph 1, point (h) is replaced by the following:</p>	
<p>‘(h) quality assurance reviews shall take place on the basis of an analysis of the risk and, in the case of statutory auditors and audit firms carrying out statutory audits as defined in Article 2, point (1)(a), and, where applicable, carrying out assurance engagements of sustainability reporting, at least every six years;’;</p>	
<p>(c) in paragraph 2, point (a) <b>is replaced</b> by the following:</p>	
<p>‘(a) reviewers shall have appropriate professional education and relevant experience in statutory audit and financial reporting and, <b>where appropriate,</b> in the assurance of sustainability reporting and sustainability reporting combined with specific training on quality assurance reviews;’;</p>	<p>BE</p> <p>(Comments):</p> <p>BE prefers to delete the added words “where appropriate”.</p> <p>MT</p> <p>(Drafting):</p> <p>‘(a) reviewers shall have appropriate professional education and relevant</p>

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	<p>experience in statutory audit and financial reporting and, where <del>appropriate</del> <b>applicable</b> in the assurance of sustainability reporting and sustainability reporting combined with specific training on quality assurance reviews;’;</p> <p>MT</p> <p>(Comments):</p> <p>As regards the professional education and relevant experience that persons who carry out quality assurance reviews should possess, MT recommends that the term “where appropriate” is replaced with <i>where applicable</i>.</p> <p>PL</p> <p>(Comments):</p> <p>Please refer to our comment on paragraph 1 point (d).</p>
<p>(15a) <b><u>in Article 30, paragraphs 1 and 2 are replaced by the following:</u></b></p>	
<p><b><u>‘1. Member States shall ensure that there are effective systems of investigations and sanctions to detect, correct and prevent inadequate execution of the statutory audit and the assurance of sustainability reporting.</u></b></p>	
<p><b><u>2. Without prejudice to Member States' civil liability regimes, Member States shall provide for effective, proportionate and dissuasive sanctions in respect of statutory auditors and audit firms, where statutory audits and assurance engagements of sustainability reporting are not carried out in conformity with the provisions adopted in the implementation of this Directive, and, where applicable, Regulation (EU) No 537/2014.</u></b></p>	
<p><b><u>Member States may decide not to lay down rules for administrative sanctions for infringements which are already subject to national criminal law. In that event, they shall communicate to the</u></b></p>	

<b><u>Commission the relevant criminal law provisions.</u></b>	<p>PL</p> <p>(Drafting):</p> <p>(15aa) in Article 30a, paragraph 1, point (cc) is inserted:          ‘(cc) a temporary prohibition, up to three years’ duration, banning the statutory auditor, the audit firm or the key assurance partner from carrying out the assurance of sustainability reporting and/or signing assurance reports.’</p> <p>PL</p> <p>(Comments):</p> <p>It is not clear to us whether the lack of an amendment in point (c) is intentional. Nevertheless we believe that a similar sanction as envisaged in point (c) should apply in case of the assurance of sustainability reporting (i.e. there should be a sanction of a temporary prohibition to carry out the assurance of sustainability reporting).</p>
<b><u>(15b) in Article 30a, paragraph 1, point (dd) is inserted:</u></b>	
<b><u>‘(dd) a declaration that the assurance report does not meet the requirements of Article 28a of this Directive;’</u></b>	<p>HU</p> <p>(Comments):</p> <p>A question arises as to what happens if, according to Article 28a (5), the same statutory auditor carries out the statutory audit of the annual financial statements and the assurance on the sustainability report, the sustainability information can be presented in the audit report. No separate assurance report is prepared in this respect.</p> <p>Furthermore we do not propose to introduce a separate assurance report on the sustainability report.</p> <p>DK</p> <p>(Comments):</p>

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(16) the following Article 30(g) is inserted:	
‘Article 30g	DK (Comments): Is it the intention that Member States can have different systems of investigations and sanctions regarding the assurance of sustainability reporting and financial reporting?
<b><del>Investigations and Sanctions as regards the Assurance of Sustainability Reporting</del></b>	
<del>The requirements of Articles 30 to 30f as regards the statutory audit of financial statements shall apply to the assurance of sustainability reporting.’;</del>	
<b>(16a) Article 32 is amendment as follows:</b>	
<b>a) in paragraph 3, subparagraph 1 is replaced by the following:</b>	
<b><u>‘3. The competent authority shall be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit, and where applicable, to the assurance of sustainability reporting. They shall be selected in accordance with an independent and transparent nomination procedure.’</u></b>	PL (Comments): As indicated above in our comment to the amendments to Article 29, there is a very limited number of persons on our market that have knowledge and practical experience in the area of the assurance of sustainability reporting. The competent authority, at least in the initial period, will have a problem with finding non-practitioners who are knowledgeable in the areas relevant to the assurance of sustainability reporting. Therefore there is a need to introduce an appropriately long transitional period during which the requirement will not be applicable.

