



Council of the European Union
General Secretariat

**Interinstitutional files:
2021/0104(COD)**

Brussels, 11 October 2021

WK 12004/2021 INIT

LIMITE

DRS

EF

ECOFIN

SUSTDEV

CODEC

EMPL

SOC

COMPET

WORKING PAPER

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Company Law (Sustainability information)
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 Commission proposal (ST 8132/21)

Delegations will find attached a table with the MS comments received on the text of the proposal.

WK 12004/2021 INIT

LIMITE

EN

Commission proposal (ST 8132/21)	MS drafting suggestions and comments (LT - NL - SK - AT- PL - CZ - BE - SE - ES - MT - FI - HU - PT - HR)
2021/0104 (COD)	
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	LT (Comments): Excessively ambitious deadlines for all planned actions - standards, format development, directive adoption, transposition into national law, preparation of companies for implementation of new sustainability reporting requirements: application of sustainability standards, establishing processes to identify information for sustainability reports, preparation of IT systems to prepare financial and sustainability reports on required format.
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,	PL (Comments): At this stage PL has not prepared remarks to the recitals as there should be more clarity on the compromised solutions in key issues which might

	influence the content of recitals.
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 ¹ ,	
Acting in accordance with the ordinary legislative procedure,	
Whereas:	

¹ OJ C [...], [...], p. [...].

(1) In its communication on the European Green Deal adopted on 11 December 2019², 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 Commission.³ 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.⁴	NL (Drafting): (1) In its communication on the European Green Deal adopted on 11 December 2019, 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 Commission.⁵ 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
---	--

² COM(2019) 640 final.

³ 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).

⁴ 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)]

	March 2020 for a European Climate Law, the European Commission proposed to make the objective of climate neutrality by 2050 binding in the Union. 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.⁶ 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. NL (Comments): The target for biodiversity is - besides climate neutrality - another important ambition that should be mentioned explicitly in the recitals.
(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,	

⁵ 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).

⁶ 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)]

resource depletion, environmental degradation and social issues, and foster transparency and long-termism in financial and economic activity⁷. 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 Council⁸ governs how financial market participants and financial advisers are to disclose sustainability information to end investors and asset owners. Regulation (EU) 2020/852 of the European Parliament and of the Council⁹ 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. Regulation (EU) 2019/2089 of the European Parliament and of the Council¹⁰, complemented by Commission Delegated Regulations (EU) 2020/1816¹¹, (EU) 2020/1817¹² and (EU) 2020/1818¹³, introduces environmental, social and governance

⁷ COM(2018) 97 final.

⁸ 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).

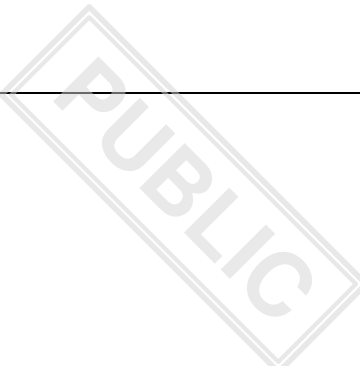
⁹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

¹⁰ 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).

¹¹ 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).

¹² 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).

¹³ 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).

(‘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 Council¹⁴ 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 firms set by Regulation (EU) 2019/2033 of the European Parliament and of the Council¹⁵ and Directive (EU) 2019/2034 of the European Parliament and of the Council¹⁶ 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. 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.	
(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	

¹⁴ 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).

¹⁵ 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).

¹⁶ 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).

of a European non-financial reporting standard.	
(4) In its resolution on sustainable finance of 29 May 2018 ¹⁷ , 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 ¹⁸ , 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 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.	
(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	

¹⁷ 2018/2007(INI).

¹⁸ A9-0240/2020 (INI).

initiatives, both in and beyond the Union, take those goals on board at the outset.¹⁹ 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.²⁰	
(6) Directive 2014/95/EU of the European Parliament and the Council²¹ 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 model, policies (including due diligence processes implemented), the outcome of the policies, risks and risk management, and key performance indicators relevant to the business.	
(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	

¹⁹ COM(2016) 739 final

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

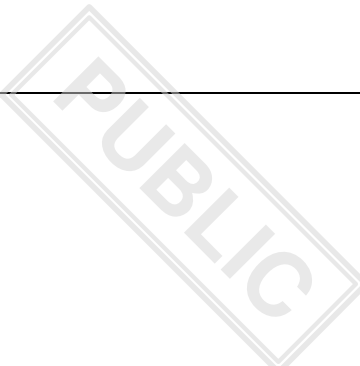
²¹ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1).

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.	
(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 policy. Few individual citizens and consumers directly consult undertaking’s reports, but they may use such information indirectly such	CZ (Comments): We are not sure what the term “annual report” in this context means. It should be a separate section of the management report.

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.	
(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.	

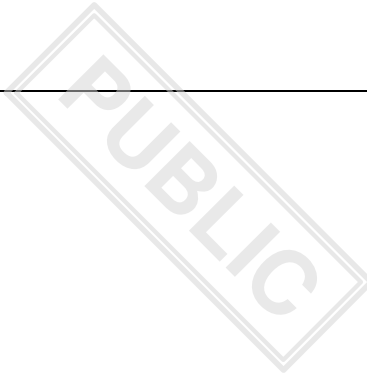
(10) Undertakings themselves stand to benefit from carrying out high quality reporting on sustainability matters. The growth in the number of investment products that aim to pursue sustainability objectives means that good sustainability reporting can enhance an undertaking's access to financial capital. 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.	
(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 Directive ²² . 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.	
(12) In the absence of policy action, the gap between users' information	

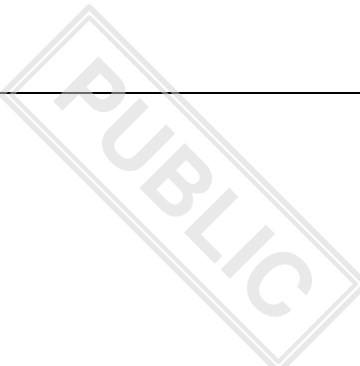
²² Publication office: please insert reference to Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the review clauses in Directives 2013/34/EU, 2014/95/EU, and 2013/50/EU, and accompanying SWD- Fitness Check.

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.	
(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.	
(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.	
(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	

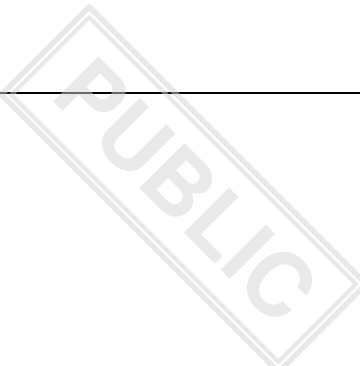
regulated markets, except micro undertakings, to report detailed sustainability information. In addition, all undertakings that are parent undertakings of large groups should prepare sustainability reporting at group level.	
(16) The requirement that also large non-listed undertakings should disclose 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.	CZ (Comments): We do not understand the last argument about financial market participants vis-à-vis 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 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.	

(19) Directive 2004/109/EC of the European Parliament and of the Council²³ 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.	
(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 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. 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. Those amendments will ensure consistent equivalence regimes for sustainability reporting obligations and for financial reporting obligations	

²³ 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).

regarding the annual financial report.	
(21) 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 management report to the fact that they are exempted from reporting sustainability information. 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.	CZ (Comments): We do not understand why these subsidiary undertakings should publish the consolidated management report rather than include a link to such information of its parent undertaking.
(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	

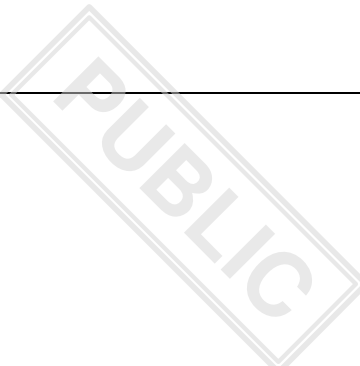
operates independently from the exemption regime for consolidated sustainability reporting. An undertaking can therefore be exempted from consolidated financial reporting obligations but not exempted from consolidated sustainability reporting obligations where its ultimate parent prepares consolidated 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 established in a third country.	
(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/EEC²⁴ on the annual accounts and consolidated accounts of banks and other financial institutions, sustainability reporting Member States may choose not to apply	CZ (Comments): In our view, there should be added a link also to Council Directive of 19 December 1991 on annual accounts and consolidated accounts of insurance undertakings (91/674/EEC)

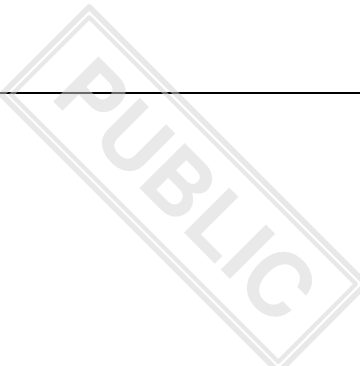
²⁴

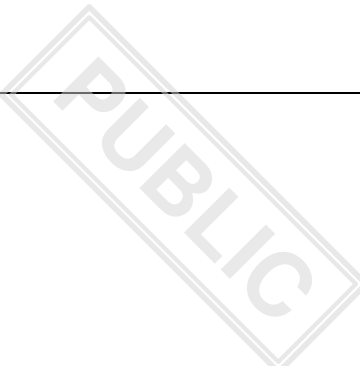
Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).

sustainability reporting requirements to credit institutions listed in Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council ²⁵ .	
(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.	
(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	

²⁵ 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).

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.	
(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 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	NL (Comments): Please be referred to our text proposal for reformulating the Articles 19a/29a paragraphs 1 and 2 hereinafter.

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.	
(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	

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.	
(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. It is therefore necessary to require undertakings to disclose information on intangibles other than intangible assets recognised in the balance sheet, including intellectual capital, human capital, including skills development, and social and relationship capital, including reputation capital. Information on intangibles should also include information related to research and development.	NL (Drafting): NL (Comments): Please be referred to our text proposal and explanation under Article 2 point (19) for the grounds for the proposed removal of the concept of intangibles from this directive. CZ (Comments): This seems to be very ambitious target and it needs to be linked to a robust standard setting to ensure consistency and reliability of the information on intangibles.

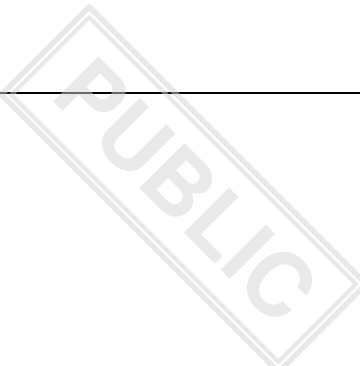
	SE (Comments): As stated at the meeting on 24 September 2021, SE sees the need for a deeper discussion on the purpose of including intangibles as a reporting area before reaching a final position on whether it should be included in the CSRD and possible amendments to the text in this recital and in articles 19a, 19b, 19c and 29a in the Accounting directive.
(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 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.	NL (Drafting): (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 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. NL (Comments): Please be referred to the explanation of our text proposal for Article 19a paragraph 3 below.
(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.	
(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.	
(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 Directive 2014/95/EU, the Commission published in 2017 non-binding guidelines for undertakings under the scope of that Directive²⁶. In 2019, the Commission published additional guidelines, specifically on reporting climate-related information²⁷. 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	

²⁶ Communication from the Commission *Guidelines on non-financial reporting (methodology for reporting non-financial information)* (C/2017/4234).

²⁷ Communication from the Commission *Guidelines on non-financial reporting: Supplement on reporting climate-related information* (C/2019/4490).

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.	
(33) No existing standard or framework satisfies the Union's needs for 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.	

(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 standards. 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	AT (Comments): EFRAG's role in developing standards should be complemented by an independently acting expert association (e.g. EU Platform on Sustainable Finance), since membership fees and in-kind-contributions impede the participation of NGOs, non-for-profit organisations and low-income countries. In addition to these organisations the Forum of Competent Bodies according to the EMAS Regulation should be consulted. PT (Drafting): 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
--	--

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 Council²⁸, 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.	recommendations for possible governance changes to EFRAG if it were to be asked to develop technical advice about sustainability reporting standards. 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 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, 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), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) play 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
---	--

²⁸ 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).

	standards. According to Regulation (EU) No 1095/2010 of the European Parliament and of the Council²⁹, 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, EBA and EIOPA 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 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): 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, the drafting suggestion aims to explicitly clarify that in the assessment of EFRAG's technical advice, the Commission will take into
--	---

²⁹ 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).

	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, that can be excluded from the list of entities that are also to be consulted and may provide opinions if they so decide.
(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 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 Council³⁰, 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 Council³¹ and Regulation (EC) No 1221/2009 of the European Parliament	

³⁰ 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).

³¹ 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).

and of the Council ³² , and should take account of Commission Recommendation 2013/179/EU ³³ and its annexes, and their updates. Other relevant Union legislation, including Directive 2010/75/EU of the European Parliament and of the Council ³⁴ , and requirements laid down in Union law for undertakings as regards directors' duties and due diligence, should also be taken into account.	
(36) Sustainability reporting standards should take account of the Commission guidelines on non-financial reporting ³⁵ and the Commission guidelines on reporting climate-related information ³⁶ . 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.	
(37) Sustainability reporting standards should be proportionate, and	NL

³² 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*).

³³ 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*).

³⁴ 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).

³⁵ 2017/C 215/01.

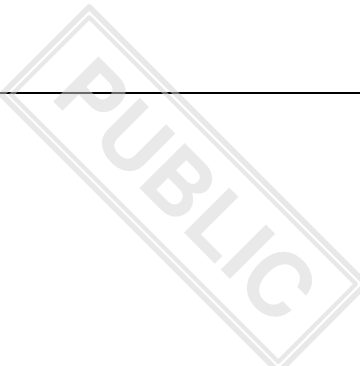
³⁶ 2019/C 209/01.

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.	(Drafting): (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 fullest extent the 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. NL (Comments): Please be referred to our text proposal and explanation under Article 19b paragraphs 1 and 3. CZ (Comments): This alignment with global developments is critical both for reducing
---	---

	administrative burdens but also for fostering European capital markets.
(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.	
(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	

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.	
(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.	
(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 specify the information undertakings should report with regard to those matters.	
(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.	
(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.	
(44) Users need information about governance factors, including information on the role of an undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, the composition of such bodies, and an undertaking's internal control and risk management systems, including in relation to the reporting process. Users also need information about undertakings' corporate culture and approach to business ethics, including anti-corruption and anti-bribery, and about their political engagements, including lobbying activities. Information about the management of the undertaking and the quality of relationships with business partners, including 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 Council³⁷ on late payment in commercial transactions, helps users to understand an undertaking's risks as well as its	

³⁷ 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).

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.	
(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 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.	
(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.	
(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.	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 31 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 review the standards every 3 years to take account of relevant developments, including the development of international standards. NL

	(Comments): Please be referred to our text proposal and explanation under Article 19b paragraph 1.
(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 format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815, ³⁸ and to mark-up sustainability information, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation. A digital taxonomy to the Union sustainability reporting standards will be necessary to allow for the information reported to be tagged in accordance with those standards. These requirements should feed into the work on digitalisation announced by the Commission in its Communication <i>A European strategy for data</i> ³⁹ and in the <i>Digital Finance Strategy for the EU</i> . ⁴⁰ These requirements also complement the	NL (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 format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815 ⁴¹ or for non-listed entities with a compatible electronic reporting format, and to mark-up sustainability information, including the disclosures required by Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation. A digital taxonomy to the Union sustainability reporting standards will be necessary to allow for the information reported

³⁸ 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).

³⁹ <https://ec.europa.eu/digital-single-market/en/european-strategy-data>

⁴⁰ https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en

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.	to be tagged in accordance with those standards. These requirements should feed into the work on digitalisation announced by the Commission in its Communication <i>A European strategy for data</i>⁴² and in the <i>Digital Finance Strategy for the EU</i>.⁴³ 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. However, certain room for discretion should be allowed for Member States for allowing electronic reporting format tagging compatible with inline XBRL for non-listed entities. NL (Comments): Please be referred to our text proposal and explanation under Article 19d. BE (Comments): We believe that it should be clarified why in order to meet the demands of the users of sustainability information also the financial statements need to be drawn up in ESEF. The current motivation given in this recital is insufficient in this regard. SE
--	--

⁴¹ 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).

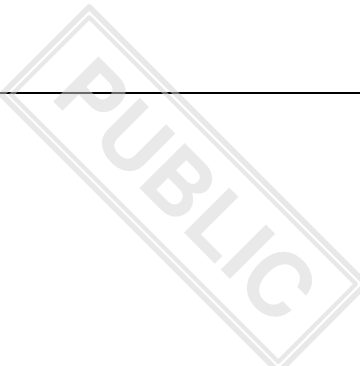
⁴² <https://ec.europa.eu/digital-single-market/en/european-strategy-data>

⁴³ https://ec.europa.eu/info/publications/200924-digital-finance-proposals_en

	(Comments): See comment below at article 19d of the Accounting directive. MT (Comments): Malta notes and agrees with this development in digitalisation, that is for undertakings to prepare their financial statements and management report in XHTML format. However, the Malta Companies Act stipulates that financial statements are to be signed by two directors of the company, including the directors' report. It is not yet clear, from discussions held with some stakeholders, whether an XHTML file can be electronically signed. For this reason, it would be most beneficial for the EU to establish certain guidelines on the matter. It is crucial to ensure that electronic signatures added to the XHTML comply with the Member State legislation thereby avoiding a double reporting obligation (once in the common format with signatures to comply with National law and another one in XHTML to comply with the CSRD) and the related disproportionate administrative burden. Malta is presently equipped to accept digitally signed documents that are required for registration, as long as the signatures utilised are of the type "Qualified Electronic Signature" under the eIDAS Regulation. Clarity on the matter would result in better implementation of the digitalisation initiatives, which will be ultimately used for the benefit of all when this CSRD becomes applicable and eventually transposed into national law.
(49) To allow for the inclusion of the reported sustainability information in the European single access point, Member States should	NL

ensure that undertakings publish the duly approved annual financial statements and the management report in the prescribed electronic format, and ensure that management reports containing sustainability reporting 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.	(Drafting): (49) To allow for the inclusion of the reported sustainability information in the European single access point, Member States should ensure that undertakings publish the duly approved annual financial statements and the management report in the prescribed electronic format or for non-listed entities with a compatible electronic reporting format, and ensure that management reports containing sustainability reporting 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. NL (Comments): Please be referred to our text proposal and explanation under Article 19d. SE (Comments): See comment below at article 19d of the Accounting directive.
(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	SE (Comments): As commented at the meeting on 16 September 2021 the proposed option in article 34(3) of the Accounting directive, to let an independent assurance services provider to express the opinion on the sustainability reporting, implies a clear separation between the sustainability report and the rest of the management report in order to delineate the respective

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 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.	responsibilities of auditors and ISP:s. Even if the statutory auditor performs the assurance of the sustainability reporting, such a separation would be important, considering that different levels of assurance engagements (reasonable/limited) may be required and different assurance standards may be applicable. The continued possibility of preparing a separate sustainability report should be considered further.
(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 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.	
(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.	

(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, 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	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 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
--	---

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. 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 the Commission adopt assurance standards for reasonable assurance of sustainability reporting. This 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.	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. 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 the Commission adopt assurance standards for reasonable assurance of sustainability reporting. This 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.
---	---

	NL (Comments): Please be referred to our text proposal and remarks under Article 34 below.
(54) Statutory auditors or audit firms already verify the financial statements and the management report. The assurance of sustainability 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 ⁴⁴ to provide an opinion on sustainability reporting, which should be published together with the management report. Member States should set out requirements that ensure 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 those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting.	AT (Drafting): (54) Statutory auditors or audit firms already verify the financial statements and the management report. The assurance of sustainability 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 to provide an opinion on sustainability reporting, which should be published together with the management report. In order to make full use of sustainability experts Member States should be allowed to accredit and license EMAS-verifiers (according to EMAS Regulation EC

⁴⁴ 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).