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<b>b) paragraph 4, point b is replaced by the following:</b>	
<p><b><u>(b) the adoption of standards on professional ethics, internal quality control of audit firms, auditing and the assurance of sustainability reporting, except where those standards are adopted or approved by other Member State authorities;</u></b></p>	<p>ES (Drafting): <b><u>(b) the adoption of standards on professional ethics, internal quality control of audit firms <del>and</del>, auditing <del>and the assurance of sustainability reporting</del>, except where those standards are adopted or approved by other Member State authorities;</u></b></p> <p>ES (Comments): Our question is since article 26.a no longer foresees the option to adopt assurance standards on sustainability information at national level, we doubt whether the modification in article 32 paragraph 4.b) to indicate the competence of the competent authority in relation to the adoption of assurance standards on sustainability information is still valid.</p>
(17) the following Article 36(a) is inserted:	
'Article 36a	
<b>Public Oversight and Regulatory Arrangements between Member States as regards the assurance of sustainability reporting</b>	
The requirements of Articles <del>32, 33</del> , 34 and 36 as regards the statutory audit of financial statements shall apply <i>mutatis mutandis</i> to the assurance of sustainability reporting.';	
(18) the following Article 38a is inserted:	

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‘Article 38a	
<b>Appointment and dismissal as regards the assurance of sustainability reporting</b>	<p>DK</p> <p>(Comments):</p> <p>We would like an elaboration on the reasoning behind deleting this article and the consequences hereof. Particularly if the sustainability reporting is not assured by the statutory auditor.</p>
<del>The requirements of Articles 37 and 38 as regards the statutory audit of financial statements shall apply to the assurance of sustainability reporting.’;</del>	<p>PL</p> <p>(Comments):</p> <p>Does the deletion of Article 38a mean that the EU law shall regulate only selected aspects relating to the appointment and dismissal of the statutory auditor/audit firm as regards the assurance engagement of sustainability reporting? We believe that all aspects regulated in Articles 37 and 38 concerning the statutory audit should also be applicable to the assurance engagement of sustainability reporting. Below we provide a proposed wording.</p>
	<p>PL</p> <p>(Drafting):</p> <p>In Article 37, paragraphs 1, the second subparagraph is inserted:  ‘The provisions of the first subparagraph shall apply to the appointment of the statutory auditor or audit firm for the purpose of assurance of sustainability reporting.’</p> <p>In Article 37, paragraphs 2, the second subparagraph is inserted:  ‘The provisions of the first subparagraph shall apply to the appointment of the statutory auditor or audit firm for the purpose of assurance of sustainability reporting.’</p> <p>PL</p>

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	<p>(Comments):</p> <p>As indicated above in our opinion there is a need to amend paragraphs 1 and 2 in order for the similar rules on the appointment of the statutory auditor or audit firm to be also applicable in case of the assurance engagement of sustainability reporting (in recital 64 it is clearly stated that the rules on the appointment of statutory auditors/audit firms carrying out statutory audit should be extended to the assurance of sustainability reporting).</p>
<b>(18a) in Article 37, paragraph 3 is replaced by the following:</b>	
<b><u>‘3. Any contractual clause restricting the choice by the general meeting of shareholders or members of the audited entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms as regards the appointment of a particular statutory auditor or audit firm to carry out the statutory audit and, where applicable, the assurance of sustainability reporting of that entity shall be prohibited. Any such existing clauses shall be null and void.’</u></b>	
<b>(18b) in Article 38, paragraph 1 is replaced by the following:</b>	<p>PL</p> <p>(Drafting):</p> <p><b>(18b) in Article 38, paragraph 1 is replaced by the following:</b></p>
<b><u>‘1. Member States shall ensure that statutory auditors or audit firms may be dismissed only where there are proper grounds. Divergence of opinions on accounting treatments, audit procedures or where applicable on sustainability reporting or assurance procedures shall not be proper grounds for dismissal.’</u></b>	
	<p>PL</p> <p>(Drafting):</p> <p>(18c) In Article 38, paragraph 2, the second subparagraph is inserted:</p>



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	<p>‘The information obligation referred to in the first subparagraph shall also apply to the assurance engagement of sustainability reporting.’</p> <p>PL</p> <p>(Comments):</p> <p>As indicated above in our opinion there is a need to amend paragraph 2 in order for the obligation to inform the competent authority about the dismissal or resignation of the statutory auditor or audit firm to be applicable also in case of the assurance engagement of sustainability reporting (in recital 64 it is clearly stated that the rules on the dismissal of statutory auditors/audit firms carrying out statutory audit should be extended to the assurance of sustainability reporting).</p>
<p>(19) in Article 39, paragraph 6, points (a) to (e) are replaced by the following:</p>	
<p>‘(a) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and of the outcome of the assurance of sustainability reporting and explain how the statutory audit and the assurance of sustainability reporting contributed to the integrity of financial and sustainability reporting <b>respectively</b>, and what the role of the audit committee was in that process;</p>	<p>PL</p> <p>(Drafting):</p> <p>‘(a) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and, where applicable, of the outcome of the assurance of sustainability reporting and explain how the statutory audit and the assurance of sustainability reporting contributed to the integrity of financial and sustainability reporting <b>respectively</b>, and what the role of the audit committee was in that process;</p> <p>PL</p> <p>(Comments):</p> <p>The amendment is necessary in order to take account of the fact that not all PIEs will be subject to the obligation of sustainability reporting (eg. small and medium-sized banks or insurers).</p>

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<p>(b) monitor the financial and sustainability reporting process, including the digital reporting process referred to in Article <del>129d</del> <b>of Directive 2013/34/EU</b> and the process carried out by the undertaking to identify the information reported according to the standards adopted pursuant to Article <del>129b</del> of Directive 2013/34/EU, and submit recommendations or proposals to ensure its integrity;</p>	<p>PL (Drafting): (b) monitor the financial and, where applicable, sustainability reporting process, including the digital reporting process referred to in Article <del>129d</del> <b>of Directive 2013/34/EU</b> and the process carried out by the undertaking to identify the information reported according to the standards adopted pursuant to Article <del>129b</del> of Directive 2013/34/EU, and submit recommendations or proposals to ensure its integrity; PL (Comments): See the justification to point (a).</p>
<p>(c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial and sustainability reporting of the audited entity, including its digital reporting as referred to in Article <del>129d</del> <b>of Directive 2013/34/EU</b>, without breaching its independence;'</p>	<p>PL (Drafting): (c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial and, where applicable, sustainability reporting of the audited entity, including its digital reporting as referred to in Article <del>129d</del> <b>of Directive 2013/34/EU</b>, without breaching its independence;' PL (Comments): See the justification to point (a).</p>
<p>(d) monitor the statutory audit of the annual and consolidated financial statements and the assurance of the annual and consolidated sustainability reporting, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014;</p>	<p>PL (Drafting): (d) monitor the statutory audit of the annual and consolidated financial statements and, where applicable, the assurance of the annual and consolidated</p>

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	<p>sustainability reporting, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014;</p> <p>PL</p> <p>(Comments):</p> <p>See the justification to point (a).</p>
(e) review and monitor the independence of the statutory auditors or the audit firms in accordance with Articles 22, 22a, 22b, 24a, 24b and 25b of this Directive and Article 6 of Regulation (EU) No 537/2014, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;’;	
(20) Article 45 is amended as follows:	
(a) paragraph 1 is replaced by the following:	
<p>‘1. The competent authorities of a Member State shall, in accordance with Articles 15, 16 and 17, register every third-country auditor and audit entity, where that third-country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements and, where applicable, concerning annual or consolidated sustainability reporting of an undertaking incorporated outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of Article 4(1), point (14), of Directive 2004/39/EC, except where the undertaking in question exclusively issues outstanding debt securities for which one of the following applies:</p>	<p>PL</p> <p>(Drafting):</p> <p>‘1. The competent authorities of a Member State shall, in accordance with Articles 15, 16 and 17, register every third-country auditor and audit entity, where that third-country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements and, where applicable, an assurance report concerning annual or consolidated sustainability reporting of an undertaking incorporated outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of Article 4(1), point (14), of Directive 2004/39/EC, except where the undertaking in question exclusively issues outstanding debt securities for which one of the following applies:</p> <p>PL</p>

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	<p>(Comments):</p> <p>The amendment aims at taking account of the fact that according to the proposed new Article 28a the statutory auditor/audit firm will have to issue an assurance report.</p>
<p>(a) those securities have been admitted to trading on a regulated market in a Member State within the meaning of Article 2(1), point (c), of Directive 2004/109/EC of the European Parliament and of the Council<sup>33</sup> prior to 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 50 000 or, in the case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50 000;</p>	
<p>(b) those securities are admitted to trading on a regulated market in a Member State within the meaning of Article 2(1), point (c), of Directive 2004/109/EC from 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 100 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100 000.’;</p>	
	<p>PL</p> <p>(Comments):</p> <p>It is not clear to us whether a third-country auditor or a third-country audit entity will have a legal obligation to issue an opinion referred to in Article 34(1) second subparagraph point (aa).</p> <p>It is not clear to us whether the competent authority of a Member State may register a third-country auditor or a third-country audit entity if there is no legal obligation in a given third country for such auditor or audit entity to carry out</p>

<sup>33</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).’;

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	<p>the assurance of sustainability reporting.                  Finally it is not clear to us whether it is possible to register a third-country auditor or third-country audit entity separately for the purpose of auditing the financial statements and separately for the purpose of the assurance of sustainability reporting. In a situation when different third-country audit entities provide these two assurance engagements, do both of them have to meet the same requirements?                  We would ask for clarification on these points.</p>
(b) in paragraph 5, the following point (dd) is inserted:	
‘(dd) the assurance of the annual or consolidated sustainability reporting referred to in paragraph 1 are carried out in accordance with assurance standards as referred to in Article 26a, as well as the requirements laid down in Articles 22, 22b, 25 and 25b, <b>or with equivalent standards and requirements</b> ’;	
(c) paragraph 5a is replaced by the following:	
‘5a. A Member State may register a third-country auditor only if he or she meets the requirements set out in paragraph 5, points (c), (d), (dd) and (e).’;	
<b>(ca) paragraph 6 is replaced by the following:</b>	
<b><u>‘6. In order to ensure uniform conditions of application of points (d) and (dd) of paragraph 5 of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2). Member States may assess the equivalence referred to in points (d) and (dd) of paragraph 5 of this Article as long as the Commission has not taken any such decision.</u></b>	