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.	1221/2009) for verifying sustainability information. Member States should set out requirements that ensure 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 those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting. 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. CZ (Comments): It should be clarified whether the statutory auditor or the independent assurance services provider, if different, is responsible for assurance that the information in the sustainability reporting is consistent with the audited financial statements.
(55) Directive 2006/43/EC of the European Parliament and of the Council⁴⁵ sets out rules concerning the statutory audit of annual and consolidated financial statements. It is necessary to ensure that consistent	

⁴⁵ 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).

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 the statutory auditor or audit firm carrying out the statutory audit of financial statements.	
(56) The rules on the approval and recognition of statutory auditors and audit firms should ensure that statutory auditors 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 statutory audits and should be allowed to carry out assurance engagements of sustainability reporting. Member States should, however, ensure that already approved statutory auditors acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via continued professional education.	
(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, 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 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 the audit file should include information related to the assurance of sustainability reporting.	
(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.	
(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	

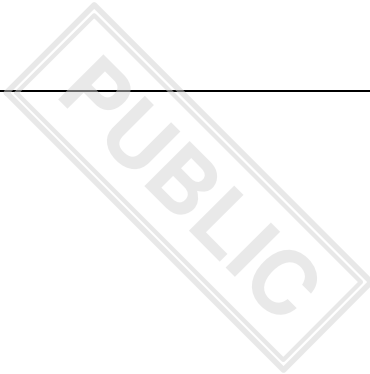
assurance of sustainability reporting.	
(60) Article 27 of Directive 2006/43/EC sets out rules on the statutory audit of a group of undertakings. Those rules should be extended to the assurance of consolidated sustainability reporting, where the statutory auditor performs the statutory audit.	CZ (Comments): Those rules should also cover the case where independent assurance provider provides assurance on sustainability reporting.
(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. That requirement should be extended to the assurance of sustainability reporting to ensure that the results of the assurance of sustainability reporting are presented in the same audit report.	CZ (Comments): This would not be possible if the assurance is provided by an independent assurance provider.
(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.	

(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.	
(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 sustainability reporting.	
(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.	
(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.	
(67) Regulation (EU) No 537/2014 of the European Parliament and of the Council ⁴⁶ applies to statutory auditors and audit firms carrying out statutory audits of public-interest entities. To ensure the independence of the statutory auditor, 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 out statutory audits of public-interest entities on the assurance of sustainability reporting. Consulting services for the preparation of sustainability reporting should therefore be included in the list of prohibited non-audit services.	CZ (Comments): This prohibition is relevant only in the case that statutory auditor rather than independent assurance provider assures the relevant sustainability report.

⁴⁶ 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).

(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 among the revenues from non-audit services are generated from the assurance of sustainability reporting.	
(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 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 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 administrative measures.	NL (Drafting): NL (Comments): Recital 69 should be deleted. 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. SE (Comments): As elaborated at the meeting on 24 September 2021, SE does not support the proposed amendment to article 51 of the Accounting directive.

(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-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.	
(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.	CZ (Comments): We would prefer a delayed implementation for SMEs by at least one year to enable them to apply the experience of large undertakings with significantly larger resources.

(72) Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014 should therefore be amended accordingly,	
HAVE ADOPTED THIS DIRECTIVE:	
Article Amendments to Directive 2013/34/EU	1
Directive 2013/34/EU is amended as follows:	
(1) in Article 1, the following paragraph 3 is added:	CZ (Comments): The Czech Republic will not reject possible narrowing of the scope. Regarding to the scope of the proposal, the Czech Republic is aware, that setting criteria for the scope of the new regulation for such a wide range of undertakings is technically and politically demanding. Therefore, the Czech Republic proposes to deal in more detail with impacts of the CSRD on competitiveness, especially of small and medium sized undertakings;

	even in relation to other undertakings from third countries, that will operate on the EU market. Especially for small and medium sized undertakings the mandatory sustainability reporting will require significant resources (including human resources) and will lead to significant administrative costs for the preparation of the report. Hence we would favour delayed implementation for SMEs.
‘3. The coordination measures prescribed by Articles 19a, 19d, 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:	AT (Comments): The scope of application of sustainability reporting to credit institutions and insurance companies is unclear. A clarification is requested to explain the relationship between the new Art. 1 (3) Accounting Directive (incl. Recital 23) and Art. 2 (1) in conjunction with Art. 1 (1) (a) in conjunction with Art. 40 Accounting Directive. As well as the extent to which the PIE definition in Art. 2 No. 13 of the Audit Directive has to be taken into account in this context. PT (Drafting): 3. The coordination measures prescribed by Articles 19a, 19d, 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 either (i) large undertakings as defined in Article 3, point 4 or (ii) small and medium sized undertakings which are undertakings

	referred to in Article 2, point (1), point (a) of this Directive: PT (Comments): Drafting suggestion for clarification purposes and to ensure alignment both with Recital 23 and Article 19a. In the case of credit institutions, this clarification is of the utmost importance because otherwise the current wording would seem to suggest that <u>all</u> credit institutions would be covered by the 'coordination measures' envisaged in Articles 19a and 29a regardless of their size, which is not the case taking into account Recital 23 and Article 19a. Credit institution would be subject to those provisions, regardless of their legal form, but provided they meet certain size criteria as established in Article 3 of the Accounting Directive for the definition of large undertakings and small and medium sized undertakings.
(a) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC* ¹ ;	SE (Comments): SE has not reached a final position on the scope of the CSRD as regards insurance undertakings and credit institutions and is considering stakeholder input on whether the size-thresholds of the Accounting directive, especially for balance sheet size, is appropriate for these undertakings.

(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* ² .	SE (Comments): Same as above.
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* ³ .	
* ¹ Council Directive 91/674/EEC of 19 December 1991 on the annual accounts of insurance undertakings (OJ L 374, 31.12.1991, p. 7).	
* ² 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).	
* ³ 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).’;	
(2) in Article 2, the following points (17) to (20) are added:	ES (Comments): 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.
‘(17) ‘sustainability matters’ means sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council ^{*4} , and governance factors;	SK (Comments): SK: We are of view that the reference to Art. 2 point (24) of the Regulation (EU) 2019/2088 is too wide, considering the scope of companies stated in the Art. 19a. Companies whose securities are not traded on the regulated market, should be excluded from the requirements of “sustabinability reporting” as described in Artciles 19a, 19d and 29a. PL (Drafting): ‘(17) ‘sustainability matters’ means environmental, social and governance factors including sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council^{*4}; PL

	(Comments): PL has some doubts on the legal appropriateness of this construction of the definition because some governance factors are already included in the 'sustainability factors' defined in Article 2 point (24) of the regulation referred to in this provision. On the one hand the reference to the Regulation allows for some flexibility regarding the potential future developments, but on the other hand from a legal point of view it might require some drafting improvements. Are social factors appropriately addressed in this Regulation? Our proposal is to have a general broad definition of sustainability matters and part of this definition should be the reference to the Article 2 point (24) of the Regulation 2019/2088.
(18) 'sustainability reporting' means reporting information related to sustainability matters in accordance with Articles 19a, 19d and 29a of this Directive;	
(19) 'intangibles' means non-physical resources that contribute to the undertaking's value creation;	LT (Comments): According IFRS 38 an asset is a resource: a) controlled by an entity as a result of past events; and b) from which future economic benefits are expected to flow to the entity. According the Conceptual framework an asset is a present economic

	resource controlled by the entity as a result of past events. An economic resource is a right that has the potential to produce economic benefits. The definition of intangibles in the Proposal is abstract and unclear. Recital 28 says intangibles include intellectual capital, human capital, including skills development, and social and relationship capital, including reputation capital. These capitals should be defined as well. Is it any connection of intangibles with the asset as defined in IFRS? NL (Drafting): NL (Comments): The definition of intangibles should be deleted. The information regarding intangibles does not fit in this directive on sustainability reporting. The relation of intangibles with sustainability has not been made sufficiently clear. If it might be necessary to insert information regarding intangibles into the Accounting Directive, this should be discussed in relation to the announced future revision of that directive as a result of the Fitness Check. SK (Drafting): SK: (19) 'intangibles' means non-physical resources that contribute to the undertaking's value creation and are not recognised in the financial
--	---

	statements; SK (Comments): SK: We believe that the proposed definition should be more precise and should be aligned with the wording in recital 28. In particular, it should be clear that this definition does not cover intangible assets that are already recognised in the balance sheet. PL (Drafting): (19) 'intangibles' for the purpose of sustainability reporting means non-physical resources that contribute to the undertaking's value creation; PL (Comments): PL is of the position that this definition shall not be applicable in the context of financial reporting. In our opinion this definition should be designed only for the purpose of sustainability reporting and this should be clearly stated (drafting suggestions in column 2). PL also shares remarks raised by other Member States. CZ (Comments): Currently, there is no Czech equivalent for the term "intangibles" within the meaning of the CSRD. This term includes not only intangible assets reported in the financial statements, but also other facts that the entity does not account for but have an impact on the value of the company.
--	---

	Although the Czech Republic supports the publication of information on sustainability, it is uncertain whether the provision of information on "intangibles" will have a generally positive effect on the determination of company value. The Czech Republic is concerned about the threat to the competitiveness of European companies or whether the provision of this information will not affect trade secrets and business strategy of the company. The value creation is linked with the market not with the sustainability. That's why information relating to intangibles are important only with regard to listed companies. Proposal should clearly define the linkage to sustainability matters and ensure there are robust standards covering this area, otherwise we prefer deletion. BE (Comments): If 'intangibles' are defined as in IAS 38, we suggest to move this matter to the financial reporting section of the Accounting Directive. If 'intangibles' have another meaning, clarification on the concept is needed in CSRD. SE (Comments): See comment above at recital 28. HU (Drafting): (19) 'intangibles' means <i>an identifiable, non-physical, non-monetary asset that contributes to the value creation of the enterprise;</i>
--	--

	HU (Comments): Based on set theory considerations, the intangible assets that should be included in the sustainability report should be clearly separated from the intangible assets recognised (to be recognised) in the balance sheet. It is proposed to clearly separate the concepts of intangible assets other than intangible assets recognised in the balance sheet. In addition, we suggest a clear definition of terms that appear several times in the proposal but are not defined, inter alia value chain, supply chain, governance factors. PT (Drafting): (19) 'intangibles' are understood as defined in the applicable accounting framework and contributing to the undertaking's value creation; PT (Comments): Change proposed with a view to clarify the scope and nature of the disclosure and to avoid inconsistencies with the definitions in the applicable accounting framework (IFRS or local GAAP).
(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* ⁵ for the specific conformity assessment activity referred to in Article 34(1), second	SK (Drafting):

subparagraph, point (aa) of this Directive.	SK: (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*⁵ that is allowed by a Member State to express the opinion under Article 34(3) of this Directive . SK (Comments): SK: It is our understanding that the possibility to carry out assurance service with regard to the sustainability reporting by other party than a statutory auditor/audit firm is a Member State option. Therefore the proposed definition should refer to this option stated in Article 34(3) of the AD and subsequently be transposed into a national law only when this option is used by a Member State. PL (Comments): PL would like to refer to the recent clarification provided by the EC concerning the question raised by Portugal: PT - The proposal is not clear on whether an auditor other than the entity's statutory auditor can fall directly under the definition of "independent assurance services provider"; EC - Yes, it could fall under that definition. In PL opinion there is indeed a possibility that another auditor will provide opinion on the sustainability reporting which is in line with EC answer above and in that case such auditor should provide a separate
---	--

	opinion. However, such auditor should not fall under the definition of an independent assurance services provider and the related provisions concerning such providers because he should still fall under the definition and requirements concerning statutory auditors. An auditor should not fall in two qualifications and supervisions regimes at the same time. ES (Comments): We think a more specific, stringent and harmonised regulatory framework should be required for the review of the sustainability report, which should be commonly applied to statutory auditors and any other independent assurance services provider, in terms of level of assurance provided, technical standards to be used in the review and the ethical standards dealing with conflicts of interests and independence requirements from the reviewed entity and other entities within the same group in order to create a level playing field for all reviewers.
*4 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).	
*5 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).’;	

(3) Article 19a is replaced by the following:	
‘Article 19a	
Sustainability Reporting	HU (Comments): This part of the proposal is not well structured, it does not show the system and logic of sustainability reporting, and besides this it uses terms that are not well defined.
1. Large undertakings and, as of 1 January 2026, small and medium-sized undertakings which are 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.	NL (Drafting): 1. Large undertakings and, small and medium-sized undertakings which are 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. NL

	(Comments): The deadline of 1 January 2026 for listed small and medium-sized undertakings should be mentioned in Article 5 (Transposition) instead of Article 19a (Sustainability Reporting). See also Article 5 below. SK (Drafting): SK: Large undertakings which are undertakings referred to in Article 2, point (1), point (a) and, as of 1 January 2026, small and medium-sized undertakings which are undertakings referred to in Article 2, point (1), point (a), shall include in the separate part of 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. SK (Comments): SK: The proposed changes to the scope of entities create in our opinion an unnecessary complexity and confusion. We do not see it appropriate to prescribe the same reporting obligations for listed undertakings and non-listed undertakings. Furthermore, in accordance with the proposed wording a micro listed undertaking would be exempted from the obligation to report on sustainability, however a non-listed medium-sized undertaking that according to the MS option is classified as a large one would not be exempted. Therefore the non-listed undertakings should be
--	---

	deleted from the scope. We believe that the sustainability information should be presented at least in a separate part of the management report. However, if the assurance of the sustainability reporting is carried out by an independent assurance services provider or by other statutory auditor we think a separate report will be more appropriate in order to distinguish the responsibility of the statutory auditor from the responsibility of the independent assurance services provider/other statutory auditor. AT (Drafting): 1. Large undertakings <u>which fulfil the size criteria of Article 3 paragraph 4</u> and, as of 1 January 2026, small and medium-sized undertakings which are 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. AT (Comments): According to recital 23, credit institutions and insurance undertakings shall only be subject to the sustainability reporting requirements provided that they meet the size criteria. This is not reflected in the proposed text: since according to Art. 40 of the Accounting Directive all PIEs (including banks and insurance undertakings) are regarded as "large" irrespective of
--	--

	the size criteria, it is suggested to make a clear reference to the size criteria in the text. When it comes to integrated vs. separate reporting of management and sustainability activities of a company Austria thinks that both options are valid. An integrated reporting could ensure the quality and reliability of the data being integrated in the relevant chapters. At the same time separate reporting (management and sustainability) could enhance the understanding especially of the sustainability data as those information would be in one report. PL (Drafting): 1. Large undertakings and, as of 1 January xx, undertakings referred to in Article 2, point (1), point (a) which for the purpose of the sustainability reporting are small and medium sized undertakings, shall include in the a separate part of 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. PL (Comments): PL suggest to treat the deadline for listed SME as preliminary depending on the final application deadline for large entities. PL understands that in case of PIEs, despite of Art. 40 of the Accounting Directive, the size criteria apply only for the purpose of the sustainability reporting. However, as some Member States see a potential interpretative problems, PL would be in favour of a more precise wording regarding this
--	---

	issue or at least a clarification in a recital. PL suggests a more clear wording in the Art. 19a to avoid any interpretative doubts. PL is in favour of having separate sustainability reports or at least a separate part containing sustainability information in the management report. PL is against the possibility for entities to disseminate the sustainability information throughout the whole management report. See also PL remark to par. 7 third subparagraph in the same Art. 19a. BE (Comments): It is understood that the management of the undertaking decides on the double materiality of sustainability reporting. If there is another interpretation, as EFRAG suggests according to clarifications brought by the Commission, paragraph 1 has to be amended accordingly. SE (Comments): As stated at the meeting on 24 September 2021 SE sees the need for a deeper discussion on the balance of regulation on level 1/level 2 and whether it is proportionate to subject listed SME:s to mandatory sustainability reporting. It should also be considered further whether the sustainability report could be a separate part of the annual financial report. 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 could 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? PT (Drafting): 1. Large undertakings which are undertakings referred to in Article 3, point 4, and, as of 1 January 2026, small and medium-sized undertakings which are undertakings referred to in Article 2, point (1), point (a), shall include in a separate section of 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. PT (Comments): A) Drafting suggestion for clarification purposes and to ensure alignment with Recital 23. In the case of credit institutions, this clarification is of the
--	--

	utmost importance because otherwise the current draft would seem to suggest that <u>all</u> credit institutions, regardless of their size, would be covered by the 'coordination measures' envisaged in articles 19a and 29a, which is not the case taking into account Recital 23 and Article 19a. Credit institutions would be subject to those provisions, regardless of their legal form, but provided they meet certain size criteria as established in Article 3 of the Accounting Directive for the definition of large, small and medium sized undertakings. B) It will be easier to find and identify this information within the management report and increase the comparability and verifiability of this information.
2. The information referred to in paragraph 1 shall contain in particular:	SK (Comments): SK: The requirements contained in the Art. 19a are too detailed and should be reduced to really important information on sustainability factors, mainly taking into account the companies whose securities are not traded on the regulated markets as well as medium-sized undertakings. The increase of competition of European companies and innovation capacities should be prioritized before new administrative tasks consuming a lot of time.
(a) a brief description of the undertaking's business model and strategy, including:	NL (Drafting):

	(a) a brief description of NL (Comments): 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. 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. Thirdly, the position of the subject "policy" in the enumeration under d is not logical, as sustainability starts with a policy. 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.
(i) the resilience of the undertaking's business model and strategy to risks related to sustainability matters;	NL (Drafting): (i) the undertaking's business model and policies related to sustainability matters, and NL

	(Comments): See above under (a) for the explanation of this amendments HU (Drafting): (i) the resilience of the undertaking's business model and strategy to risks related to sustainability matters HU (Comments): 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. 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.
--	---

(ii) the opportunities for the undertaking related to sustainability matters;	NL (Drafting): (ii) the targets related to sustainability matters set by the undertaking, of the strategy to achieve those targets and of the progress the undertaking has made towards achieving those targets, including: (1°) the resilience of the undertaking's business model and strategy to risks related to sustainability matters; (2°) the opportunities for the undertaking related to sustainability matters; (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; (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; (5°) how the undertaking's strategy has been implemented with regard to sustainability matters; NL (Comments): See above under (a) for the explanation of this amendment

(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;	NL (Drafting): NL (Comments): Point (iii) can be deleted because it has been moved to point (ii) under 3° (see above)
(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;	NL (Drafting): NL (Comments): Point (iv) can be deleted because it has been moved to point (ii) under 4° (see above) ES (Drafting): (iv) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of how these

	<u>stakeholders are considered to influence the undertaking's value creation and performance and</u> of the impacts of the undertaking on sustainability matters; ES (Comments): There are generally dependencies and feed back on how the undertaking takes account of stakeholders and how these stakeholders influence the undertaking's value creation and performance in the medium to long term based on factors such as reputation, clients loyalty, etc.
(v) how the undertaking's strategy has been implemented with regard to sustainability matters;	NL (Drafting): NL (Comments): Point (v) can be deleted because it has been moved to point (ii) under 5° (see above)
(b) a description of the targets related to sustainability matters set by the undertaking and of the progress the undertaking has made towards achieving those targets;	NL (Drafting): (b) a description of:

	(i) the due diligence process implemented with regard to sustainability matters; (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; (iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts; NL (Comments): See above under (a) for the explanation of this amendment
(c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters;	NL (Drafting): (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; NL (Comments): See above under (a) for the explanation of this amendment
(d) a description of the undertaking's policies in relation to	NL

sustainability matters;	(Drafting): (d) key performance indicators relevant to the disclosures referred to in points (a) to (c); NL (Comments): We wonder if 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.
(e) a description of:	NL (Drafting): (e) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters. NL (Comments): See above under (d) for the explanation of this amendment HU

	(Drafting): (e) a description of: HU (Comments): For point (e) („<i>description of</i>”), a precise collective term would be needed to adequately summarize the sub-paragraphs listed below.
(i) the due diligence process implemented with regard to sustainability matters;	NL (Drafting): NL (Comments): Point (i) can be deleted because it has been moved to letter (b) under (i) (see above)
(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;	NL (Drafting): NL

	(Comments): Point (ii) can be deleted because it has been moved to letter (b) under (ii) (see above) AT (Comments): As Art 19a and 29a of the proposal refer to the value chain of the "company" or "group" and "its" supply chain, this may be too narrow. Companies can only disclose their direct value/supply chain and their direct business relationships. The rules should refer to "its direct and indirect value/supply chain". Otherwise, companies could set up multi-level structures to avoid disclosing unsustainable practices, as in this case it is not the companies' value chain but the value chain of their business partners. ES (Drafting): (ii) the principal actual or potential adverse impacts <u>on people and the environment</u> connected with the undertaking's value chain, including its own operations, its products and services, its business relationships and its supply chain; PT (Drafting): (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, as
--	--

	appropriate; PT (Comments): Some concepts would benefit from further clarification in what regards their applicability to financial undertakings. In particular, concepts like “value chain” and “supply chain” seem to cater better for the activities performed by companies in the industry sector. The drafting suggestion aims to ensure consistency with the wording in Recital 19, which already seems to take into account that the sustainability information on the “value chain” may not be suitable to all sectors and should be reported whenever appropriate.
(iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;	NL (Drafting): NL (Comments): Point (iii) can be deleted because it has been moved to letter (b) under (iii) (see above)
(f) a description of the principal risks to the undertaking related to	NL

sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks;	(Drafting): NL (Comments): Letter (f) can be deleted because it has been moved to letter (c) (see above)
(g) indicators relevant to the disclosures referred to in points (a) to (f).	NL (Drafting): NL (Comments): Letter (g) can be deleted because it has been moved to letter (d) (see above)
Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship capital.	NL (Drafting): NL

	(Comments): This paragraph on intangibles should be deleted. Please be referred to Article 2 point (19) above for the grounds for this deletion SK (Drafting): SK: Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship matters . The information on intangibles shall consist of: a) description of the nature of the intangibles, b) description of their role in the value creation. SK (Comments): SK: The specification of what kind of detailed information is to be disclosed should be provided. AT (Drafting): Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship matters. AT
--	--

	(Comments): The broad wording of "intangibles" could lead to misunderstandings and confusion with assets to be accounted for under the applicable accounting standards. Therefore, the wording could be clarified. BE (Comments): See comment above: definition of 'intangibles' is needed. SE (Comments): See comment at recital 28 above. ES (Drafting): Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship capital, <u>in particular, about how intangibles are internally generated and which factors are relevant on it. Appropriate cross references to financial statements are to be made when needed.</u> ES (Comments): We understand this question puts the focus on non-recognized intangibles, as signaled in explanation (28). As currently drafted, this paragraph could be misunderstood, so it should be clarified. In addition, the requirement is too generic. It should ask for information
--	---

	about how intangibles are internally generated and which factors are relevant on it. FI (Drafting): Undertakings shall also disclose information on intangibles. <i>The information shall describe</i> <i>(a) the efforts related to human and social relationships within the undertaking and with external stakeholders,</i> <i>(b) research and development efforts, and</i> <i>(c) the portfolio of trademarks, patents and other intangibles having proprietary nature to the undertaking.</i> <i>The disclosure shall segregate distinctly information regarding items recognized in the balance sheet from others. If information regarding the valuation of non-balance sheet items is provided, the valuation procedure shall be disclosed.</i> FI (Comments): The concept of “intangibles” should be defined more concretely in the text. HU (Drafting): Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship capital. HU
--	--

	(Comments): It is recommended that the concepts of intangible assets other than intangible assets recognised in the balance sheet should be clearly separated in order to avoid duplication. PT (Drafting): Where appropriate, undertakings shall also disclose qualitative and quantitative information on intangibles other than those recognised in the balance sheet, such as: a. Description about the nature of the intangibles that are not being recognized at the Balance sheet; b. Reasons why the intangible is not being recognized at the Balance sheet, including description about the criterion under IAS 38 that are not being met; c. Date expected to capitalize the intangible in the Balance sheet and d. Information on intellectual, human, and social and relationship capital. PT (Comments): Changes proposed with a view to ensure an accurate alignment with the intentions, as reflected in the recitals, of the disclosure under the CSRD: (i) the objective of the disclosure on intangibles is to give more information <u>specifically on intangibles other than intangible assets recognised in the balance sheet</u> (e.g. internally generated intangibles); and
--	---

	(ii) the disclosures may be qualitative and quantitative. On the other hand, the International Accounting Standard 38 is the appropriate instrument to require disclosures about intangibles, even about intangibles that are not recognized as an intangible asset on the balance sheet. So, we are the opinion that an amendment to IAS 38 is needed. We suggest the following disclosures about intangible to be required by the CSRD if an amendment to IAS 38 is not feasible Concerning other non-financial information such as academic and scientific qualifications and research awards, scientific publications, number of projects under research, number of research hours by project, etc, could be encouraged to be disclosed, but we see no reason to be audit and required by CSRD
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.	AT (Comments): It seems to be inconsistent to require the consideration of short, medium and long-term time horizons in Art 19 (2) 3rd subparagraph in all cases, but only "where appropriate" in Art 29a (3). This unnecessarily gives the company discretion as to which information has to be disclosed. In practice, this may lead to companies being unwilling to disclose certain information arguing that this information is not 'appropriate'/applicable to their business model.

	BE (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 short, medium and long term horizons. BE (Comments): It is not clear what “short, medium and long term horizons” means. How to verify? ES (Drafting): Undertakings shall report the <u>main factors and criteria used, including the role that stakeholders have played, and the</u> 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. 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 understanding.
--	---

	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 short, medium and long-term horizons. 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.
3. The information referred to in paragraphs 1 and 2 shall contain forward-looking and retrospective information, and qualitative and quantitative information.	SK (Drafting): SK: 3. The information referred to in paragraphs 1 and 2 shall contain an indication of undertaking's likely future development, retrospective information, and qualitative and quantitative information. SK (Comments): SK:

	As the forward looking information is of a subjective nature, only assumptions of the future development should be required. AT (Drafting): 3. The information referred to in paragraphs 1 and 2 shall contain forward-looking information and information about past performance, and qualitative and quantitative information. AT (Comments): It is proposed to harmonise the formulations regarding article 19a (3) and article 29a (3). BE (Drafting): 3. The information referred to in paragraphs 1 and 2 shall contain forward-looking and retrospective information, and qualitative and quantitative information. The information referred to in paragraphs 1 and 2 shall also contain forward-looking and retrospective information, for indicative purposes only. BE (Comments): As forward-looking information is useful for users but not verifiable, we suggest that undertakings disclose this information as an indication only. Furthermore, regarding retrospective information, the time frame (how far
--	--

	in the past: 2 years ? 5 years?) and the scope of such information should be specified. FI (Drafting): The information referred to in paragraphs 1 and 2 shall <i>be qualitative and quantitative and also give an indication of the undertaking's likely future development.</i> FI (Comments): The Commission Text is considerably stricter than we currently have in article 19.1 – 2nd Subparagraph (a): "The management report shall also give an indication of the undertaking's likely future development." Our understanding is that reliable and accurate forward-looking long-term sustainability information is even more difficult, if not outright impossible, to provide than regarding matters of financial reporting. In this context, we also note the proposed 19b.2 requiring that all the information items included in sustainability report have to be, inter alia, "verifiable". Due to abovementioned difficulties, we propose rewording. HU (Drafting): 3. The information referred to in paragraphs 1 and 2 shall contain forward-looking and retrospective information, and qualitative and quantitative information.
--	--

	HU (Comments): In the case of forward-looking information and retrospective information, exactly how far in advance and back should information be published? It is proposed to define the time horizons precisely.
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.	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. NL (Comments): To us 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. 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.

AT

(Drafting):

The information referred to in paragraphs 1 and 2 shall contain material and relevant information about the undertaking's value chain, including the undertaking's own operations, products and services, its business relationships and its supply chain.

AT

(Comments):

In Austria's view, the wording "where appropriate" in Art 19a (3) and 29 (3) leaves too much room for interpretation. Austria therefore proposes to replace "where appropriate" by "material and relevant", as every company has a value chain, its own activities, products and services and short-, medium- and long-term time horizons. Furthermore, it seems to be inconsistent to require the consideration of short, medium and long-term time horizons in Art 19 (2) 3rd subparagraph in all cases, but only "where appropriate" in Art 29a (3). This unnecessarily gives the company discretion as to which information has to be disclosed. In practice, this may lead to companies being unwilling to disclose certain information arguing that this information is not 'appropriate'/applicable to their business model.

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.	AT (Drafting): The information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, other relevant and material information included in the management report in accordance with Article 19 and amounts reported in the annual financial statements.
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.	CZ (Comments): As some information is subject to business secret, the Czech Republic fully supports so called „safe harbour clause“. Nevertheless, it is not sufficiently clear which information can be omitted – is it information only according to paragraph 3 or also according to paragraph 2? FI (Drafting): 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. ***Notwithstanding the aforementioned, an undertaking having issued financial instruments admitted to trading on a regulated market or for which a request for admission to trading on a regulated market has been made, shall publish inside information pursuant to the regulation (EU) 596/2014 of the European Parliament and of the Council on market abuse.***

FI

(Comments):

As a clarification, a reference should be made to the transparency requirements of the Market Abuse Regulation.

HU

(Drafting):

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.

HU

	(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.
4. Undertakings shall report the information referred to in paragraphs 1 to 3 in accordance with the sustainability reporting standards referred to in Article 19b.	BE (Drafting): 4. Undertakings shall report the information referred to in paragraphs 1 to 3 in accordance with the sustainability reporting standards referred to in Article 19b and attached as Annexe(s) ... to BE (Comments): We suggest that sustainability standards are preferably attached to the Directive as Annexes. FI

(Drafting):

Undertakings shall report the information referred to in paragraphs 1 to 3 in accordance with the sustainability reporting standards referred to in Article 19b. ***An undertaking that complies with the reporting standards shall be deemed to have complied with the requirements of this directive. Any person is not allowed to require directly or indirectly from such an undertaking any information which goes beyond the requirements of the reporting standards.***

FI

(Comments):

In our opinion, one of the central themes of this Directive is to cut the bureaucracy and the heavy cost-burden that the European undertakings face due to the tsunami of idiosyncratic requests by financial market participants for sustainability information – each request is unique and it takes time and effort to fulfill them one by one.

What can we do to ease this burden? – We have to legislate loudly and clearly that the transparency requirements are comprehensive and exclusive. This means that no private financial market participant or other stakeholder should be allowed to require any other information from a European undertaking.

In other words, we have to provide the companies an effective shield against non-proportional ad hoc requirements from non-European funds.

The penalty threat of Article 51 should apply to breaches.

Our proposal resembles the exemption rule of micro-undertakings in Article 36.4 as regards true and fair view requirement in financial statements (*“In respect of micro-undertakings, annual financial*

	<i>statements drawn up in accordance with - - this Article shall be regarded as giving the true and fair view.”). In a similar manner (“maximum directive”), our proposal would effectively serve as a floodgate against excessive requirements.</i> For the sake of clarity, let us stress that an undertaking can – naturally – commit itself to publish more information if it so wishes – for example, by listing its securities outside EU and accepting willingly the transparency requirements over there. The key point here is that the company takes on this extra burden voluntarily, by its gauged decision to have listing outside EU – not against its own will. Moreover, we are not – by any means – saying that the national legislators cannot require more information than what is stipulated in the Directive. This is a minimum directive meaning that national gold plating is allowed. But this is up to legislators, and not to any private operator.
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 19c.	BE (Drafting): 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 19c and attached as Annexe(s) ... to BE (Comments):

	We suggest that the sustainability standards applicable for SMEs are preferably attached as Annexes as well.
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).	
7. An undertaking 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 consolidated management report is drawn up in a manner that may be considered equivalent, in accordance with the relevant implementing measures adopted pursuant to Article 23(4), point (i), of Directive 2004/109/EC of the European Parliament and of the Council* ⁶ , to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive.	AT (Comments): As there is still no nationally coordinated position on this issue, but the Austrian Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology has reservations about excluding subsidiaries from the reporting obligations, it is suggested to think about a MS option on this point, which would allow Member States to exempt only certain subsidiaries (depending on certain size criteria for example, such as the parent undertaking's shareholding in the subsidiary) from the sustainability reporting obligations. PL (Comments): PL would like to ask for clarification whether on the basis of this provision there will be a possibility to decide also on the equivalence of sustainability reporting standards from third country designed for non-

listed entities. We should not exclude the case that a parent company from a third country will prepare consolidated sustainability information on the basis of reporting standards for non-listed entities.

Equivalence decisions on the basis of the Transparency Directive in case of financial reporting concern only accounting standards for listed entities because other standards are not within the remit of this directive. PL is concerned that there might be legal obstacles to apply the legal basis of the Transparency Directive to areas connected with reporting provisions for non-listed entities.

CZ

(Comments):

What does it mean the term “equivalent” in this context? Where will be set which standards are equivalent to the European ones?

ES

(Drafting):

7. An undertaking 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 consolidated management report is drawn up in a manner that may be considered equivalent, in accordance with the relevant implementing measures adopted pursuant to Article 23(4), point (i), of

	Directive 2004/109/EC of the European Parliament and of the Council*⁶, to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive. <u>A parent undertaking which drawn up in accordance with article 29 and 29a a consolidated management report shall be exempted from the obligation set out in paragraphs 1 to 4 of this article.</u> ES (Comments): This exemption of publishing a ‘separate’ or ‘individual’ sustainability reporting should also be granted to an undertaking which prepares consolidated management report as well. We find no reason to exempt an undertaking because it is integrated in another consolidated management report of an ultimate or intermediate parent entity and not applying the same exemption treatment when we are dealing with the separate and consolidated management report of an undertaking. In the latter situation, the publication of the consolidated management report (including consolidated sustainability reporting) should be considered sufficient and the undertaking should have the possibility of not drafting and publishing the separate sustainability reporting. PT (Drafting): 7. An undertaking 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 consolidated management report is drawn up in a manner that may be considered equivalent, in accordance with the relevant implementing measures adopted pursuant to Article 23(4), point (i), of Directive 2004/109/EC of the European Parliament and of the Council*⁶, to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive. <i>New second subparagraph:</i> For the purposes of the first subparagraph, credit institutions referred to in Article 1, point (3), point (b) that are permanently affiliated to a central body which supervises them under the conditions laid down in Article 10 of Regulation (EU) No 575/2013 of the European Parliament and of the Council shall be treated as subsidiaries of the central body. PT (Comments): Proposal for a new second subparagraph. In light of the proposed new Article 1(3)(b), and as explained in Recital 23, credit institutions incorporated as cooperatives may become subject to the requirements of Article 19a. It is common for such credit institutions to be part of a network of credit institutions affiliated to a central body with such reality recognised extensively in the EU prudential framework (e.g., Article 10 of Regulation (EU) 575/2013, hereinafter “CRR”). In our perspective, in case such affiliated credit institutions would be subject to Article 19a (because they would be large undertakings or SME with listed securities) and in order to ensure level playing field with subsidiaries of a
--	--

	parent undertaking we consider they should also be eligible for the exemption provided for in the first subparagraph of Article 19a. This type of association as if they were considered subsidiaries of the relevant central body is also recognised in the EU <i>acquis</i>, namely in Article 13(4) CRR precisely in the context of Pillar III disclosures. HR (Comments): Further clarification on Article 19a (7) (and Article 29a (7) is needed. As we stated on previous meetings, our main concern is in what way future position of daughter companies of the groups that publish consolidated sustainability report, compared to those of “standalone” companies, to be subject to CSRD reporting, is envisaged in relation to information that will be made available to investors, especially those being subjects to SFDR? Namely, if one main company invests in both daughter company (exempted of publishing sustainability report) and standalone company listed on given stock exchange, will reporting of both companies be comparable and comprise all information needed for FMP to fulfil its own disclosure obligations like those prescribed in Principle sustainability adverse impact (PAI) statement and related PAI indicators (SFDR) or financial products’ precontractual documentation? We are of the opinion that same type of sustainability related information prepared by both type of companies should be provided to the investors for the sake of transparency and level playing field. If our concerns are correct, then we propose adjustments should be made to the current draft of this level 1 act as we do not think these issues can be resolved through level 2 sustainability-reporting standards.
--	--

	In Croatia we have a large number of pension funds, investment funds and insurance companies that invest in Croatian companies listed on regulated markets, which are in fact daughter companies of an EU main company. Named subjects, for example, investment funds, are obligated to report in accordance with SFRD and, in case of consolidated reports they, as the biggest investor on our market, would not have full necessary access to needed information.
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.	SK (Drafting): SK: The consolidated financial statements and the consolidated management report of the parent undertaking referred to in subparagraph 1 together with the audit report or the opinion of the independent assurance services provider 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. SK (Comments): SK: As the requirement for assurance of the sustainability reporting has been introduced also the consolidated financial statements, the audit report/opinion of the assurance services provider should also be available in order to ensure the same level of reliable information. However, in our

	view a double requirement for publishing is too burdensome. Therefore the same regime as is in place for undertakings exempted from the obligation to draw up the consolidated financial statements should apply. CZ (Comments): We prefer to limit this requirement to providing weblink to the consolidated management report of the parent undertaking, provided this report is published in the same language or in a language customary in the sphere of international finance, so as to reduce the administrative burden on undertakings.
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.	SK (Drafting): SK: 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 financial statements and the consolidated management report referred to in the first subparagraph of this paragraph is published together with the audit report or the opinion of the assurance services provider 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. PL (Comments):

	In reference to this provision PL suggestion to have at least a separate part on sustainability reporting in the management report would be useful because it would also allow to publish only a translated version of the appropriate part of the consolidated management report of the parent company. Otherwise subsidiaries using the exemption will be required probably in the majority of Member States to publish a translated version of the whole consolidated management report of the parent company which will pose on them an unnecessary burden and trigger undue costs. CZ (Comments): We are of the view that the certification of the translation is superficial and constitutes additional administrative burden. SE (Drafting): 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 a language customary in the sphere of international finance, and that any necessary translation is certified. SE (Comments): For groups with subsidiaries in several MS, the proposed option for MS may lead to high costs and practical difficulties.

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:	
(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;	
(b) the fact that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article.	<u>ES</u> <u>(Drafting):</u> <u>A letter c) to be added:</u> <u>(c) where the consolidated management report of the parent undertaking referred to in subparagraph 1 is available.</u> ES (Comments): As the consolidated management report of the parent undertaking referred to in subparagraph 1 could be published in a variety of manners depending on the Member State and/or at a different time than the submission of the management report of an undertaking, we suggest adding (c) <u>where</u> will be available the consolidated management report of the parent undertaking

	referred to in subparagraph 1
	SK (Drafting): SK: New point (c): c) reference to the website of the register where the following documents are published in accordance with Article 30 in the manner prescribed by the law of the Member State by which that parent undertaking referred to in subparagraph 1 is governed: (i) the consolidated financial statements and the consolidated management report of a parent undertaking drawn up in accordance with Articles 29 and 29a, (ii) the audit report, or where applicable the opinion of the independent assurance services provider. SK (Comments): SK: We believe a reference in the management report of the exempted entity with a link to the documents of the parent undertaking is enough. The proposed new point c) could therefore replace second subparagraph of paragraph 7.
* ⁶ 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 (<i>OJ L 390, 31.12.2004, p. 38</i>).’;	
(4) the following Articles 19b, 19c and 19d are inserted:	
‘Article 19b	
Sustainability reporting standards	
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:	SK (Drafting): SK: The Commission shall adopt implementing 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: SK

	(Comments): SK: We believe that the implementing acts would better ensure the proper involvement of the Member States in the process. CZ (Comments): The Czech Republic does not agree with the implementation of these principles on the basis of an obligation, as it is not possible to agree on a new obligation without knowing what its content will be. 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. This aspect should remain the responsibility of the Member States. At the very least, the extent to which information is to be reported in the context of sustainable reporting must be determined at the level of the Directive and not by an act delegated by the Commission. SE (Comments): As stated in the meeting on 24 September 2021, SE would prefer the use of implementing acts with the examination procedure. 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, to the extent possible, shall specify the structure in which that information shall be reported. In particular: PT (Comments): Common reporting standards are paramount to enhance comparability and transparency and to avoid undertakings' unnecessary administrative burden. 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 below on Article 19c.
(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, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.	NL (Drafting): (a) by 31 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, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088. NL (Comments): 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 proposed reasonable

	implementation period mentioned hereinafter under Article 5. This extension would allow for extra time for EFRAG to carefully develop the standards. SK (Drafting): SK: (a) by 31 October 2022, the Commission shall adopt implementing acts specifying the information that undertakings are to report in accordance with paragraphs 1 and 2 of Article 19a, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088. PL (Comments): In PL view this deadline might be too ambitious and put too great pressure on EFRAG putting at risk the high quality of the basic reporting standards. The deadline should be adjusted to the final application deadline for large entities. FI (Drafting): (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, and exclusively specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088.
--	--

	FI (Comments): We understand that Reporting Standards (as Level 2 legislation) should be by their very nature technical – consisting of the more detailed ways of delivering the outcome of the substance that the Directive (Level 1) provides. Hence, a clear distinction should be introduced into the Directive between of Year 2022 Reporting Standard and Year 2023 Standard, e.g. by targeting the Year 2022 Standard exclusively to the informational needs of financial market participants. This kind of clarification would enable undertakings to prepare better in advance for gathering and delivering the information required within the time-frame proposed by the Commission. HU (Drafting): (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, and at least specifying information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088. HU (Comments): 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. In our view, sufficient time is needed to develop the standards and to incorporate them into practice.
(b) by 31 October 2023, the Commission shall adopt delegated acts specifying:	PL (Comments): See PL remark to point (a) above. CZ (Comments): From the proposed text it is not clear if standard setter is bound by the content of topics sets in the directive or would have a free hand to add other topics. The proposal does not contain any transition measures for undertakings that disclose non-financial or sustainable information under NFRD or any international (global) standards (eg. EMAS, UN Convention “Global compact”, Global Reporting Initiative, OECD Convention). It is not sufficiently clear from the proposal to what extent Commission will be bounded by proposal of the standards made by EFRAG and by the comments, recommendations and conclusions made by other consultative groups mentioned in the proposed CSRD and by the opinion of the

	member states during adoption the delegated acts. HU (Drafting): (b) by 31 October 2023, the Commission shall adopt delegated acts specifying HU (Comments): 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. In our view, sufficient time is needed to develop the standards and to incorporate them into practice.
(i) complementary information that undertakings shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;	ES (Comments): It is not clear what kind of complementary information, other than that mentioned in section (a), will be addressed by the Commission. 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. FI (Comments):
(ii) information that undertakings shall report that is specific to the sector in which they operate.	
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.	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 fullest extent relevant developments, including developments with regard to international standards. NL (Comments): 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 19b paragraph 1 that the work of global

	standard-setting initiatives for sustainability reporting should be taken into account to the fullest extent. AT (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), the EU Platform on Sustainable Finance as well as the Forum of Competent Bodies according to EMAS Regulation 1221/2009, and where necessary shall amend such delegated act to take into account relevant developments, including developments with regard to international standards. AT (Comments): EFRAG's role in developing standards should be complemented by an independently acting expert association (EU Platform on Sustainable Finance and the Forum of Competent Bodies). FI (Drafting): The Commission shall, at least every three years after its date of application, review any delegated act adopted pursuant to this Article <i>and propose amendments to this Directive where necessary</i>, 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. FI (Comments): We propose establishing a sound basis for development or Level 2 Reporting Standards by extending the 3 year cycle of Article 19b.1 to have the Directive itself scrutinized periodically – e.g., in every three years – as well. Otherwise, for example, in a scenario where the anti-warming target is tightened in 2023, we would be stuck with the wording of Article 19b.2.a.iii referring to 1,5 Celsius for an undefined period of time.
2. The sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, representative, verifiable, comparable, and is represented in a faithful manner.	AT (Drafting): 2. The sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, representative, verifiable, comparable, complete, clear and transparent and is represented in a faithful manner. AT (Comments): It is proposed to add "completeness" and "clarity and transparency" to the proposed aspects. In order to map the six environmental goals of the Taxonomy Regulation

	in the sustainability reports, but also not to neglect the other topics that are important for companies and their stakeholders, it is important to design these standards in the delegated legal acts in such a way that all relevant topics and focal points are adequately presented. The approval of national (environmental) experts, who can guarantee a comprehensive presentation, is important here. The aim is to avoid “green washing” and to disclose all topics (not just those anchored in the taxonomy). It is therefore recommended that established standards and indicators are used for the publication of environmental information (EMAS, GRI, etc.). The EMAS core indicators for environmental performance (according to Regulation EU 2018/2026 of the Commission of December 19, 2018 amending Annex IV of Regulation EC No. 1221/2009) should also be applied in a mandatory sustainability report. CZ (Comments): What does the term “representative” in this context mean?
The sustainability reporting standards shall, taking into account the subject matter of a particular standard:	ES (Comments): It would be appropriate to provide greater precision about the information considered reasonable for undertakings to include in relation to their intangible assets in their Sustainability Reporting, considering that some information may be already included in social factors disclosures. Article 19b identifies the topics EU sustainability reporting standards should address; it does not mention however intangible assets. Therefore, although it is mentioned in article 19a. 2, it is possible that this concept

	will not be addressed in sufficient detail in a later standard, hence the Directive should sufficiently clarify the disclosures related to this matter or article 19b should include it amongst the topics to be explicitly addressed by standards. It would be easier for undertakings to provide this information if the text included definitions regarding the following terms in article 2: - Intellectual capital - Human capital - Social capital Relationship capital HU (Drafting): The sustainability reporting standards shall, taking into account the subject matter of a particular standard: HU (Comments): We are concerned about the sub-point highlighted above. 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.
(a) specify the information that undertakings are to disclose about environmental factors, including information about:	NL (Drafting): (a) specify the information that undertakings are to disclose about

	the following environmental factors: NL (Comments): The summaries of environmental, social and governance factors in Article 19b 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.
(i) climate change mitigation;	
(ii) climate change adaptation;	
(iii) water and marine resources;	
(iv) resource use and circular economy;	
(v) pollution;	

(vi) biodiversity and ecosystems;	
(b) specify the information that undertakings are to disclose about social factors, including information about:	NL (Drafting): (b) specify the information that undertakings are to disclose about the following social factors: NL (Comments): See (a) above
(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;	SK (Drafting): SK: (i) equal opportunities for all, including equality between women and men and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities; SK (Comments): SK: 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.
(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;	
(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.	ES (Comments): Sustainability matters include anti-corruption and bribery matters, however these two matters are not explicitly included in this paragraph 2 of article 19b. They could be addressed either by adding a new letter (d) to paragraph 2, or within this letter c. (iii), or in a new letter c. (iv). PT (Comments): In line with paragraph (39) of the recitals, the OECD Guidelines for Multinational Enterprises and the OECD Guidelines on Due Diligence for Responsible Business Conduct and related industry guidelines should also be mentioned. These OECD instruments were created with the sole

	purpose of being applied in a business context.
(c) specify the information that undertakings are to disclose about governance factors, including information about:	NL (Drafting): (c) specify the information that undertakings are to disclose about the following governance factors: NL (Comments): See (a) above
(i) the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition;	
(ii) business ethics and corporate culture, including anti-corruption and anti-bribery;	PL (Comments): PL is of the view that there are similar requirements in Article 20 (1) (a) – which are disregarded in the proposed amendments to Article 20. See PL remarks to Article 20.

(iii) political engagements of the undertaking, including its lobbying activities;	
(iv) the management and quality of relationships with business partners, including payment practices;	
(v) the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.	PL (Drafting): (v) the undertaking's internal control and risk management systems, including in relation to the undertaking's sustainability reporting process. PL (Comments): In relation to the EC explanations during the WPoCL meetings PL does not agree to include in the sustainability reporting also the information relating to financial reporting system – this information should remain in the corporate governance statement. Besides not all companies obliged to report sustainability information fall under the obligation to provide corporate governance statement. It is not clear to us whether the EC on purpose would like to introduce the requirement also for large non-listed companies to report information on their internal control and risk management systems also in relation to

	financial reporting. If this is the case it goes beyond the scope of the NFRD revision. It would be again – like with the ESEF format for financial statements – going into the area of financial reporting issues which should not be amended within the legislative procedure dedicated to introducing sustainability reporting requirements. HU (Drafting): (v) the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process HU (Comments): The corporate governance statement provision of the Accounting Directive [Article 20. (1)(c): "<i>a description of the main features of the undertaking's internal control and risk management systems in relation to the financial reporting process;</i>"] and the sustainability reporting proposal overlap, resulting in duplication of administration and disclosure. It is proposed to recast the provisions to avoid duplication.
3. When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of:	NL (Drafting): 3. When adopting delegated acts pursuant to paragraph 1, the Commission shall use as a starting point 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. The Commission shall also take account of: NL (Comments): The commitment of the EU to come to global/international standards should be reflected stronger in the text of this directive. We would like to see it explicitly outlined in Article 19b paragraph 3 that the work of global standard-setting initiatives for sustainability reporting shall be used as a starting point.
(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;	NL (Drafting): NL (Comments): Subparagraph (a) can be deleted if Article 19b paragraph 3 is amended as proposed as above.
(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;	
(c) the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852* ⁷ ;	
(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* ⁸ , (EU) 2020/1817* ⁹ and (EU) 2020/1818* ¹⁰ ;	
(e) the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013* ¹¹ ;	
(f) Commission Recommendation 2013/179/EU* ¹² ;	
(g) Directive 2003/87/EC of the European Parliament and of the Council* ¹³ ;	

(h) Regulation (EC) No 1221/2009 of the European Parliament and of the Council* ¹⁴ .	
	AT (Drafting): (i) the expertise of environmental and technical experts of the EU Platform on Sustainable Finance, the European Environment Agency (EEA) and the Forum of Competent Bodies according to the EMAS Regulation. AT (Comments): Article 19b 3) sets out requirements for the development of the EU sustainability reporting standards (delegated acts). Here, reference is made to wide range of existing methods, standards and guidance documents, which shall be taken into account by the Commission when adopting the reporting standards (delegated acts). The key challenges will be to develop the delegated acts specifying the reporting obligations and meaningful indicators that meet stakeholder needs and prevent greenwashing and to develop a methodology or guidance that encompasses all these areas appropriately. Thus, the expertise of environmental and technical experts like environmental verifiers should strongly be considered in the process of developing these reporting standards (delegated acts). Otherwise, there is a risk of defining indicators that do not allow a robust assessment of the actual climate and environmental performance (and risks) of a company

	and that, in the worst case, can serve for greenwashing.
*7 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).	
*8 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).	
*9 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).	
*10 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).	
* ¹¹ 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)	
* ¹² 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).	
* ¹³ 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).	
* ¹⁴ 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).	
	AT (Drafting): 4. The Commission shall provide mapping tables to existing EU reporting obligations and existing internationally established reporting standards and frameworks. AT (Comments): In order to facilitate applicability for internationally operating companies that report according to GRI for example, a reference table or a content interface to other internationally established reporting standards should be developed.
<i>Article 19c</i>	
Sustainability reporting standards for SMEs	
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	PL (Drafting): The Commission shall adopt delegated acts in accordance with Article 49

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 19b, paragraphs 2 and 3. They shall also, where relevant, specify the structure in which that information shall be reported.	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 Article 19a 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 19b, paragraphs 2 and 3. They shall also, where relevant, specify the structure in which that information shall be reported. PL (Comments): PL is of the view that large groups under Article 29a shall report the consolidated sustainability information on the basis of reporting standards for large entities with guidelines concerning reporting on a group level. They should not be allowed to use simplified reporting standards regardless of the size of the parent entity. 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 19b, paragraphs 2 and 3. They shall also, where relevant, specify the structure in which that information shall be reported. SE
---	---

	(Comments): As elaborated at the meeting on 24 September 2021 there is a need for a deeper discussion on the extent of any mandatory sustainability reporting requirements for SME:s. FI (Drafting): The Commission shall adopt delegated acts in accordance with Article 49 to provide for sustainability reporting standards <i>relevant and</i> proportionate to the capacities and characteristics of small and medium-sized undertakings. Those sustainability reporting standards shall specify <i>for</i> small and medium-sized undertakings referred to in Article 2, point (1)(a), <i>information to be reported regarding the following matters:</i> (a) <i>the principal risks to the undertaking related to sustainability matters and the resilience of the undertaking to those risks;</i> (b) <i>how the undertaking takes account of the interests of the stakeholders;</i> (c) <i>the impacts of the undertaking with regard to sustainability matters;</i> (d) <i>the targets related to sustainability matters set by the undertaking and the level of its achieving those targets;</i> (e) <i>the role of the administrative, management and supervisory bodies with regard to sustainability matters;</i> (f) <i>the due diligence process with regard to sustainability matters;</i> (g) <i>the principal actual or potential adverse impacts connected with the undertaking's value chain and its supply chain;</i> and
--	--

	(h) <i>actions taken to prevent, mitigate or remediate actual or potential adverse impacts.</i> They shall also, where relevant, specify the structure in which that information shall be reported. <i>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 19b</i> FI (Comments): [Regarding the 1st Sentence:] The Commission Proposal recognizes that the SMEs should be burdened with fewer obligations in order to balance the proportionally bigger impact cost otherwise affecting them. However, 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. [Regarding the 2nd Sentence:] 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.
--	---

	PUBLIC [Regarding the 4th Sentence:] 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. 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 19b, paragraphs 2 and 3. They shall also, to the extent possible, specify the structure in which that information shall be reported. PT (Comments): Drafting suggestion to further clarify that the espcitities attached to SMEs derive also from their smaller scale and complexity of activities
--	--

	performed. Moreover, legal certainty would be enhance if further details were provided in the text on examples of information items referred to in Articles 19a and 29a that in principle would <u>not</u> be applicable to SMEs. Common reporting standards are paramount to enhance comparability and transparency and to avoid undertakings' unnecessary administrative burden. Therefore, we believe 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 above on Article 19b.
The Commission shall adopt those delegated acts at the latest by 31 October 2023.	CZ (Comments): We have doubts about the time frame. As mentioned above there is a number of outstanding issues and therefore we prefer to extend a period for implementation. In case the delegated acts will be adopted.
<i>Article 19d</i>	

Single electronic reporting format	HU (Comments): We continue to maintain our belief that companies need sufficient preparation time.
1. Undertakings subject to Article 19a shall prepare their financial statements and their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815*¹⁵ and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation.	NL (Drafting): 1. Undertakings subject to Article 19a shall prepare their financial statements and their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815*15 or for undertakings other than those referred to in point (1)(a) of Article 2 with a compatible electronic reporting format and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation. NL (Comments): Several countries, including the Netherlands, already have systems in place where the financial statements for non-listed entities are made up completely in XBRL. This format has more extensive possibilities for information, innovation and tagging than the currently prescribed XHTML-format with inline XBRL tagging. Therefore, we propose that

certain room for discretion should be allowed for MS for allowing electronic reporting format tagging compatible with inline XBRL for non-listed entities.

SK

(Drafting):

SK:

1. Undertakings subject to Article 19a shall prepare their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815^{*15} and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation.

SK

(Comments):

SK:

We do not see an added value in requiring xhtml format for the financial statements where national solutions ensure that the data are machine readable. We believe that the existing national solutions concerning digitalisation of the financial statements including their reporting formats should stay in place. As regards issuers, the obligation to prepare financial statements in ESEF already stems from the Transparency Directive and Commission Delegated Regulation (EU) 2019/815.