<p><b><u>The Commission shall be empowered to adopt delegated acts in accordance with Article 48a for the purpose of establishing the general equivalence criteria to be used in assessing whether the audits of the financial statements and, where applicable, the assurance of sustainability reporting referred to in paragraph 1 of this Article are carried out in accordance with international auditing standards as referred to in Article 26 and with assurance standards as referred to in Article 26a, respectively, and with the requirements laid down in Articles 22, 24 and 25. Such criteria, which are applicable to all third countries, shall be used by Member States when assessing equivalence at national level.’.</u></b></p>	
<p>(21) Article 48a is amended as follows:</p>	
<p>(a) in paragraph 2 the following subparagraph is added:</p>	<p>CZ (Drafting): (a) <del>in paragraph 2 the following subparagraph is added:</del></p>
<p>‘The power to adopt delegated acts referred to in Article 26a(2) shall be conferred on the Commission for an indeterminate period of time.’;</p>	<p>CZ (Drafting): <del>‘The power to adopt delegated acts referred to in Article 26a(2) shall be conferred on the Commission for an indeterminate period of time.’;</del> CZ (Comments): Article 26a (3) provides that the Commission shall adopt assurance standards for reasonable assurance no later than [7 years after the entry into force of the CSRD]. Added subparagraph in paragraph 2 of Article 48a should thus be deleted.</p>

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	<p>LU</p> <p>(Drafting):</p> <p>‘The power to adopt delegated acts referred to in Article 26a(2) shall be conferred on the Commission for <b><u>for an indeterminate period of time a period of five years.</u></b>’</p> <p>LU</p> <p>(Comments):</p> <p>The power granted to adopt delegated acts conferred on the Commission for an indeterminate period of time regarding assurance standards for sustainability is not consistent with the existing power to adopt delegated acts regarding international auditing standards which has to be reassessed every five years.</p> <p>We would suggest aligning both provisions.</p>
(b) paragraph 3 is replaced by the following:	
<p>‘3. The delegation of power referred to in Articles 26(3), 26a(2), 45(6), 46(2) and 47(3) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.’;</p>	
(c) paragraph 5 is replaced by the following:	
<p>‘5. A delegated act adopted pursuant to Articles 26(3), 26a(2), 45(6), 46(2) and 47(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of four months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the</p>	

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European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.’.	
Article 4 <b>Amendments to Regulation (EU) No 537/2014</b>	
Regulation (EU) No 537/2014 is amended as follows:	
(1) <b>Article 4 is amended as follows:</b>	
(a) <b>the title is replaced by the following:</b>	
<u>‘Article 4</u>	
<b><u>Audit fees and fees from the assurance of sustainability reporting’</u></b>	<p>HU (Drafting): Audit fees <del>and fees from the assurance of sustainability reporting’</del></p> <p>HU (Comments): We do not propose to introduce a separate assurance report on the sustainability report.</p> <p>PL (Drafting): <b><u>Audit fees and fees for the assurance of sustainability reporting’</u></b></p> <p>PL (Comments): Editorial change in order to keep the consistency of the wording throughout the</p>



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	whole text.
<b>(b) paragraph 1 is replaced by the following:</b>	
<b><u>Fees for the provision of statutory audits and the assurance of sustainability reporting to public-interest entities shall not be contingent fees.</u></b>	
<b><u>Without prejudice to Article 25 of Directive 2006/43/EC, for the purposes of the first subparagraph, contingent fees mean fees calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. Fees shall not be regarded as being contingent if a court or a competent authority has established them.'</u></b>	
<b><u>(c) in paragraph 2, second subparagraph is replaced by the following:</u></b>	
<b><u>'For the purposes of the limits specified in the first subparagraph, assurance engagements of sustainability reporting and non-audit services, other than those referred to in Article 5(1), required by Union or national legislation, shall be excluded.'</u></b>	<p>PT (Drafting): <del>'For the purposes of the limits specified in the first subparagraph, assurance engagements of sustainability reporting and non-audit services, other than those referred to in Article 5(1), required by Union or national legislation, shall be excluded.'</del></p> <p>PT (Comments): <b>PT:</b> We do not agree with the proposed amendment, because, although the assurance of sustainability reporting is considered a non-audit service, it is not required by law to the statutory auditor, so it should be considered in the 70% limit.</p>

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(2) <b><u>in Article 5, paragraph 4, second subparagraph is inserted</u></b> amended as follows:	
(a) <del>paragraph 1 is amended as follows:</del>	
(i) <del>the first subparagraph is replaced by the following:</del>	
<del>'1. A statutory auditor or an audit firm carrying out the statutory audit and, where applicable, the assurance of sustainability reporting of a public-interest entity, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union any prohibited non-audit services in:</del>	
(a) <del>the period between the beginning of the period audited and the issuing of the audit report; and</del>	
(b) <del>the financial year immediately preceding the period referred to in point (a) in relation to the services listed in point (c) of the second subparagraph.<sup>2</sup>;</del>	
(ii) <del>in the second subparagraph, the following point (l) is added:</del>	
<del>'(l) consulting services for the preparation of sustainability reporting, where the statutory auditor or audit firm carries out the assurance of sustainability reporting.<sup>2</sup>;</del>	
(b) <del>the following paragraph 6 is added:</del>	
<del>'6. Paragraphs 4 and 5 referring to the statutory audit of financial statements shall apply to the assurance of sustainability reporting, where applicable.<sup>2</sup></del>	