AT

(Drafting):

	1. Undertakings subject to Article 19a shall prepare their financial statements and their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815*¹⁵ and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852. PL (Drafting): 1. Undertakings subject to Article 19a shall prepare their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815*¹⁵ and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation. PL (Comments): At many WPoCL meetings PL explained the reasons why it does not agree with this provision: - Currently in PL all non-listed entities prepare their financial statements in XML format which is machine-readable. Therefore this provision would mean for PL a step back and for example would prevent the tax authorities to use a machine data analyses. This argument is in line with other Member States positions. As other Member States pointed out this provision - as regards financial statements - goes beyond the scope of the NFRD revision.
--	---

	CZ (Comments): While the Czech Republic understands the need to have financial statements and management report in electronic format and we are in favour of that, we have concerns about linkage between this Regulation and financial statements based on national rules (linkage between Regulation and non-listed companies) and we need more clarification on this matter. Currently we prefer to enforce the single electronic reporting format only on issuers. Commission Delegated Regulation (EU) 2019/815 reffers the single electronic format has to be used for preparation of annual financial reports by issuers. According to Regulation (EC) No 1606/2002, issuers must prepare their consolidated accounts in line with IFRS. These consolidated accounts must be marked up according to the Commission Delegated Regulation (EU) 2019/815. There is a close link between IFRS and 1606/2002 Regulation, which directly applied to listed companies. In our view, if a uniform taxonomy according to the ESEF Regulation, which is in line only with IFRS, will be used, it would mean the transition of using national accounting legislation for the preparation of financial statements to the application of IFRS. This transition would not be only administratively demanding, but would also mean higher financial costs for businesses, especially for non-listed undertakings. We would very appreciate the explanation in detail of link between ESEF taxonomy and national accounting legislation, which may not be based on international financial reporting standards IFRS. Is the Regulation usable for non-IFRS based financial statements and sustainable reporting? Who will develop the mark ups for national financial statements and
--	---

	management report as is done in Anex in the Regulation? SE (Drafting): 1. Undertakings subject to Article 19a shall prepare their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815^{*15} and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation. However, a Member State may allow undertakings not subject to Directive 2004/109/EC of the European Parliament and of the Council to apply that reporting requirement for financial years beginning on or after 1 January [one year delay], provided that that Member State notifies the Commission of its intention to allow such a delay by [add date]. SE (Comments): 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. For them, it is only the marking up of sustainability information that is new. Based on information provided so far, SE does not see the necessity of requiring non-issuers to prepare their financial statements in ESEF, as 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. For non-issuers the OAM:s will therefore only be able to provide the
--	---

	management report to a future ESAP. SE proposes an option to delay ESEF reporting for non-issuers by one year, to avoid imposing on them the dual administrative burdens of adapting to the new sustainability reporting requirements and ESEF reporting in the same financial year. ES (Comments): See next comment. MT (Drafting): 1. Undertakings subject to Article 19a shall prepare their financial statements and their management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815*¹⁵ and shall mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852, in accordance with that Delegated Regulation. <u>By way of exemption small and medium enterprise by means of Art 2 may prepare their financial statements and management report in a single electronic reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815*¹⁵</u> MT (Comments): Malta would like to propose that SMEs are not to be made obliged to make use of the electronic reporting format but could do so on a voluntary
--	---

	basis. This is to safeguard proportionality and not add high administrative burdens on SMEs. Fallback – include optional derogation at least for small listed enterprises (if not possible for both). PT (Comments): Please see note in General Comments
2. Undertakings subject to Article 29a shall prepare their consolidated financial statements and their consolidated management report in a single electronic reporting format in accordance with 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.	NL (Drafting): 2. Undertakings subject to Article 29a shall prepare their consolidated financial statements and their consolidated management report in a single electronic reporting format in accordance with Article 3 of Delegated Regulation (EU) 2019/815 or for undertakings other than those referred to in point (1)(a) of Article 2 with a compatible electronic reporting format and shall mark-up sustainability reporting, including the disclosures laid down in Article 8 of Regulation (EU) 2020/852. NL (Comments): See under Article 19d paragraph 1 for the explanataion for this text proposal. SK

	(Drafting): SK: 2. Undertakings subject to Article 29a shall prepare their consolidated management report in a single electronic reporting format in accordance with 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. SK (Comments): SK: Please see our comments on Art. 19(1) AD. PL (Drafting): 2. Undertakings subject to Article 29a shall prepare their consolidated management report in a single electronic reporting format in accordance with 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. SE (Drafting): 2. Undertakings subject to Article 29a shall prepare their consolidated financial statements and their consolidated management report in a single electronic reporting format in accordance with 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. ES (Comments): In this and previous requirement, regarding the marking up of the sustainability reporting, we miss a reference to a level 3 development so there will be a delegated act setting up the requirements to mark up the information, mainly the taxonomy to be applied and which body will be in charge with its development (e.g. EC, EFRAG, ESMA...). A longer transitory period of 3 years approximately should also be envisaged to give entities more time to get sufficient expertise on the new content of the sustainability reporting and to adapt this new content to these new electronic format requirements.
	AT (Drafting): 3. For the mark-up of the sustainability reporting, EFRAG shall develop draft regulatory technical standards in accordance with Article 49 paragraph 3a first subparagraph. Power is delegated to the Commission to adopt those regulatory technical standards in accordance with Article 49 paragraph 3a second to forth subparagraph. AT (Comments): The Commission Delegated Regulation (EU) 2019/815 to date does not

	contain provisions how to mark-up the sustainability reporting, nor is there a provision at level 1 that delegates power to the Commission to introduce such provisions. Austria therefore suggests to introduce such a provision like in Art. 4 paragraph 7 Transparency Directive. As a follow-up change, Article 49 will have to refer on Article 19a (3) as well. PL (Drafting): 2a. Member States may require non-listed undertakings subject to Article 19a or Article 29a to prepare their financial statements and consolidated financial statements in another electronic format under the condition that this format is a machine-readable format. PL (Comments): Alternatively to the drafting suggestions above PL would accept an option for Member States.
*¹⁵ 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).;	
(5) Article 20(1) is amended as follows:	

(a) point (g) is replaced by the following:	
‘(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.’;	BE (Comments): It is our understanding that the use of “such as” in this paragraph implies that this is not an exhaustive list. We believe that it would be helpful to precise the definition and scope of “diversity policy”. HU (Drafting): <i>‘(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.’</i> HU (Comments): We do not agree with the new paragraph replacing Article 20(1)(g), highlighting "gender diversity policy", whereas the current legislation also lists 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".
(b) the following subparagraph is added:	
‘Undertakings subject to Article 19a may comply with the obligation laid down in points (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.’;	PL (Drafting): ‘Undertakings subject to Article 19a may comply with the obligation laid down in points (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.’; PL (Comments): PL is of the view that there are similar requirements in Article 20 (1) (a) concerning corporate code of ethics – which are disregarded in the proposed amendments to Article 20. The EC proposes that the information in Art. 20 (1) letter (c), (f) and (g) may be alternatively disclosed in other parts of the management report containing sustainability information, but at the same time it disregards the fact that letter (a) contains also governance information – this seems not to be a consistent approach. Moreover in relation to the EC explanations during the WPoCL meetings PL does not agree to include in the sustainability reporting also the information relating to financial reporting system. This information should remain in the corporate governance statement.

	Besides not all companies obliged to report sustainability information fall under the obligation to provide corporate governance statement. It is not clear to us whether the EC would like to introduce on purpose the requirement also for large non-listed companies to report information on their internal control and risk management systems also in relation to financial reporting. If this is the case it goes in PL view beyond the scope of the NFRD revision. It would be again – like with the ESEF format for financial statements – going into the area of financial reporting issues. These PL remarks correspond to the PL remarks in Art. 19b (2) (c) point (ii) and (v). CZ (Comments): It is necessary to clarify the relationship between the disclosures of governance factors included in the sustainability reporting and the disclosures in the corporate governance statement and the linkage with the level of audit/assurance. BE (Comments): Please also adapt Article 20 (c) AD in order to ensure coherence by adding: “a description of the main features of the undertaking's internal control and risk management systems in relation to the financial and sustainability reporting process”. ES
--	--

	(Comments):
(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 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;’;	HU (Drafting): ‘(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 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;’ HU (Comments): If a company is exempt from the publication of the consolidated financial statement, why is it not also exempt from the publication of the

	consolidated sustainability report? We are also concerned that sustainability reporting would be part of a management report that would not exist because of the exemption.
(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>	PL (Comments): PL general remark to the Article 29a – its wording should be aligned with the corresponding wording of Article 19a (3) as there are unintended differences in the wording of par. 3. PL has indicated those differences at the WPoCL meetings and in the remarks below. ES (Comments): <i>The comments made to article 19a are also applicable to this article 29a with the appropriate adjustments.</i>
Consolidated sustainability 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.	SE (Comments): See comment on placement of the sustainability report under article 19a(1) above.
2. The information referred to in paragraph 1 shall contain in particular:	

(a) a brief description of the group's business model and strategy, including:	NL (Drafting): (a) a brief description of NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.
(i) the resilience of the group's business model and strategy to risks related to sustainability matters;	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.
(ii) the opportunities for the group related to sustainability matters;	NL

	(Drafting): (ii) the targets related to sustainability matters set by the group, of the strategy to achieve those targets and of the progress the group has made towards achieving those targets, including: (1°) the resilience of the group's business model and strategy to risks related to sustainability matters; (2°) the opportunities for the group related to sustainability matters; (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; (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; (5°) how the group's strategy has been implemented with regard to sustainability matters; NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.
(iii) the plans of the group to ensure that the group's business model and strategy compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris	NL (Drafting):

Agreement;	NL (Comments): 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.
(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;	NL (Drafting): NL (Comments): 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.
(v) how the group's strategy has been implemented with regard to sustainability matters;	NL (Drafting): NL

	(Comments): 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 these drafting suggestions.
(b) a description of the targets related to sustainability matters set by the group and of the progress of the undertaking towards achieving them;	NL (Drafting): (b) a description of: (i) the due diligence process implemented with regard to sustainability matters; (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; (iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts; NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.
(c) a description of the role of the administrative, management and	NL

supervisory bodies with regard to sustainability matters;	(Drafting): (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; NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions. PL (Drafting): (c) a description of the role of the administrative, management and supervisory bodies of the parent entity with regard to sustainability matters; PL (Comments): PL is of the view that it should be clearly stated that this information should relate to the level of the parent entity and not to all bodies of the entities being in the group. ES (Drafting): (c) a description of the role of the administrative, management and supervisory bodies <u>of the parent undertaking</u> with regard to sustainability matters;
---	--

(d) a description of the group's policies in relation to sustainability matters;	NL (Drafting): (d) key performance indicators relevant to the disclosures referred to in points (a) to (c); NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.
(e) a description of:	NL (Drafting): (e) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters. NL (Comments): Please be referred to Article 19a paragraph 2 for the explanation of these drafting suggestions.

(i) the due diligence process implemented with regard to sustainability matters;	NL (Drafting): 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. PL (Drafting): (i) the group's due diligence process implemented with regard to sustainability matters; PL (Comments): PL has drafting suggestion aiming at consistent reference to a group as it is in other parts in the Article 29a.
(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;	NL (Drafting):

	NL (Comments): 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. PT (Drafting): (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, as appropriate; PT (Comments): In line with the comment conveyed to Article 19a, point 2, point (e), point (ii), in our view some concepts would benefit from further clarification in what regards their applicability to financial undertakings. In particular, concepts like "value chain" and "supply chain" seem to cater better for the activities performed by companies in the industry sector. The drafting suggestion aims to ensure consistency with the wording in Recital 29, which already seems to take into account that the sustainability information on the "value chain" may not be suitable to all sectors and should be reported whenever appropriate.
(iii) any actions taken, and the result of such actions, to prevent,	NL

mitigate or remediate actual or potential adverse impacts;	(Drafting): 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. 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; PL (Comments): See PL remark above.
(f) a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on such factors, and how the group manages those risks;	NL (Drafting): NL (Comments): 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.
(g) indicators relevant to the relevant to the disclosures referred to in points (a) to (f).	NL (Drafting): NL (Comments): 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. PL (Drafting): (g) indicators relevant to the disclosures referred to in points (a) to (f). PL (Comments): This is correction of a drafting mistake.
Parent undertakings shall also report information on intangibles, including	NL

information on intellectual, human, and social and relationship capital.	(Drafting): NL (Comments): The paragraph on intangibles should be deleted. Please also be referred to Article 2 point (19) for the explanation of these drafting suggestions. AT (Drafting): Parent undertakings shall also report information on intangibles, including information on intellectual, human, and social and relationship matters. AT (Comments): The broad wording of "intangibles" could lead to misunderstandings and confusion with assets to be accounted for under the applicable accounting standards. Therefore, the wording could be clarified. PL (Comments): Word "report" is used whereas in corresponding Art. 19a word "disclose" is used. BE (Comments): See Article 19a.
---	---

	ES (Drafting): Parent undertakings shall also report information <u>at group level</u> on intangibles, including information on intellectual, human, and social and relationship capital. HU (Drafting): Parent undertakings shall also report information on intangibles, including information on intellectual, human, and social and relationship capital. HU (Comments): The proposal requires companies to disclose information on intangible assets other than those recognised in the balance sheet, including intellectual capital, human capital, skills development, and social and relational capital. A precise definition of intangible assets is suggested. For intellectual capital, the Accounting Directive also provides lists (e.g. patents, trademarks...etc.). We recommend a clear separation of the concepts of intangible assets other than intangible assets recognised in the balance sheet. PT (Drafting): Where appropriate, parent undertakings shall also report qualitative and quantitative information on intangibles other than those recognised in the
--	---

	balance sheet, such as. a. Description of the nature of the intangibles that are not being recognized on the Balance sheet; b. Reasons why the intangible is not being recognized at the Balance sheet, including a description about the criterion under IAS 38 that are not being met; c. Date expected to capitalize the intangible in the Balance sheet and d. Information on intellectual, human, and social and relationship capital. PT (Comments): Changes proposed with a view to ensure an accurate alignment with the intentions, as reflected in the recitals, of the disclosure under the CSRD: (i) the objective of the disclosure on intangibles is to give more information <u>specifically on intangibles other than intangible assets recognised in the balance sheet</u> (e.g. internally generated intangibles); and (ii) the disclosures may be qualitative and quantitative. The International Accounting Standard 38 is the appropriate instrument to require disclosures about intangibles, even about intangibles that are not recognized as intangible assets on the balance sheet. So, we believe that an amendment to IAS 38 is needed. We suggest the following disclosures about intangible to be required by the CSRD if an amendment to IAS 38 is not feasible. Concerning other non-financial information such as academic and scientific qualifications and research awards, scientific publications, number of projects under research, number of research hours by project,
--	---

	etc, could be encouraged to be disclosed, but we see no reason to be audit and required by CSRD.
Parent undertakings shall describe the process carried out to identify the information that they have included in the consolidated management report in accordance with this Article.	PL (Comments): - A sentence is missing from the corresponding Art. 19a – it concerns „short, medium and large time horizons”- at the same time this missing sentence is added in a slight modified wording to par. 3 first subparagraph. - There are also differences in wording – here “describe the process” whereas in corresponding Art. 19a – “report the process” ES (Drafting): Parent undertakings shall describe the process carried out <u>at group level</u> to identify the information that they have included in the consolidated management report in accordance with this Article.

3. 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.	AT (Comments): It seems to be inconsistent to require the consideration of short, medium and long-term time horizons in Art 19 (2) 3rd subparagraph in all cases, but only "where appropriate" in Art 29a (3). This unnecessarily gives the company discretion as to which information has to be disclosed. In practice, this may lead to companies being unwilling to disclose certain information arguing that this information is not 'appropriate'/applicable to their business model. PL (Comments): See PL general remark to Article 29a – paragraph 3 first, second and third subparagraph should be carefully redrafted in order to be aligned with the wording of the corresponding par. 3 in Article 19a. For example lack of consistency in the terminology used: - in Art.19a – „forward-looking and retrospective information”, whereas in Art. 29a „forward-looking information and information about past performance”; - in Art. 19a „contain” whereas in Art. 29a „include” in sentences which should be fully corresponding to each other; - the words “where appropriate” are used in other places than in the corresponding paragraph in Art.19a. which might create interpretative doubts. BE
--	---

	(Comments): The text is not similar to the text of Article 19a. We propose to align the formulation and take into account our previous remark relating to Article 19a.
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, where appropriate.	NL (Drafting): 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, where appropriate. 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. NL (Comments): Please be referred to Article 19a paragraph 3 for the explanation of these drafting suggestions. AT (Comments): As Art 19a and 29a of the proposal refer to the value chain of the "company" or "group" and "its" supply chain, this may be too narrow. Companies can only disclose their direct value/supply chain and their

	direct business relationships. The rules should refer to "its direct and indirect value/supply chain". Otherwise, companies could set up multi-level structures to avoid disclosing unsustainable practices, as in this case it is not the companies' value chain but the value chain of their business partners.PL (Comments): See PL remarks above.
The information referred to in paragraphs 1 and 2 shall also, where appropriate, 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.	PL (Comments): See PL remarks above.
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.	CZ (Comments): See above our comments on individual sustainability reports. ES (Comments): See comments to article 19a. HU (Drafting):

	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. HU (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.
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 19b.	
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.	AT (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. AT (Comments): Austria believes that according to Art. 29a(5) as proposed, parent undertakings that are small and medium-sized enterprises within the meaning of Article 2(1)(a) would report in accordance with the standards for sustainability reporting by small and medium-sized enterprises set out in Article 19c. Parent undertakings, on the other hand, which are themselves a small or medium-sized enterprise but are not listed, would have to report according to the full standards. For this reason, it is suggested to delete Art. 29a(5). PL (Drafting): PL

(Comments):

PL has already pointed out at WPoCL meetings the legal weak points of this provision which leads to many unintended outcomes such as non-listed SME or even micro being parent entities of large groups would be prevented to use simplified standards whereas listed SME that are parent entities could use these simplified standards.

In order to remove such consequences and to have a high quality sustainability reporting at the group level PL is of the view that parent entities of large groups should report on the basis of the standards for large entities (and a possible guidance on reporting at group level) and that the size of a parent entity should not have any impact on the reporting standards to be used.

CZ

(Comments):

The proposed text deals with proportionate standards for SMEs on individual basis, but there are also different size categories on the group level. There are some questions regarding this issue which needs to be clarified:

According to Article 29a (5) a parent undertaking which is SME undertaking (use proportionate standards on individual level) can use SME standards on consolidated level. Is it correct?

If there are SME undertakings (only or most of them) in the group, what standards will be used on a group level?

And what about small and medium groups that are required to consolidate (because of public interest entity), what standards will used in that case?

We propose to give certain flexibility to those undertakings and to use

	proportionate standards also on a group level. PT (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. PT (Comments): This provision does not seem coherent and most importantly it risks to set the wrong incentives for sustainability reporting at the consolidated level and hamper the level playing field. The size criteria of the group as a whole should prevail over the size of the parent undertaking itself when determining whether to submit the parent undertaking of a group to the general consolidated sustainability reporting standards or the simplified reporting standards. Therefore, please consider deleting this provision.
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), Article 19a and Article 29.	

7. A parent undertaking which is also a subsidiary undertaking shall be exempted from the obligation 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 management report is drawn up 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 reporting standards referred to in Article 19b of this Directive.	PL (Comments): See PL remark in Art. 19a concerning the equivalence issue in case of non-listed parent entities from third country and the remit of the equivalence decisions on the basis of the Transparency Directive. HR (Comments): Please see the comment under Article 1 (in relation to Article 19a (7) of Directive 2013/34/EU).
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.	CZ (Comments): We prefer to limit this requirement to providing weblink to the consolidated management report of the parent undertaking, provided this report is published in the same language or in a language customary in the sphere of international finance, so as to reduce the administrative burden on undertakings. HU

	(Drafting): 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. HU (Comments): If a company is exempt from the publication of the consolidated financial statement, why is it not also exempt from the publication of the consolidated sustainability report? We are also concerned that sustainability reporting would be part of a management report that would not exist because of the exemption.
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.	PL (Comments): See PL remark in the corresponding Art.19a. CZ (Comments): See our comments on language certification. SE (Drafting):

	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 the first subparagraph of this paragraph is published in a language customary in the sphere of international finance, and that any necessary translation is certified. SE (Comments): See comment above under article 19a.
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:	
(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;	
(b) the fact that the undertaking is exempted from the obligations set	ES

out in paragraphs 1 to 4 of this Article.’;	(Comments): See commento to article 19a.
(8) Article 30 is amended as follows:	
(a) paragraph 1 is replaced by the following:	
‘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 19d 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 Chapter 3 of Directive (EU) 2017/1132 of the European Parliament and of the Council* ¹⁶ .’	CZ (Drafting): ‘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 19d of this Directive where applicable, together with the opinions and statement submitted by the statutory auditor or audit firm referred to in Article 34 and Article 34a of this Directive, as laid down by the laws of each Member State in accordance with Chapter 3 of Directive (EU) 2017/1132 of the European Parliament and of the Council*¹⁶.’ CZ (Comments):

	ES (Drafting): ‘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 19d 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 Chapter 3 of Directive (EU) 2017/1132 of the European Parliament and of the Council*¹⁶.’ ES (Comments): 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.
‘Where an independent assurance services provider gives the opinion referred to in point (aa) of Article 34(1), this opinion shall be published together with the reports referred to in the first subparagraph.	CZ (Drafting): ‘Where an independent assurance services provider gives the opinion referred to in point (aa) of Article 34(1) 34a, this opinion shall be published together with the reports referred to in the first subparagraph.

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.'	
'The exemption laid down in the third subparagraph shall not apply to undertakings subject to Articles 19a and 29a.';	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. NL (Comments): 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.
	AT (Drafting): Member States may exempt undertakings that have made available their annual financial statements and the management report together with the opinions and statement submitted by the statutory auditor or audit firm or

	an independent assurance services provider through the officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC from the obligation according to the first subparagraph.' AT (Comments): The new paragraph 1a in Article 30 of the Accounting Directive provides that management reports containing sustainability reporting shall also be made available to the relevant officially appointed system pursuant to Article 21 (2) of Directive 2004/109/EC without undue delay after disclosure. This is a certain anticipation of the "ESAP" ("European Single Access Point"), there are no objections to this. However, as before, companies that are issuers must in any case also disclose in the OAM (officially appointed mechanism) and in the company register according to Art. 30 para. 1 of the Accounting Directive, which means a double filing. In order to be able to avoid this duplication in the future, at least at national level, Austria would propose to include a Member State option to the effect that Member States may exempt companies that have provided their annual financial statements and management report together with the audit opinions and the statement of the statutory auditor or audit firm or of an independent provider of audit services under the officially appointed mechanism referred to in Article 21 (2) of Directive 2004/109/EC from the obligation under the first subparagraph (to disclose also in the companies register).
*¹⁶ Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (<i>OJ L 169, 30.6.2017, p. 46</i>).	

(b) the following paragraph 1a is inserted:	
‘1a. Member States shall ensure that management reports containing sustainability reporting drawn up by undertakings subject to Articles 19a and 29a are also made available to the relevant officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC without delay following their publication.	NL (Comments): The scope of companies having to report to the OAM will be significantly broadened. The Netherlands has currently no final position on this issue. SK (Drafting): SK: SK (Comments): SK: We see difficulties in imposing such a requirement for undertakings not falling within the scope of the Transparency Directive. As no proposal concerning the European Single Access Point is available at this stage, it is in our view premature to require a specific solution for the availability of the management reports without considering other possibilities. We believe that the different roles and technical levels of various registers that are in Member States should be taken into account.

	Nevertheless, we would like to also point out the followig aspects: As the mandatory assurance of the sustainability reporting is required, also the audit report concerning the financial statements of the non-listed undertakings should be made available. The wording “containing sustainability reporting” is in our view surperfluous and might imply that Member States should also check that the relevant management reports that have to be sent also contain sustainability information. As such a check might be done only manually, the above mentioned wording should be deleted. AT (Drafting): ‘1a. Member States shall ensure that management reports containing sustainability reporting drawn up by undertakings subject to Articles 19a and 29a are also made available to the relevant officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC without delay following their publication, if they have not already been made available to the officially appointed mechanism prior to the publication according to paragraph 1. AT (Comments): To avoid another possible double filing, Austria also proposes to amend para. 1a, as it is possible that undertakings subject to Articles 19a and 29a may have already made available their management reports containing sustainability reporting to the relevant officially appointed mechanism prior to their publication.
--	---

	PL (Comments): PL has doubts about the legal appropriateness of this provision because in case of listed entities the management reports containing sustainability reporting will be a part of the Annual financial reports filed within the OAM system on the basis of the Transparency Directive. Therefore in case of listed entities this provision is superfluous or even creates some interpretative doubts. In case of non-listed large entities PL is of the view that the publication in the court register which is electronically accessible is sufficient. There will be no time benefit for users as the filing within OAM system in case of non-listed entities would take place after the filing within the court register. If the intention of the EC was to have all the managements reports containing sustainability information on one platform – which would be ESAP – then the introduction of this requirement in case of non-listed entities should be linked to the condition that ESAP becomes operational. Considering the above arguments we support the deletion of this paragraph. BE (Drafting): ‘1a. Member States shall ensure that the financial statements and management reports containing sustainability reporting drawn up by undertakings subject to Articles 19a and 29a are also made available to the relevant officially appointed mechanism referred to in Article 21(2) of Directive 2004/109/EC without delay following their publication.
--	---

	BE (Comments): We understand from clarifications provided by the Commission that the amendments from the proposal only relate to sustainability reporting. However, given that undertakings draw up their management reports together with their financial statements, we believe that the management report should not be treated differently from financial statements with regards to availability to the OAM. We therefore propose to clarify this paragraph. ES (Drafting): ‘1a. Member States shall ensure that management reports containing sustainability reporting drawn up by undertakings subject to Articles 19a and 29a are also made available to <u>an</u> officially appointed mechanism <u>without delay following their publication. Where the undertaking drawing up the management report is subject to Directive 2004/109/EC, the officially appointed mechanism shall be the one</u> referred to in Article 21(2) of Directive 2004/109/EC- ES (Comments): The current drafting requires that the management reports containing sustainability reports of non-listed entities are submitted to the OAM of the TD. It is common that the OAM is also the NCA responsible of the enforcement of regulated information, for instance in Spain. However, the enforcement of those management reports containing sustainability reports of non-listed entities will not be under the enforcement of the
--	---

	NCA. This situation may create confusion and investor may think that this sustainability report has been subject to supervision and enforcement by the NCA. For this reason, we consider that Member states may decide that these management reports containing sustainability reports of non-listed entities are submitted to a different appointed mechanism, for instance the business register. In this case, it would be necessary to ensure the interconnectivity with the ESAP. An additional issue to be clarified is whether the management report should be accompanied by the review of the sustainability reporting from the independent expert (either the statutory auditor or other service provider), in particular, when the review was made by the statutory auditor, the audit report should also be accompanied by the management report and the financial statements, as required by the audit regulatory framework.
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.';	SK (Drafting): SK: PL (Comments): See PL remark above. BE

	(Drafting): Where the undertaking drawing up the management report is not subject to Directive 2004/109/EC, the Member State where the undertaking has its registered office shall designate the relevant officially appointed mechanism shall be one of the officially appointed mechanisms of the Member State where the undertaking has its registered office.’; BE (Comments): From the Commission’s reponses it is apparent that non-listed companies today have no OAM. However, the text states that the OAM for non-listed companies should be one of the OAMs under the Transparency Directive (‘TD’). Given that the TD only applies to listed companies, we propose to remove this mention and broaden the formulation. ES (Drafting): Where the undertaking drawing up the management report is not subject to Directive 2004/109/EC, the relevant officially appointed mechanism shall be <u>the one defined by the</u> Member State where the undertaking has its registered office, <u>such as the business register.</u>’; ES (Comments): See previous comment.

(9) in Article 33, paragraph 1 is replaced by the following:	
‘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 19b of this Directive, and with the requirements of Article 19d of this Directive:	
(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:	

(a) in paragraph 1, the second subparagraph is amended as follows:	
(i) point (a)(ii) is replaced by the following:	
‘(ii) 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;’;	AT (Comments): According to para 1 second subpara point (a)(i) the auditor has to express an opinion on whether the management report (as a whole, including the requirements on sustainability reporting) is consistent with the financial statements for the same financial year. According to para 1 second subpara point (b) the auditor has to state whether, he, she or it has identified material misstatements in the management report (as a whole, including the requirements on sustainability reporting), and shall give an indication of the nature of any such misstatements. This means that the auditor must in any case continue to carry out an audit of the entire management report and issue a statement as to whether material misstatements have been identified (i.e. including the sustainability information). In order to clearly delineate the auditors' responsibilities, these provisions should also be adapted. BE (Comments):

	On the basis of which criteria should an audit firm or statutory auditor express an opinion on the compliance of “forward-looking and retrospective information” and of “qualitative and quantitative information” of sustainability reporting ? Is it possible to express an opinion based on ‘reasonable’ assurance or is this only possible under the condition that the Commission adopts standards for reasonable assurance? We understand from the answer given by the Commission regarding our question in this field that it is possible to express an opinion based on ‘reasonable’ assurance even before the Commission adopts related standards. We propose to clarify this for example in a recital of CSRD.
(ii) the following point (aa) is inserted:	CZ (Drafting): (ii) — the following point (aa) is inserted:
‘(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 19b, 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	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

accordance with Article 19d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’;	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 19b, 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 19d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852. NL (Comments): The Directive states in paragraph 3 of the Articles 19a and 29a that the sustainability information shall also include forward-looking information. We do 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. PL (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, including the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article 19b or Article 19c, 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 19d, and as regards the compliance with the reporting requirements of Article 8 of Regulation
---	--

	(EU) 2020/852.’; PL (Comments): PL supports LU remark that the alternative reference to simplified standards is missing in this provision (suggested wording in the column 2). Furthermore in PL view two issues should be also addressed in the Art. 34: 1) The “switch” from limited liability assurance” to “reasonable assurance” – PL supports other Member States that this issue should not be addressed indirectly via the Audit Directive but also directly in the Accounting Directive. Additionally there should be more clarification of the time horizon as to when this “switch” would take place. This is needed for the legal certainty of the reporting entities and of the statutory auditors. 2) The case in which sustainability reporting in the management report is verified by a statutory auditor other than the statutory auditor commissioned with the audit of financial statements of a particular entity. As the EC explained in response to the PT question this case is possible – but PL wonders whether it might need to be somehow addressed because in this case we will have two statutory auditors giving their opinion on different parts of the management report. In PL view the “second auditor” (i.e. the one verifying the sustainability information) still falls under the provisions and requirements concerning ‘statutory auditors’ (Audit Directive and Audit Regulation) and not under the Regulation concerning certified independent assurance services providers.
--	---

	CZ (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, including the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article 19b, 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 19d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’; FI (Comments): Our concern is the point (aa) of the Commission text. It might be a plain typo but to us it would make more sense to name the sentence as (iii) instead of (aa). [Question:] Does the reference to Article 8 of Taxonomy Regulation (2020/852) at the very end of the sentence cover also the Commission Delegated Act of 6th July 2021 (not yet in force)? - Playing the role of a “Devil’s Advocate” one could argue that the Delegated Act is consciously excluded for some reason because – on the other hand (e contrario) – the reporting standards based on delegation as well are explicitly mentioned in the text. HU (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, including the compliance of the sustainability reporting with the reporting standards adopted pursuant to Article 19b, 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 19d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852.’; HU (Comments): Our concern is the point (aa) of the Commission text. The amendments proposed in inserted point (aa) are inconsistent with the current practice on financial reporting regarding the requirement for the statutory auditor to express a limited assurance (and afterwards a reasonable assurance) on the compliance with the requirement to mark-up sustainability reporting in accordance with Article 19d (Single Electronic Reporting Format).
(b) paragraph 3 is replaced by the following:	CZ (Drafting): (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 subparagraph, point (aa), provided that it is subject to requirements that are consistent with those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting as defined in Article 2(1), point (r) of that Directive.	LT (Comments): Article 2(1), point (r) of Directive 2006/43/EC? There is no such reference in that Directive. The proposed text: “provided that it is subject to requirements that are consistent with those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting” is not clear. What is a subject to these requirements – opinion referred in paragraph 1 or independent assurance services provider? SK (Drafting): SK: 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 equivalent with those set out in Articles ... of the Directive 2006/43/EC as regards the assurance of sustainability reporting as defined in Article 2(22) of that Directive SK (Comments): SK: We acknowledge that the audit market concentration needs to be taken into account with regard to a new obligation of the assurance of sustainability reporting. However, we have doubts whether the proposed
--	--

	wording in Article 34 (3) of AD ensures a level playing field between statutory auditors and independent assurance services providers. It is not clear what the term “consistent requirements” means in practice. Therefore we would welcome a clear reference to those Articles of the Audit Directive that are also applicable for independent assurance services providers. We believe that without more precise wording the transposition of this option would not be possible. Furthermore, provisions that are not clear enough could lead to a different application among Member States. We are of the opinion that the correct reference is Article 2(22) of the AuD that provides the definition of the assurance of sustainability reporting. AT (Comments): We appreciate the Member State option to allow independent assurance services providers (e.g. EMAS environmental verifiers) in collaboration with statutory auditors, as the issue whether only statutory auditors or also other independent assurance service providers should be permitted for such an audit is still a subject of national discussion. However, the level of equivalence of an audit performed by the statutory auditor or an independent assurance services provider should be clarified. It should be stated to which specific provisions of the Audit Directive equivalence must be given. This decision should not be left to the MS, as the requirements should be consistent across the EU. PL
--	---

	(Comments): PL is not in favour of this option as it creates further problems with the consistency of the requirements and oversight between statutory auditors and independent assurance services providers. However, in the spirit of compromise and bearing in mind that there are Member States which would like to maintain their current systems, PL could consider this option in the directive under the condition that the relationships between the two professions will be clearly defined and the requirements for independent assurance services providers will be equivalent to those for statutory auditors. Otherwise this might lead to divergent approaches in Member States having negative impact on the quality of the assurance of sustainability reporting. CZ (Drafting): ‘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 consistent with those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting as defined in Article 2(1), point (r) of that Directive. BE (Comments): If Member States allow independent assurance services providers, which are the requirements that Member States have to foresee to be ‘consistent with those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting as defined in Article 2(1), point (r) of that Directive’? The current text is not sufficiently clear. It should mention the
--	--

	specific requirements that must apply to independent assurance services providers. ES (Drafting): ‘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 consistent with those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting as defined in Article 2(1), point (r) of Directive <u>2004/109/EC</u>. <u>4. The Commission shall adopt delegated acts in accordance with article 49 to lay down a consistent and harmonised set of technical, ethics and independence requirements for the statutory auditor or the assurance services provider to express an opinion on sustainability reporting.</u> ES (Comments): Article 2(1) point (r) has been added to the Directive 2004/109 and not to the Directive 2006/43/EC. In addition, as expressed before, the need that the service provider should be subject to requirements that are consistent with those set out in Directive 2006/43/EC is ambiguous and needs further guidelines that ensure a level playing field and a more harmonised requirements applicable on this review to statutory auditors and independent assurance services providers in terms of technical and ethics standards, including requirements on independence and conflicts of interests. This could be implemented in a delegated act by the EU Commission.
--	---

	The audit Directive contains a large number of provisions regarding auditors and the audit activity (registration, Independence, confidentiality, oversight, organization of the work, internal organization, quality assurance, disciplinary system, appointment and dismissal etc), and, therefore, some clarification should be needed to understand the concept of “consistent requirements” included in this article, to guarantee that there is a common understanding in the different member states using the option foreseen in that article to allow independent assurance service providers to carry out the assurance on the sustainability reporting. PT (Comments): We would like to present a scrutiny reservation in this regard having in mind the internal consultations still ongoing. However we would kindly draw your attention to our written comments sent earlier about the questions raised by this article.
	CZ (Drafting): (11) The following Article 34a is inserted: ‘Article 34a Compliance of the sustainability reporting 1. The statutory auditor(s) or audit firm(s) shall, where applicable, express an opinion 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 19b, 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 19d, and as regards the compliance with the reporting requirements of Article 8 of Regulation (EU) 2020/852. 2. Member States may allow an independent assurance services provider to express the opinion referred to in paragraph 1, provided that it is subject to requirements that are consistent with those set out in Directive 2006/43/EC as regards the assurance of sustainability reporting as defined in Article 2(1), point (r) of that Directive.’. CZ (Comments): We propose to set aside the requirements for the assurance of sustainability reports and introduce them in a separate Article of the Accounting Directive. The reason for such an adjustment is not only because of the given option to open the audit market for assurance of sustainability reports also to assurance services provider other than the statutory auditors providing statutory audits of financial statements and the management report, but also due to the different nature, scope and level of the assurance engagement.
(11) Article 49 is amended as follows:	

(a) paragraphs 2 and 3 are replaced by the following:	
‘2. The power to adopt delegated acts referred to in Article 1(2), Article 3(13), Article 46(2), Article 19b and Article 19c shall be conferred on the Commission for an indeterminate period of time.	ES (Drafting): 2. The power to adopt delegated acts referred to in Article 1(2), Article 3(13), Article 46(2), Article 19b, Article 19c and Article 19d shall be conferred on the Commission for an indeterminate period of time. ES (Comments): We consider that it will be necessary to adopt delegated act to define how to mark up the sustainability report.
3. The delegation of power referred to in Article 1(2), Article 3(13), Article 46(2), Article 19b and Article 19c 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.’;	ES (Comments): Idem as previous paragraph
(b) the following paragraph 3a is inserted:	

‘3a. When adopting delegated acts pursuant to Articles 19b and 19c, the Commission shall take into consideration technical advice from EFRAG, provided such advice has been developed with proper due process, public oversight and transparency and with the expertise of relevant stakeholders, and is accompanied by cost-benefit analyses that include analyses of the impacts of the technical advice on sustainability matters.	CZ (Comments): It is not sufficiently clear from the proposal to what extent Commission will be bounded by proposal of the standards and by the comments, recommendations and conclusions made by other consultative groups mentioned in the proposed CSRD and by the opinion of Member States during adoption the delegated acts. We asks also for explicit explanation of EFRAG’s role in the standard developing process – is it a technical advisor, standards maker or both of them? There are no clear conditions and requirements for making a technical advice. We do not see them in the proposal. For example Regulation (EC) No 1606/2002 Article 3 - there is explicitly stated which criterions must be taken into account by EFRAG making a technical advice for Commission. 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. First and foremost there must be clear who is responsible for developing standards then there should be public consultations. After that EFRAG or someone else who do not develop standards make a technical advice for Commission (opinion of other stakeholders mentioned in Article 49 (3a) including Member State Expert

	Group on Sustainable Finance should be a part of a technical advice) and then Member States other than Member State Expert Group on Sustainable Finance approve the standards. Then standards can be adopted through for example Delegated Act. PT (Drafting): ‘3a. When adopting delegated acts pursuant to Articles 19b and 19c, the Commission shall take into consideration technical advice from EFRAG, provided such advice has been developed with proper due process, public oversight and transparency and with the expertise of relevant stakeholders, and is accompanied by cost-benefit analyses 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. PT (Comments): 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, the 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 above on Recital 34.
--	---

The Commission shall consult the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852 on the technical advice provided by EFRAG prior to the adoption of the delegated acts referred to in Articles 19b and 19c.	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 technical advice provided by EFRAG prior to the adoption of the delegated acts referred to in Articles 19b and 19c. 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. BE (Comments): We believe that the sustainability standards should preferably be annexes of this directive. FI (Drafting):

	The Commission shall consult <i>the Accounting Regulatory Committee</i> on the technical advice provided by EFRAG prior to the adoption of the delegated acts referred to in Articles 19b and 19c. FI (Comments): As the legal instrument for disclosure is the management report regulated under the Accounting Directive, our understanding is that the advice provided by the Accounting Regulatory Committee would be fundamental in drafting the delegated acts.
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.	PT (Drafting): 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 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. The European Securities and Markets Authority, the European Banking Authority and the European Insurance and Occupational Pensions Authority shall provide their opinion within two months from the date of receipt of the request from the Commission. PT (Comments):

	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. Please refer also to our comment on Recital 34.
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	AT (Drafting): The Commission shall also consult the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European

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 within two months from the date of being consulted by the Commission.’;	Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies, the Forum of Competent Bodies established under Article 16 of the EMAS Regulation (Regulation [EC] 1221/2009) 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 within two months from the date of being consulted by the Commission.’; AT (Comments): One could consider that the Commission also consults the Forum of Competent Bodies established under Article 16 of the EMAS Regulation (Regulation (EC) 1221/2009); a consultation of trade unions could also be considered. CZ (Comments): In our view there are mentioned only oversight bodies or institutions using and asking for sustainability information, but there should be included also prepares of the sustainability report, such as business associations. Because we do not know the exact role of Member States during the adoption of the standards, we suggest to add ARC as a consultative body. PT
--	--

	(Drafting): The Commission shall also consult the 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 within two months from the date of being consulted by the Commission.’; PT (Comments): For consistency with the previous paragraph.
	FI (Drafting): <i>The Commission may also consult European organizations of stakeholders that Commission deems relevant as regards the given act.</i> FI (Comments): We understand that the Project Task Force of NFRS contributes to drafting Reporting Standards (EFRAG press release of 8 July 2021). Among the 34 members of the Task Force are one (1) representative of labor organizations and three (3) representatives of consumer and other non-governmental organizations. In our opinion, however, for receiving

	the general public acceptance of standards within EU, it is essential that the central European level organizations of labor markets and business, inter alia, are officially heard by the Commission.
(c) paragraph 5 is replaced by the following:	
‘5. A delegated act adopted pursuant to Article 1(2), Article 3(13), Article 46(2), Article 19b and Article 19c 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.’	
(12) Article 51 is replaced by the following:	SE (Drafting): SE (Comments): As expressed at the meeting on 24 September 2021, SE does not support the proposed amendments to article 51.