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<p><b><u>‘The approval of the audit committee referred to in the first subparagraph shall not be needed for the provision of assurance engagements of sustainability reporting.’;</u></b></p>	<p>HU (Comments):</p> <p>We do not propose to introduce a separate assurance report on the sustainability report.</p> <p>PT (Comments):</p> <p>.</p>
<p><b><u>(2)a the following Article 5a is inserted</u></b></p>	
<p><b><u>‘Article 5a</u></b></p>	
	<p>DE (Comments):</p> <p><b>New Art. 5a Audit Regulation:</b> DEU would like to ask what the reasoning behind the proposed Art. 5a of the Audit Regulation is. And, more generally speaking: Why is there a completely different approach with respect to the requirements laid down in the Audit Regulation as regards to auditors that carry out the statutory audit and auditors that carry out the assurance of sustainability reporting? Should not, for example, the requirements on the prohibition of non-audit services the obligations with respect to irregularities and the maximum duration of an engagement also apply on the assurance of PIE’s sustainability reporting? And if so, shouldn’t these obligations apply not only to auditors and audit firms but also to independent assurance service providers?</p>

<p><b><u>Prohibited non-audit services where the statutory auditor carries out the assurance of sustainability reporting</u></b></p>	<p>LU (Drafting): Prohibited non-audit services where the statutory auditor carries out the assurance of sustainability reporting <b><u>without carrying out the statutory audit</u></b></p> <p>LU (Comments): It should be specified that this article applies to statutory auditors that only perform the assurance of sustainability reporting without carrying out the statutory audit.</p>
<p><b><u>1. A statutory auditor or an audit firm carrying out the assurance of sustainability reporting of a public-interest entity, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union consulting services for the preparation of sustainability reporting in:</u></b></p>	<p>PL (Drafting): <b><u>1. A statutory auditor or an audit firm carrying out the assurance of sustainability reporting of a public-interest entity, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the entity subject to assurance of sustainability reporting, to its parent undertaking or to its controlled undertakings within the Union consulting services for the preparation of sustainability reporting in:</u></b></p> <p>PL (Comments): The wording “audited” does not seem to be appropriate. It is reserved to be used in the context of verifying (i.e. auditing) financial statements, while this provision relates to carrying out the assurance engagement of sustainability reporting. It would be useful to rephrase the wording.</p> <p>AT (Comments):</p>

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	<p>We support the proposal that prohibited services with regard to sustainability reporting are named in a separate Art. 5a, as this is clearer and more concise. Nevertheless, it remains unclear why a different term is used compared to the existing Art. 5 Audit Regulation. According to Art. 5 para 1 c Audit Regulation only the “preparation” of the accounting records and financial statements is listed as a prohibited non-audit service, whereas all “consulting services for the preparation” of sustainability reporting are forbidden in the proposal. The reason for this different approach remains unclear.</p>
<p><b><u>(a) the period between the beginning of the period audited and the issuing of the audit report; and</u></b></p>	<p>PL (Drafting): <b><u>(a) the period between the beginning of the period subject to the assurance engagement and the issuing of the assurance report on sustainability reporting; and</u></b> PL (Comments): The wording “period audited” does not seem to be appropriate. It is reserved to be used in the context of verifying (i.e. auditing) financial statements, while this provision relates to carrying out the assurance engagement of sustainability reporting. It would be useful to rephrase the wording.</p>
<p><b><u>(b) the financial year immediately preceding the period referred to in point (a) in relation to the services listed in point (e) of the second subparagraph.</u></b></p>	<p>ES (Drafting): <b><u>(b) the financial year immediately preceding the period referred to in point (a) in relation to the services listed in point (e) of the second subparagraph of article 5.</u></b> ES</p>

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	<p>(Comments):</p> <p>The reference included in paragraph 1.b) ¿is it correct or should it be made to the services mentioned in paragraph e) second subparagraph of article 5)?</p> <p>PL</p> <p>(Comments):</p> <p>The provision is not clear as there is no second subparagraph and no point (e).</p>
<p><b><u>2. A statutory auditor or an audit firm carrying out assurance engagements of sustainability reporting of public-interest entities and, where the statutory auditor or the audit firm belongs to a network, any member of such network, may provide to the audited entity, to its parent undertaking or to its controlled undertakings other non-audit services except the prohibited non-audit services referred to in paragraph 1 subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with Article 22b of Directive 2006/43/EC.</u></b></p>	<p>PL</p> <p>(Drafting):</p> <p><b><u>2. A statutory auditor or an audit firm carrying out assurance engagements of sustainability reporting of public-interest entities and, where the statutory auditor or the audit firm belongs to a network, any member of such network, may provide to the entity subject to assurance of sustainability reporting, to its parent undertaking or to its controlled undertakings non-audit services other than the prohibited non-audit services referred to in paragraph 1 subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with Article 22b of Directive 2006/43/EC.</u></b></p> <p>PL</p> <p>(Comments):</p> <p>The wording “audited” does not seem to be appropriate. It is reserved to be used in the context of verifying (i.e. auditing) financial statements, while this provision relates to carrying out the assurance engagement of sustainability reporting. It would be useful to rephrase the wording.</p> <p>The remaining proposed amendments are of editorial character aimed at making the text clearer.</p>