‘Article 51	PL (Drafting): PL (Comments): PL does not agree to introduce an additional system of administrative sanctions for breaches of sustainability reporting requirements. PL explained its reasons at WPoCL meetings (the most important one is that PL has a consistent system of criminal sanctions for both financial and non-financial reporting and the other one is that this additional system would require us to set up a special institution which would check the content of management reports of large non-listed companies in order to make the system of administrative sanctions effective and operational). Moreover referring to the EC explanations provided at the WPoCL meeting on 24 September – PL disagrees with the explanation that the new system could directly work through the courts and that there would be no need to create a special institution for non-listed entities because via the civil or criminal court no administrative sanctions may be imposed. The system of administrative sanctions requires creation of administrative institution which would be empowered to issue such sanctions. SE (Drafting):

Penalties	PL (Drafting): SE (Drafting):
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.'	LT (Drafting): 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.' LT (Comments): Suggested sanctions for sustainability reporting would require the creation of new supervisor. Also establishment of sanctions for infringements in sustainability reporting cases could create unequal regime. 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). PL (Drafting): CZ (Comments): We miss the reasons for such amendments. There are besides provisions dealing with sanctions in existing Directive as well as provisions dealing with collective responsibility for fulfilment of the requirements of the Directive. The Czech Republic do not see the need for such modification. BE (Comments): The penalties applicable to a breach of the provisions related to the financial statements differ from those applicable to a breach related to sustainable reporting. It is not clear why there is a difference here. Please clarify. For listed companies, the penalties proposed should be fully aligned on those included in the Transparency Directive as well as MAR. SE (Drafting):

2. In case of a breach of the national provisions transposing Articles 19a, 19d and 29a, Member States shall provide for at least the following administrative measures and sanctions:	LT (Drafting): NL (Drafting): In case of a breach of the national provisions transposing Articles 19a, 19d and 29a, Member States shall provide for administrative or criminal measures and sanctions. NL (Comments): The current wording of paragraphs 2 and 3 of Article 51 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 remainder 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. Article 51 needs to be phrased in such a way that it leaves discretion for MS to use the sanctioning regime they have in place for financial information, also for non-financial information. For example, the Netherlands has a criminal enforcement system. The Netherlands wants to use its system for criminal enforcement of accounting law also for non-financial information. Our text proposal allows for this discretion. We would also like to point at the precedent of Article 30 paragraph 2 of the Audit Directive, which explicitly allows for MS to choose for criminal
---	---

	law enforcement instead of administrative sanctions. In any way, the short timeframe MS have for the implementation of this Directive does not leave time for MS to implement a whole new sanctioning regime. If it indeed follows from the Fitness Check that the enforcement of annual accounting law is not optimal, then the discussion on enforcement should take place in the context of the announced revision of the directive on annual financial statements. SK (Comments): SK: We do not see a need to amend this provision. Also the Fitness Check on NFRD did not prove such a need. PL (Drafting): BE (Comments): We would propose to limit Article 51(2) to listed undertakings. For non-listed undertakings, we propose to refer to the current provisions of the AD. SE (Drafting):
--	---

(a) a public statement indicating the natural person or the legal entity responsible and the nature of the infringement;	LT (Drafting): NL (Drafting): NL (Comments): 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. This directive places obligations on companies, not on certain natural persons. SK (Drafting): SK: SK (Comments): SK: The proposed administrative sanction would cause problems with its transposition in particular with regard to natural persons as it represents a

	systematic change. We believe that this type of penalty is not appropriate and therefore should be deleted. PL (Drafting): SE (Drafting): HU (Drafting): (a) a public statement indicating the natural person or the legal entity responsible and the nature of the infringement HU (Comments): Hungarian legislations consider this type of personalisation as personal data. The Audit Directive also provides possibility for Member States to disclose sanctions anonymously, in particular where disclosure would cause disproportionate harm/damage to the institutions or individuals concerned. We propose to ensure consistency between the Directives. We consider it reasonable under the GDPR regulation (which only allows the disclosure of individual data in certain limited circumstances) that data relating to the responsible person should not be disclosed.

(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;	LT (Drafting): NL (Drafting): NL (Comments): Subparagraph (b) should be deleted. See for an explanation under Article 51 paragraph 2 SK (Drafting): SK: SK (Comments): SK: Please see our comment on Article 51 (2) a) of the AD. PL (Drafting):
--	--

	SE (Drafting): HU (Drafting): (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; HU (Comments): Hungarian legislations consider this type of personalisation as personal data. The Audit Directive also provides possibility for Member States to disclose sanctions anonymously, in particular where disclosure would cause disproportionate harm/damage to the institutions or individuals concerned. We propose to ensure consistency between the Directives. We consider it reasonable under the GDPR regulation (which only allows the disclosure of individual data in certain limited circumstances) that data relating to the responsible person should not be disclosed.
(c) administrative pecuniary sanctions.	LT (Drafting):

	NL (Drafting): NL (Comments): Subparagraph (c) should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):
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:	LT (Drafting): NL (Drafting):

	NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):
(a) the gravity and the duration of the breach;	LT (Drafting): NL (Drafting): NL

	(Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):
(b) the degree of responsibility of the natural person or legal entity responsible;	LT (Drafting): NL (Drafting): NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2

	PL (Drafting): SE (Drafting):
(c) the financial strength of the natural person or legal entity responsible;	LT (Drafting): NL (Drafting): NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting):

	SE (Drafting):
(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;	LT (Drafting): NL (Drafting): NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):

(e) the losses sustained by third parties as a result of the breach, in so far as those losses can be determined;	LT (Drafting): NL (Drafting): NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):
(f) the level of cooperation of the natural person or legal entity	LT

responsible with the competent authority;	(Drafting): NL (Drafting): NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):
(g) previous infringements by the natural person or legal entity responsible.’.	LT (Drafting):

	NL (Drafting): NL (Comments): Paragraph 3 of Article 51 as a whole should be deleted. See for an explanation under Article 51 paragraph 2 PL (Drafting): SE (Drafting):
	AT (Drafting): 4. Paragraphs 2 and 3 shall apply only to those undertakings which are not already subject to the sanctions of Directive 2004/109/EC. AT (Comments): It should be clarified that the sanctions only apply to companies that are not covered by the sanctions of the Transparency Directive, so that double

	sanctions are already excluded at the level of the European legal acts.
Article Amendments to Directive 2004/109/EC	2
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* ¹⁸ .’;	
* ¹⁸ 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).	

(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 Article 19b of Directive 2013/34/EU.’;	CZ (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 financial performance 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 Article 19b of Directive 2013/34/EU.’; CZ (Comments): Assets and liabilities are a subset of financial position and profit and loss is one of key indicators of financial performance.

(b) paragraphs 4 and 5 are replaced by the following:	
‘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.	
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.	CZ (Comments): If an independent assurance provider issues an assurance report on the sustainability report, it should also be disclosed.
5. The management report shall be drawn up in accordance with Articles 19, 19a, 19d(1) and 20 of Directive 2013/34/EU, when drawn-up by undertakings referred to in those provisions.	
Where the issuer is required to prepare consolidated accounts, the consolidated management report shall be drawn up in accordance with Article 19d(2), 29 and 29a of Directive 2013/34/EU, when drawn-up by undertakings referred to in those provisions.’;	

(3) in Article 23(4), the third and fourth subparagraphs are replaced by the following:	
‘The Commission shall, in accordance with the procedure referred to in Article 27(2), take the necessary decisions on the equivalence of accounting standards and on the equivalence of sustainability reporting standards as referred to in Article 19b of Directive 2013/34/EU which are used by third-country issuers under the conditions set out in Article 30(3). 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 accounting standards during an appropriate transitional period.	ES (Drafting): ‘The Commission shall, in accordance with the procedure referred to in Article 27(2), take the necessary decisions on the equivalence of accounting standards and on the equivalence of sustainability reporting standards as referred to in Article 19b of Directive 2013/34/EU which are used by third-country issuers under the conditions set out in Article 30(3). 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 standards during an appropriate transitional period. ES (Comments): To refer both accounting and sustainability reporting standards.
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.’;	
(4) the following Article 28(d) is inserted:	
‘Article 28d	
ESMA guidelines	
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.	BE (Drafting): 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 of sustainability reporting published by listed undertakings. BE (Comments): We understood from clarifications provided by the Commission that those

		guidelines will only be applicable in relation to <u>listed</u> undertakings. We propose to amend the text accordingly. FI (Drafting): After consulting the European Environment Agency and the European Union Agency for Fundamental Rights, ESMA <i>may issue recommendations on disclosure of items defined in delegated acts referred in articles 19b and 19c</i> in accordance with Article 16 of Regulation 1095/2010 on the supervision of sustainability reporting by national competent authorities. FI (Comments): According to the Proposed Article 19b of Accounting Act, the Commission is to review the standards at least every 3 years to take account of relevant developments. Hence, our understanding is that there is lesser need for guidelines than is the case regarding a typical EU regulation in the field of disclosure. Moreover, as the standards define exhaustively the disclosure requirements, we would prefer to have the text reworded in order to show that the powers of ESMA are limited to provide recommendations as regards those standards.
Article Amendments to Directive 2006/43/EC	3	PL (Comments): PL shares some Member States comments (DE, PT) that there might be a

	need for changes in other provisions of the Audit Directive due to the introduction of sustainability reporting assurance. Further analysis in this regard is required.
Directive 2006/43/EC is amended as follows:	
(1) Article 1 is replaced by the following:	
<i>‘Article 1</i>	
Subject matter	
This Directive establishes rules concerning the statutory audit of annual and consolidated accounts and the assurance of annual and consolidated sustainability reporting, where this is performed by the statutory auditor or audit firm carrying out the statutory audit of financial statements.’;	SK (Drafting): SK: This Directive establishes rules concerning the statutory audit of annual and consolidated financial statements and the assurance of annual and consolidated sustainability reporting, where this is performed by the

	statutory auditor or audit.’; SK (Comments): SK: It is unclear what is the intention of adding the last words “carrying out the statutory audit of financial statements” in this Article. The proposed wording might bring a confusion whether the assurance of the sustainability reporting have to be carried out only by the same statutory auditor/audit firm who is carrying out the statutory audit of the financial statements. As the assurance of annual and consolidated sustainability reporting might be also carried out by an independent assurance services provider upon an exercise of the option by a Member State, we think that the assurance of the sustainability reporting may be carried out by a different statutory auditor/audit firm. Based on this we would like to suggest deleting these words. CZ (Drafting): This Directive establishes rules concerning the statutory audit of annual and consolidated accounts and the assurance of annual and consolidated sustainability reporting other assurance engagements, where this is performed by the statutory auditor or audit firm carrying out the statutory audit of financial statements or other assurance engagements.’; CZ (Comments):
--	--

	See our comments to Art. 2 proposed point 23 FI (Comments): To our understanding, the proposed expansion of the auditor definition is likely to bring unwanted consequences. – Pursuant to the current text, one could opt to operate solely as an “IAP” (Independent Assurance Provider) but – on the other hand – could not opt to operate solely as an auditor of financial reporting (“FRA”). – We cannot imagine that as legislators of EU our intention should be that the present auditors must quit if they prefer not to offer Sustainability Assurance services in the future (since they wouldn’t be auditors any longer). – This outcome would be even more burdensome to comprehend in a case where none of the clients is under the obligations of this proposed Directive (i.e., clients being only non-listed SMEs and non-large undertakings). – Audit markets in those member states having low audit thresholds – like Finland – will be affected, likely in an extremely negative manner. – The competition will be victimized since the Global Audit Houses have an upper hand in maintaining auditors (meeting the new requirements) and hiring prospective auditors (that all must have qualifications in both fields, even though if they wished to operate solely as FRAs) Our proposal: – Introduce a separate building block, “SAP” (Sustainability Assurance Provider) in Auditing Directive – preferably in a separate section of
--	---

	the Directive. – Requirements for a SAP status should be fully identical with the those proposed for IAPs (that could exist besides auditors like the Commission has proposed) – Hence, we would have 3 categories of operators within auditing: i) pure FRAs – excluded from sustainability assurance engagements ii) pure SAPs – excluded from financial auditing engagements “Full House” auditors – recognized for both service fields. HU (Drafting): This Directive establishes rules concerning the statutory audit of annual and consolidated accounts and the assurance of annual and consolidated sustainability reporting, where this is performed by the statutory auditor or audit firm carrying out the statutory audit of financial statements.² HU (Comments): We do not propose to determine specific requirements for sustainability as other equally important issues (money laundering, corruption, prevention of terrorist financing, etc.) are not covered by the regulatory framework. We are not proposing any additions to the sustainability reporting, and therefore we believe that there is no need to amend these articles.
(2) Article 2 is amended as follows:	

	ES (Drafting): ‘key audit partner(s)’ mean(s): (a) the statutory auditor(s) designated by an audit firm for a particular audit engagement <u>and, if that is the case, for the assurance of sustainability reporting,</u> as being primarily responsible for carrying out the statutory audit <u>and the assurance of sustainability reporting</u> on behalf of the audit firm; or (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 statutory audit at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or (c) the statutory auditor(s) who sign(s) the audit report;” ES (Comments): Article 2.16. Definition of key audit partner Considering the modification included in article 24.b) .1. <i>“1. Member States shall ensure that, when the statutory audit <u>and the assurance of sustainability reporting</u> 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.”</i>
--	--

	The question is whether a modification of article 2.16 is required for consistency reasons, to adapt the definition of key audit partner to include the assurance of sustainability reporting.
(a) points 2 and 3 are replaced by the following:	LT (Comments): Both definitions foresee that all auditors and all audit firms will be providing assurance engagements on sustainability reporting. We think that the auditor or audit firm should have the right to choose whether or not to provide sustainability reporting assurance services. CZ (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 assurance engagements of sustainability reporting;	LT (Drafting): '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 when applicable assurance engagements of sustainability reporting; SK (Drafting): SK:

	‘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, where applicable, assurance engagements of sustainability reporting; SK (Comments): SK: We have serious concerns with regard to further concentration of the audit market. We believe that the statutory auditors and audit firms should be allowed to focus on statutory audit of financial statements. Furthermore, the assurance of sustainability reporting is not needed in case of micro listed undertakings. It should also be borne in mind that there are auditors that focus on statutory audit of other types of entities (e.g. NGOs, municipalities). We would like to also point out that not necessarily the statutory auditors have an exclusive right for carrying out the assurance of sustainability reporting. Based on this we believe that the assurance of sustainability reporting should be treated as a separate service to which the competence is acquired by a separate exam and which is separately stated in the public register. PL (Comments): PL is not in favour of amending the definitions of a statutory auditor and audit firm and supports EE, LU and other Member States remarks on this issue. There will be a number of statutory auditors who probably will never conduct assurance on the sustainability reporting (for example in PL all joint stock companies are audited on a mandatory basis but only small part of them will fall under the sustainability reporting requirements).
--	---

	Therefore they should not be required to meet these additional requirements. We also share the concerns of other MS that it would increase audit market concentration and may result in forcing many small audit practises out of the market. The assurance of sustainability reporting should be regulated by the Audit Directive however as an additional specialisation acquired by statutory auditors or candidates for statutory auditors who want to provide such services. CZ (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 assurance engagements of sustainability reporting and/or other assurance engagements; HU (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 assurance engagements of sustainability reporting; HU (Comments): We do not support the extension of the definitions of statutory auditor and audit firm to include sustainability reporting. We do not propose to highlight the sustainability reporting as there are no other tasks (such as
--	--

	money laundering, corruption, etc.) performed by auditors mentioned in the definition. In our opinion, the definition should only include the most important general approach and the sustainability reporting should be included among the auditor's possible tasks.
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 assurance engagements of sustainability reporting;'	LT (Drafting): 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 when applicable assurance engagements of sustainability reporting;' SK (Drafting): SK: 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, where applicable, assurance engagements of sustainability reporting;' SK (Comments): SK: Please see our comment on the definition of the statutory auditor.

	CZ (Drafting): 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 assurance engagements of sustainability reporting and/or other assurance engagements; HU (Drafting): 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 assurance engagements of sustainability reporting; HU (Comments): We do not support the extension of the definitions of statutory auditor and audit firm to include sustainability reporting. We do not propose to highlight the sustainability reporting as there are no other tasks (such as money laundering, corruption, etc.) performed by auditors mentioned in the definition. In our opinion, the definition should only include the most important general approach and the sustainability reporting should be included among the auditor's possible tasks.
(b) the following points 21 and 22 are added:	CZ

	(Drafting): (b) the following points 21 and 22 to 23 are added:
'21. 'sustainability reporting' means sustainability reporting as defined in Article 2, point (18), of Directive 2013/34/EU;	
'22. 'assurance 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 .';	CZ (Drafting): '22. 'assurance of sustainability reporting' means other assurance engagement which results in the opinion expressed by the statutory auditor or audit firm in accordance with Article 34(1), second subparagraph, point (aa) and Article 34(2) 34a of Directive 2013/34/EU .'; BE (Comments): We prefer the full definition of "assurance of sustainability reporting" in Article 2 of the Audit Directive instead of a reference to article 34 of the Accounting Directive.
	CZ (Drafting): '23. 'other assurance engagement' means engagement carried out by

	a statutory auditor or an audit firm if (a) required by Union law; (b) required by national law; (c) voluntarily carried out at the request of undertakings which meets national legal requirements that are equivalent to those for an audit under point (b), where national legislation defines such audits as other assurance engagement; CZ (Comments): Although it may seem that, as far as the Audit Directive is concerned, our proposal goes far beyond the objectives of the CSRD Directive proposal, we believe that the changes should be systemic. In the current EU secondary law, requirements can be found for the verification of companies' various reporting obligations by a statutory auditor. These activities are assurance engagements no less than the assurance of sustainability reporting and should be subject to Audit Directive as well. Therefore, we propose a new definition for 'other assurance engagement' which we then reflect in other relevant provisions (note: provisions of Audit Directive which are not affected by CSRD proposal yet would have to be scrutinized). In this concept the 'assurance of sustainability reporting' is one of these other assurance engagements. ES (Drafting): "By way of derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits and
--	---

	<u>assurance of sustainability reporting</u> in another Member State provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with point (a) of Article 3(4) in the host Member State.” ES (Comments): Article 3a of the Audit Directive. Recognition of audit firms. <i>“By way of derogation from Article 3(1), an audit firm which is approved in a Member State shall be entitled to perform statutory audits in another Member State provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with point (a) of Article 3(4) in the host Member State.”</i> We question if this article should be modified to allow audit firms from other MS to carry out also the sustainability reporting assurance.
(3) Articles 6 and 7 are replaced by the following:	CZ (Comments): See our comments to Art. 8(1), 10(1), 14(2) ES (Comments): Some transitional provisions should be included relating to the requirements for auditors to update its knowledge regarding the sustainability reporting.