<p><b><u>3. When a member of a network to which the statutory auditor or the audit firm carrying out an assurance engagement of sustainability reporting of a public-interest entity belongs provides the non-audit services referred to in paragraph 2 of this Article, to an undertaking incorporated in a third country which is controlled by the audited public-interest entity, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network.</u></b></p>	<p>ES (Drafting):</p> <p><b><u>3. When a member of a network to which the statutory auditor or the audit firm carrying out an assurance engagement of sustainability reporting of a public-interest entity belongs provides the non-audit services referred to in paragraph 21 of this Article, to an undertaking incorporated in a third country which is controlled by the audited public-interest entity, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network.</u></b></p> <p>ES (Comments):</p> <p>The reference included in paragraph 3 to the services referred to in paragraph 2 of this article ¿is it correct or should it be made to the prohibited services mentioned in paragraph 1?</p> <p>PL (Drafting):</p> <p><b><u>3. When a member of a network to which the statutory auditor or the audit firm carrying out an assurance engagement of sustainability reporting of a public-interest entity belongs provides the non-audit services referred to in paragraph 2 of this Article, to an undertaking incorporated in a third country which is controlled by the public-interest entity subject to assurance of sustainability reporting, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network.</u></b></p> <p>PL</p>
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	<p>(Comments):</p> <p>The wording “audited” does not seem to be appropriate. It is reserved to be used in the context of verifying (i.e. auditing) financial statements, while this provision relates to carrying out the assurance engagement of sustainability reporting. It would be useful to rephrase the wording.</p>
<p><b><u>If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards where applicable in order to mitigate the threats caused by such provision of services in a third country. The statutory auditor or the audit firm may continue to carry out the assurance engagements of sustainability reporting of the public-interest entity only if he, she or it can justify, in accordance with Article 22b of Directive 2006/43/EC, that such provision of services does not affect his, her or its professional judgement and the assurance report.’;</u></b></p>	<p>PL</p> <p>(Drafting):</p> <p><b><u>If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards where applicable in order to mitigate the threats caused by such provision of services in a third country. The statutory auditor or the audit firm may continue to carry out the assurance engagement of sustainability reporting of the public-interest entity only if he, she or it can justify, in accordance with Article 22b of Directive 2006/43/EC, that such provision of services does not affect his, her or its professional judgement and the assurance report.’;</u></b></p> <p>PL</p> <p>(Comments):</p> <p>Editorial change</p>
	<p>DK</p> <p>(Drafting):</p> <p>Article 11, paragraph 2, second subparagraph:  <i>The additional report shall where appropriate also include the results of the assurance of sustainability reporting carried out and shall at least report:</i>  <i>(a) on any significant deficiencies in the audited entity's or, in the case of consolidated sustainability statements, the parent undertaking's internal control system regarding sustainability matters, and/or in the registration system of sustainability information. For each such significant deficiency,</i></p>



*the additional report shall state whether or not the deficiency in question has been resolved by the management;*  
*(b) any significant difficulties encountered in the course of the assurance engagement on sustainability reporting*  
*(c) any significant matters arising from the assurance engagement on sustainability reporting that were discussed or were the subject of correspondance with management; and*  
*(d) any other matter arising from the assurance engagement on sustainability reporting that in the auditor's professional judgement, are significant to the oversight of the sustainability reporting process. Art 39 revisordirektivet*

Article 11, paragraph 2, ~~second~~ **third** subparagraph:  
Member States may lay down additional requirements in relation to the content of the additional report to the audit committee.

Article 11, paragraph 2, ~~third~~ **fourth** subparagraph:  
Upon request by a statutory auditor, an audit firm or the audit committee, the statutory auditor(s) or the audit firm(s) shall discuss key matters arising from the statutory audit, **and/or from the assurance engagement on sustainability reporting**, referred to in the additional report to the audit committee, and in particular in point (j) of the first subparagraph **and point (a) of the second subparagraph**, with the audit committee, administrative body or, where applicable, supervisory body of the audited entity.

DK

(Comments):

Following the CSRD proposal to Article 39(6), points (a) to (e) in the Audit Directive the Audit Committee is responsible for monitoring and reviewing both the statutory audit and the assurance of sustainability reporting. To support the Audit Committee in taking care of their responsibilities we suggest including the results of the assurance of sustainability reporting in the additional report.

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(3) in Article 14, point (aa) is inserted <del>(b) is replaced by the following:</del>	
<b>‘(aa) revenues from the assurance of sustainability reporting;’;</b>	
<del>‘(b) revenues from non-audit services other than those referred to in Article 5(1) which are required by Union or national legislation, specifying the revenues from the assurance of sustainability reporting; and.’</del>	
	DK (Comments):
Article 5 <b>Transposition</b>	SE (Comments): SE welcomes the proposed timeline for transposition. SE can accept the phase-in approach for large undertakings and groups. Eighteen months is a balanced time for implementation into national law. At the same time, it is important to maintain a high level of ambition and to ensure that the new requirements may come into force starting 1 January 2024. DE (Comments): <b>Art. 5 CSRD:</b> We welcome the proposed phased approach and the proposed additional year granted to companies and auditors in order to adjust their internal processes DK (Comments): Denmark favors a simple solution for transposition in order to ensure legal certainty.

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	<p>The compromise proposal seems to add unnecessary complexity to the regime and we believe wording in line with the Commission’s proposal would suffice.</p>
	<p>DK (Drafting):</p>
<p>1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Articles 1 to 3 of this Directive by <b><u>Publications Office - set the date = eighteen months after entry into force</u></b><del>1 December 2022</del>. They shall immediately inform the Commission thereof.</p>	<p>LV (Comments): <b>Latvia</b> Our concerns relate the originally proposed transposition deadline (1 December 2022) of CSRD, as the drafting of the relevant national legislation necessary for the implementation of the Directive and the legislative process in Parliament requires substantial time. Therefore Latvia supports the wording of the compromise text of the proposal (Publications Office - set the date = eighteen months after entry into force) and proposed gradual deadline for implementation of the requirements for different undertakings. We consider this timetable to be sufficiently proportionate.</p> <p>CZ (Comments): We can accept</p> <p>PT (Comments): <b>PT:</b> We welcome the PRES efforts to address the concerns shared by most delegations regarding the ambitious timelines envisaged in the CSRD proposal, both in terms of the transposition deadline – which will now be aligned with the best practice of setting transposition deadlines contingent on entry-into-force dates – and of the need to provide undertakings with adequate time to adapt and comply with the sustainability disclosure requirements.</p>

	<p>However, we have some concerns for which we would welcome further clarification - please refer to our comments in the “General comments” section bellow in what regards the timelines of application.</p> <p>DK</p> <p>(Comments):</p> <p>On timing we prefer an ambitious timeline to have this regime set in place, but we also recognise the need for adequate time to secure good standards and transition to the regime. As such we believe the timing could be delayed compared to the Commission proposal but find 18 months to be very long.</p> <p>We note that regardless of the end result of the final date of entry into force it is crucial that we ensure all dates are aligned in the compromise proposal to ensure internal structure and timeliness in the different elements.</p>
<p><b><u>Member States shall provide that the provisions referred to in the first subparagraph shall apply:</u></b></p>	<p>PL</p> <p>(Drafting):</p> <p><b><u>Member States shall provide that the provisions of Article 2 referred to in the first subparagraph shall apply:</u></b></p> <p>PL</p> <p>(Comments):</p> <p>PL – the reference to all articles referred to in the first subparagraph was not appropriate because the dealines of application of Article 2 and 3 are adressed in the subsequent subparagraphs.</p>
<p>a) <b><u>for financial years starting on or after 1 January 2024:</u></b></p>	<p>CZ</p> <p>(Comments):</p> <p>However the Czech Republic suggests voluntary application of standards, we can accept the timeframe.</p> <p>We note that there is a still risk that the time for transposition could be later.</p>

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<p><b>i) <u>to large undertakings as defined in Article 3(4) of Directive 2013/34/EU which are public-interest entities as defined in Article 2, point (1) of that Directive exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year;</u></b></p>	<p>BE (Comments): We believe that for financial institutions, the implementation of the CSRD should be postponed by a year compared to large undertakings because they need data of (large) undertakings to estimate their own exposure to climate and environmental risk. Point i) should be amended accordingly to exclude financial institutions.</p>
<p><b>ii) <u>to public-interest entities as defined in Article 2, point (1) of Directive 2013/34/EU which are parent undertakings of a large group as defined in Article 3(7) of Directive 2013/34/EU exceeding on its balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year;</u></b></p>	
<p><b>b) <u>for financial years starting on or after 1 January 2025:</u></b></p>	<p>CZ (Comments): We can accept this. BE (Comments): We believe that for financial institutions, the implementation of the CSRD should be postponed by a year compared to large undertakings because they need data of (large) undertakings to estimate their own exposure to climate and environmental risk. Point b) should be amended accordingly to include financial institutions.</p>
<p><b>i) <u>to large undertakings as defined in Article 3(4) of Directive 2013/34/EU other than those referred to in point (a), point (i);</u></b></p>	

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<p><b>ii) <u>to parent undertakings of a large group as defined in Article 3(7) of Directive 2013/34/EU other than those referred to in point (a), point (ii);</u></b></p>	
<p><b>c) <u>for financial years starting on or after 1 January 2026, to small and medium-sized undertakings as defined in Article 3(2) and 3(3) of Directive 2013/34/EU which are undertakings referred to in Article 2, point (1), point (a) of that Directive;</u></b></p>	<p>CZ (Comments): We can accept this.</p>
<p><b><u>Member States shall provide that the provisions of Article 2 referred to in the first subparagraph shall apply:</u></b></p>	
<p><b>a) <u>for financial years starting on or after 1 January 2024</u></b></p>	
<p><b>i) <u>to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are large undertakings as defined in Article 3(4) of Directive 2013/34/EU exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year;</u></b></p>	
<p><b>ii) <u>to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are parent undertakings of a large group as defined in point (d) of Article 2(1) of Directive 2004/109/EC;</u></b></p>	<p>BE (Comments): Add: average number of 500 employees on consolidated basis? PL (Drafting): <b>ii) <u>to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are parent undertakings of a large group as defined in Article 3(7) of Directive 2013/34/EU exceeding on its balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year;</u></b></p>

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	<p>PL</p> <p>(Comments):</p> <p>PL – the reference to the large group should be to Article 3(7) of Directive 2013/34/EU (point (d) of Article 2(1) of Directive 2004/109/EC refers only to the definition of an issuer).</p> <p>Moreover the reference to the 500 employees criterion is needed in order to make the provision in point (b) point (ii) applicable. Furthermore it is consistent with the approach taken in the second subparagraph, point (a), point (ii) which refers to large groups “other than those referred to in point (a), point (ii)”.</p>
<b>b) <u>for financial years starting on or after 1 January 2025</u></b>	
<b>i) <u>to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are large undertakings as defined in Article 3(4) of Directive 2013/34/EU other than those referred to in point (a), point (i);</u></b>	
<b>ii) <u>to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are parent undertakings of a large group as defined in point (d) of Article 2(1) of Directive 2004/109/EC other than those referred to in point (a), point (ii);</u></b>	<p>PL</p> <p>(Drafting):</p> <p><b>ii) <u>to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are parent undertakings of a large group as defined in Article 3(7) of Directive 2013/34/EU other than those referred to in point (a), point (ii);</u></b></p> <p>PL</p> <p>(Comments):</p> <p>See PL comments in point (a), point (ii) above.</p>
<b>c) <u>for financial years starting on or after 1 January 2026, to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC</u></b>	

<p><b><u>which are small and medium-sized undertakings as defined in Article 3(2) and 3(3) of Directive 2013/34/EU.</u></b></p>	
<p><b><u>Member States shall provide that the provisions of Article 3 referred to in the first subparagraph shall apply for financial years starting on or after 1 January 2024.</u></b></p>	<p>PL</p> <p>(Comments):</p> <p>It should be noted that only a certain group of entities subject to Article 19a (i.e. large PIEs with the average number of 500 employees) will have to report sustainability information for the first time for the financial year starting on 1 January 2024. Other entities subject to Article 19a will start reporting one or two years later. Therefore in case of such other entities there should be a phase-in approach as regards the application deadline of Article 39 of the Audit Directive on audit committees (there is no need to apply the extended scope of the tasks of the audit committee already for the financial year 2024 as in their case this extended scope of tasks should be applicable for the first time for the financial year 2025 or 2026 respectively). For that reason the current wording on the application deadline of the provisions of Article 3 in respect of Article 39 should be adjusted accordingly to take account of the above fact.</p>
<p><del>Member States shall provide that the provisions referred to in the first subparagraph shall apply for financial years starting on or after 1 January 2023.</del></p>	
<p>When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.</p>	
<p>2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.</p>	
<p>Article 6</p>	



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<b><i>Date of application of Article 4</i></b>	
Article 4 of this Directive shall apply to financial years <del>starting on or after 1 January 2023</del> <b><u>according to Article 5(1), second subparagraph.</u></b>	PL  (Comments):  We would like to ask for the Presidency's and/or EC opinion on whether the amended Article 14 of the Audit Regulation (i.e. annual information on the generated revenues divided into four categories) shouldn't be applicable for the first time for the financial year starting on 1 January 2024 as it is not clear how to interpret its provisions envisaging the phase-in approach.
<b>Article 7</b> <b><i>Entry into force</i></b>	
This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.	
.	
<b>Article 8</b> <b>Addressees</b>	
This Directive is addressed to the Member States. Article 4 shall, however, be binding in its entirety and directly applicable in all Member States.	
Done at Brussels,	
For the European Parliament For the Council	
The President The President	

	<b>General comments</b>
	<p>BE</p> <p>(Comments):</p> <p>Belgium has not yet finalised its examination on the compromise text of the Presidency. Comments are preliminary and for discussion in the next Working Party.</p> <p>PT</p> <p>(Comments):</p> <p><b>PT:</b></p> <p><b>1. Exemptions to sustainability reporting</b></p> <p>We are evaluating the exemptions proposed in articles 19a and 29a for some types of undertakings from the obligations to report on sustainability matters. We will eventually provide more specific technical comments later in the negotiation process.</p> <p><b>2. Timelines</b></p> <p>We tend to support the proposed phased approach, according to which undertakings already subject to the NFRD and which already report the non-financial information start first to report the sustainability information according to the new rules, as it is assumed they are already aware of the importance of such reporting and are relatively better prepared in comparison to other undertakings.</p> <p>However, it should be noted that the timelines foreseen in the DA under Article 8 of the Taxonomy Regulation (published on 10 December in the Official Journal EU) imply that all undertakings would have to start to disclose sustainability information ahead of the information to be disclosed under the CSRD, notwithstanding the fact that CSRD-defined data may be critical to fulfill the requirements envisaged in the DA under Article 8.</p> <p>Therefore, we would very much appreciate further clarifications in this regard.</p>

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	<p>SE (Comments): The comments above is of non-exhaustive nature.</p> <p>AT (Comments): The compromise proposal addresses many of the questions, objections and discussion points raised by the Member States. It contains some essential improvements and clarifications, which we welcome. In particular, we welcome the clarification of the minimum requirements for independent assurance services providers (Art. 34 Accounting Directive) but also the clarification of the content of the audit opinion (Art. 28a Audit Directive).</p>
<b>END</b>	<b>END</b>