	We have to consider that auditors shall need to prove educational qualifications and practical experience in sustainability reporting (knowledge of the standards for preparing the sustainability information and for the assurance of this information). The standards for the preparation of the sustainability information shall be approved in October 2022 and in case of SMEs in October 2023. There is no deadline for the adoption at European level of the standards for the assurance of the sustainability reporting. Considering the timeframe for the approval of these standards, it will create a lot of difficulties to require auditors to be registered as of 1 January 2023 with the accredited theoretical knowledge and practical experience (in particular if the examination process has already started).
‘Article 6	
Educational qualifications	
Without prejudice to Article 11, a natural person may be approved to carry out a statutory audit and an assurance engagement of sustainability reporting 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	CZ (Drafting): Without prejudice to Article 11, a natural person may be approved to carry out a statutory audit and an assurance engagement of sustainability reporting other assurance engagement only after having attained

recognised by the Member State concerned.	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. HU (Drafting): Without prejudice to Article 11, a natural person may be approved to carry out a statutory audit and an assurance engagement of sustainability reporting 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. HU (Comments): We understand that knowledge of sustainability reporting is part of the general knowledge of auditors. We do not recommend that the different areas of specialisation, including assurance services on sustainability reporting, be separately named, given that specific knowledge on e.g. money laundering, corruption, transformation, is not separately named.
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	SK (Drafting):

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. 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.	SK: 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. 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 of public-interest entities and assurance of sustainability reporting. SK (Comments): SK: The scope of entities subject to sustainability reporting is not equal to the scope according to the definition of public-interest entities. CZ (Drafting): 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. 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 other assurance engagement of public-interest entities. HU (Drafting): 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. 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. HU (Comments): We understand that knowledge of sustainability reporting is part of the general knowledge of auditors. We do not recommend that the different areas of specialisation, including assurance services on sustainability reporting, be separately named, given that specific knowledge on e.g. money laundering, corruption, transformation, is not separately named.
Article 7	CZ (Comments):

	See our comment to Art. 8(1)
Examination of professional competence	
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.’;	CZ (Drafting): 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 other assurance engagement and the ability to apply such knowledge in practice. Part at least of that examination shall be written.’;
(4) Article 8(1) is amended as follows:	CZ (Comments): Transitional period seems to be necessary - the examination questions on sustainability reporting and assurance standards in the exams will have to be developed.
(a) the following point (bb) is inserted:	

‘(bb) legal requirements and standards relating to the preparation of annual and consolidated sustainability reporting;’;	HU (Drafting): ‘(bb) legal requirements and standards relating to the preparation of annual and consolidated sustainability reporting;’ HU (Comments): Given that sustainability knowledge will also be included in the auditors' knowledge and examination material, we do not support its inclusion in the professional competence examination. On the basis of past practice, there are several areas that are not specifically highlighted (money laundering, corruption, transformation...etc.).
(b) the following point (cc) is inserted:	
‘(cc) sustainability reporting standards;’;	HU (Drafting): ‘(cc) sustainability reporting standards;’ HU (Comments):

	Given that sustainability knowledge will also be included in the auditors' knowledge and examination material, we do not support its inclusion in the professional competence examination. On the basis of past practice, there are several areas that are not specifically highlighted (money laundering, corruption, transformation...etc.).
(c) the following point (dd) is inserted:	
'(dd) sustainability analysis;'	HU (Drafting): '(dd) sustainability analysis;' HU (Comments): Given that sustainability knowledge will also be included in the auditors' knowledge and examination material, we do not support its inclusion in the professional competence examination. On the basis of past practice, there are several areas that are not specifically highlighted (money laundering, corruption, transformation...etc.).
(d) the following point (ff) is inserted:	

‘(ff) due diligence processes with regard to sustainability matters;’;	HU (Drafting): ‘(ff) — due diligence processes with regard to sustainability matters;’ HU (Comments): Given that sustainability knowledge will also be included in the auditors' knowledge and examination material, we do not support its inclusion in the professional competence examination. On the basis of past practice, there are several areas that are not specifically highlighted (money laundering, corruption, transformation...etc.).
(e) the following point (ii) is inserted:	
‘(ii) sustainability assurance standards as referred to in Article 26a;’;	CZ (Drafting): ‘(ii) — sustainability assurance standards as referred to in Article 26a;’ HU (Drafting): ‘(ii) — sustainability assurance standards as referred to in Article 26a;’

	HU (Comments): Given that sustainability knowledge will also be included in the auditors' knowledge and examination material, we do not support its inclusion in the professional competence examination. On the basis of past practice, there are several areas that are not specifically highlighted (money laundering, corruption, transformation...etc.).
(f) point (h) is replaced by the following:	
‘(h) legal requirements and professional standards relating to statutory audit and assurance of sustainability reporting and statutory auditors;’;	CZ (Drafting): ‘(h) legal requirements and professional standards relating to statutory audit and assurance of sustainability reporting other assurance engagements and statutory auditors;’; HU (Drafting): ‘(h) legal requirements and professional standards relating to statutory audit and assurance of sustainability reporting and statutory auditors;’; HU (Comments):

	Given that sustainability knowledge will also be included in the auditors' knowledge and examination material, we do not support its inclusion in the professional competence examination. On the basis of past practice, there are several areas that are not specifically highlighted (money laundering, corruption, transformation...etc.). HR (Drafting): ‘(h) legal requirements and professional standards relating to statutory audit, statutory auditors and assurance of sustainability reporting;’; HR (Comments): We believe that the proposed expression brings more to the overall clarity of the provision.
(5) in Article 10, paragraph 1 is replaced by the following:	
‘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	SK (Drafting): SK: ‘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

training shall be completed with a statutory auditor or an audit firm approved in any Member State.’;	complete a minimum of three years' practical training in, inter alia, the auditing of annual financial statements, consolidated financial statements or similar financial statements. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.’; SK (Comments): SK: As the proposal also includes requirements with regard to the area of sustainability, the overall requirements for an entry to the profession become more complex and demanding. Furthermore, there might be a lack of possibilities to obtain a practical training in assurance of sustainability reporting. As an unintended consequence, these new requirements, which are not necessary for carrying out the statutory audit, will create a barrier for the access to this profession and could further increase the concentration of the audit market. We consider that education on sustainability matters should not be comprised in the general auditor training, but rather consist of an additional, non-mandatory, specific certification on sustainability, to be made available to those statutory auditors who wish to carry out assurance of sustainability reporting. Please see also our comments on the definition of the statutory auditor. CZ (Drafting): ‘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 and/or other assurance engagements. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.'; CZ (Comments): Transitional period seems to be necessary - the practical training and courses of instruction for trainee will have to be adapted. SE (Drafting): '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. At least two thirds of such practical training shall be completed with a statutory auditor or an audit firm approved in any Member State.'; SE (Comments): SE proposes that article 10(1) is left unchanged. For illustrative purposes, the redaction is shown in column 2. Practical training in assurance of annual and consolidated sustainability
--	---

	reporting, as defined in the proposed amended directive, will only be possible for trainees if working with a auditor or audit firm which performs such assurance, i.e. is appointed auditor for entities in the scope of the proposed CSRD. The proposed amendment may exclude the possibility of trainees to gain necessary practical training anywhere else than at the main offices of major audit firms. The requirements in article 7(1) should be sufficient to ensure that trainees' has the sufficient knowledge about assurance of sustainability reporting. HU (Drafting): '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.'; HU (Comments): The proposal requires the candidate auditor to be involved in the practice of providing assurance on sustainability reporting. Given that the number of sustainability reporting engagements audited is very limited (typically Big4), the proposed wording would significantly limit the scope of audit candidates' practice possibilities.
--	---

(6) in Article 11, point (a) is replaced by the following:	
‘(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’;	HR (Comments): We consider the required condition of 15 years of experience in sustainability reporting to be too strict and would propose to prescribe shorter deadline. In that context, it is uncertain whether there will be available experts on the market with such experience in the moment when the proposed Directive becomes applicable.
(7) in Article 14, paragraph 2, third subparagraph is replaced by the following:	
‘The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the host Member State concerned. It shall cover only the statutory auditor's adequate knowledge of the laws and regulations of that host Member State in so far as it is relevant to statutory audits and assurance engagements of sustainability reporting.’;	SK (Comments): Please see our comments on Article 10 (1). CZ (Drafting):

	'The aptitude test shall be conducted in one of the languages permitted by the language rules applicable in the host Member State concerned. It shall cover only the statutory auditor's adequate knowledge of the laws and regulations of that host Member State in so far as it is relevant to statutory audits and assurance engagements of sustainability reporting other assurance engagements.'; CZ (Comments): Transitional period seems to be necessary - the examination questions in the exams will have to be complemented to cover also the topic of sustainability reporting.
(8) the following Article 14a is inserted:	
<i>'Article</i> Statutory auditors approved or recognised before 1 January 2023	<i>14a</i> PL (Drafting): <i>'Article 14a</i> Statutory auditors approved or recognised before 1 January xx PL (Comments): PL presented in writing and at the WPoCI meeting on 24 September its concerns regarding the lack of a transitional period in order to adapt to

	new requirements by persons which at the date of 1 January 2023 are not yet approved or recognised as statutory auditors. Moreover the deadline should be postponed and linked to the final application date for reporting entities of the amended Accounting Directive. PL supports LU remarks that some requirements for the candidates should also be applied with some degree of flexibility due to the fact that some formal requirements concerning the length of professional experience in the areas of sustainability reporting and assurance will not be possible to be met in the first years after the introduction of the CSRD. PL supports DE remarks on the need for a level playing field between statutory auditor and independent assurance services provider. PT (Comments): Considering the educational qualifications required, it may be preferable to postpone this date.
Member States shall ensure that statutory auditors that are approved or recognised to carry out statutory audits before 1 January 2023 are not subject to the requirements of Articles 6, 7, 10, 11 and 14 of this Directive.	CZ (Comments): The proposed deadline of 1 January of 2023 is too short and should be extended.

Member States shall ensure that statutory auditors approved before 1 January 2023 acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via the continuing education requirement of Article 13.’;	SK (Comments): SK: We believe that a transitional period for persons being in the course of the qualification procedure to be approved as statutory auditors should also be provided. CZ (Comments): The proposed deadline of 1 January of 2023 is too short and should be extended. BE (Comments): We consider that continuing education foreseen by the proposal is not sufficient to acquire the necessary knowledge in sustainability reporting. More education efforts are needed to provide professional assurance on sustainability reporting. HU (Drafting): Member States shall ensure that statutory auditors approved before 1 January 2023 acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via the continuing education requirement of Article 13.’; HU (Comments):
--	--

	Training requirements and guidance are needed for the continuing education of statutory auditors approved before 1 January 2023 to provide assurance on the sustainability report.
(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 and the assurance of sustainability reporting 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.	CZ (Drafting): ‘1. Member States shall ensure that, when the statutory audit and the assurance of sustainability reporting other assurance engagement 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. BE (Drafting): key audit partner(s)’ mean(s): (a) the statutory auditor(s) designated by an audit firm for a particular

	audit engagement as being primarily responsible for carrying out the statutory audit and the assurance of sustainability reporting on behalf of the audit firm; or (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 statutory audit and the assurance 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 (c) the statutory auditor(s) who sign(s) the audit report; BE (Comments): Should the definition of “key audit partner” be modified? Should the wording ‘and the assurance of sustainability reporting’ be added?
Securing audit quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner(s) to be designated. The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit and the assurance of sustainability reporting.’;	CZ (Drafting): Securing audit quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner(s) to be designated. The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit and the assurance of sustainability reporting other assurance engagement.’;

(b) the following paragraph 2a is inserted:	
‘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.’;	CZ (Drafting): ‘2a. When carrying out the assurance of sustainability reporting other assurance engagement, 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.’;
(c) in paragraph 4, point (c) is replaced by the following:	
‘(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.’;	CZ (Drafting): ‘(c) the fees charged for the statutory audit, for the assurance of sustainability reporting other assurance engagements 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. The audit file shall also include information related to the assurance of sustainability reporting, where applicable.’;	CZ (Drafting): ‘5. A statutory auditor or an audit firm shall create an audit file for each statutory audit and each other assurance engagement, where applicable. Where the statutory auditor assigned for statutory audit of annual financial statements is the same as auditor assigned for other assurance engagement, the audit file for statutory audit and the file for assurance engagement may be merged into one.The audit file shall also include information related to the assurance of sustainability reporting, where applicable.’; CZ (Comments): The same principle would apply as with the audit reports. See our comments to our proposed Article 28a.
(10) Article 25 is replaced by the following:	
‘Article 25	
Audit fees	SK

	(Comments): SK: In conjunction with the proposed wording in Article 14, point (b) of the Audit Regulation it is not clear whether the fees from the assurance of sustainability reporting are part of audit fees or are regarded as fees from non-audit services. We think that the title should be also amended accordingly.
Member States shall ensure that adequate rules are in place which provide that fees for statutory audits and the assurance of sustainability reporting:	CZ (Drafting): Member States shall ensure that adequate rules are in place which provide that fees for statutory audits and the assurance of sustainability reporting other assurance engagements: HU (Drafting): Member States shall ensure that adequate rules are in place which provide that fees for statutory audits and the assurance of sustainability reporting: HU (Comments): Where the provision of assurance on sustainability reporting is an integral part of the audit, the fee charged for the assurance opinion on sustainability reporting is part of the overall audit fee and is not proposed to be highlighted separately, given that the fee charged separately for the provision of assurance on sustainability reporting is not meaningful.

(a) are not influenced or determined by the provision of additional services to the audited entity;	
(b) cannot be based on any form of contingency.’;	
(11) the following Article 25b is inserted:	
‘Article 25b	
Professional Ethics, Independence, Objectivity, Confidentiality and Professional Secrecy as regards the assurance of sustainability reporting	ES (Drafting): “Professional Ethics <u>and skepticism</u>, Independence, Objectivity, Confidentiality and Professional Secrecy as regards the assurance of sustainability reporting.” ES (Comments): This article states that articles 21 to 24a shall apply to the assurance of sustainability reporting. Article 21 deals with professional ethics and

	skepticism, therefore the name of the article should mention the professional skepticism.
The requirements of Articles 21 to 24a as regards the statutory audit of financial statements shall apply to the assurance of sustainability reporting.’;	
	CZ (Drafting): (12) Article 26 is amended as follows: (a) paragraph 1 is replaced by the following: ’1. Member States shall require statutory auditors and audit firms to carry out statutory audits and other assurance engagements in compliance with international auditing standards adopted by the Commission in accordance with paragraph 3. Member States may apply national auditing standards, procedures or requirements as long as the Commission has not adopted an international auditing standard covering the same subject-matter. ’. (b) paragraph 2 is replaced by the following: ’2. For the purposes of paragraph 1, ‘international auditing standards’ means International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1), International Standards on Assurance Engagements (ISAEs), International Standards on Review Engagements (ISREs), and other related Standards issued by the

	International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), in so far as they are relevant to the statutory audit and other assurance engagement. ‘. (c) paragraph 3 is replaced by the following: ’3. The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 48a, the international auditing standards referred to in paragraph 1 in the area of audit practice, independence and internal quality controls of statutory auditors and audit firms for the purposes of the application of those standards within the Union. The Commission may adopt the international auditing standards only if they: (a) have been developed with proper due process, public oversight and transparency, and are generally accepted internationally; (b) contribute a high level of credibility and quality to the annual or consolidated financial statements in conformity with the principles set out in Article 4(3) of Directive 2013/34/EC and contribute a high level of credibility and quality to the annual or consolidated sustainability reporting; (c) are conducive to the Union public good; and (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 27 and 28. (d) paragraph 4 is replaced by the following: 4. Notwithstanding the second subparagraph of paragraph 1, Member States may impose audit and assurance procedures or requirements in addition to the international auditing standards adopted by the
--	---

	Commission, only (a) if those audit and assurance procedures or requirements are necessary in order to give effect to national legal requirements relating to the scope of statutory audits or other assurance engagements; or (b) to the extent necessary to add to the credibility and quality of financial statements or sustainability reporting. Member States shall communicate the audit procedures or requirements to the Commission at least three months before their entry into force or, in the case of requirements already existing at the time of adoption of an international auditing standard, at the latest within three months of the adoption of the relevant international auditing standard. CZ (Comments): The opinion on sustainability reporting would be based on reasonable assurance based on ISAE (ISAE 3000) which the Commission shall be empowered to adopt by means of delegated acts. We are completely in favor of an internationally recognized global standard that the Commission adopts, rather than a 'EU special one'. The International Auditing and Assurance Standards Board (IAASB) has the standards on assurance engagements developed.
(12) the following Article 26a is inserted:	CZ (Drafting): (12) — the following Article 26a is inserted:

'Article 26a	CZ (Drafting): 'Article 26a
Assurance standards for sustainability reporting	CZ (Drafting): Assurance standards for sustainability reporting
1. Member States shall require statutory auditors and audit firms to carry out the assurance of sustainability reporting in compliance with assurance standards adopted by the Commission in accordance with paragraph 2.	CZ (Drafting): 1. Member States shall require statutory auditors and audit firms to carry out the assurance of sustainability reporting in compliance with assurance standards adopted by the Commission in accordance with paragraph 2. ES (Comments): The option to have european standards adopted by the Commission is the preferred one as the adoption of national standards would imply a lack of harmonization across Member States.

	The Commission has no deadline for the adoption of these standards but MS will need to adopt them for the first revision therefore an indication is needed on the Commission on the possible adoption of the standards at European level, what would be the preferred option from a point of view of the harmonization.
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.	LT (Comments): For the purpose of consistency we suggest to apply relevant international standard on assurance engagements. CZ (Drafting): 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. BE (Comments): Rather than national assurance standards, we are in favour of the swift adoption of a European assurance standard, based on international standards. FI (Drafting): 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. <i>Notwithstanding national standards, procedures or requirements, the statutory auditors and audit firms shall declare in an audit opinion, whether the sustainability report</i> <i>i) consists exclusively of those items required to be disclosed by the reporting standards, or</i> <i>ii) where applicable, the non-required items are disclosed in a separate section of the report and represented in a faithful manner fulfilling the reporting requirements set out in Article 19b paragraph 2.</i> FI (Comments): As this proposal is one of the key measures against greenwashing, no “adjusted”/“amended” figures or any other window-dressing “hocus-pocus” whatsoever should be allowed to be included in the reports. Therefore, we find it crucial to ensure that each and every sustainability report consists exclusively only those items that are required by reporting standards unless the auditor verifies that the non-required information fulfills similar requirements that are set out in Article 19b for reporting standards, meaning that they are understandable, relevant, representative, verifiable, comparable, and represented in a faithful manner. Our understanding is that this could be efficiently verified by the auditor without unduly compromising the costs or the length of an auditing process. We stress that auditors have a critical function as gatekeepers – and agents for shareholders and other stakeholders in society at large – in ensuring that the anti-greenwashing goal of the European Green Deal can be
--	---

	achieved in practice. PT (Drafting): PT (Comments): We believe this option is not efficient, does not lead to the desired consistency or convergence in assurance procedures (whether limited review or reasonable assurance) and is not coherent with the current situation both in terms of the auditing profession (where there are international rules: ISA, ISAE, ISRE, ISRS) and the sustainable finance legal regime (where EU regulations have been issued, which are directly applicable, and leave little to no room for national discretion). In certain situations, Member States applying national assurance standards could represent a set-back. HR (Comments): In our opinion, the obligation to apply national standards should be reconsidered in relation to such application in MS that currently do not have applicable national assurance standards and therefore would require the development of such standards in order to comply with proposed provision. The development of such standards, that would apply only until the Commission adopts relevant assurance standards, would represent unjustified administrative burden for MS that do not have applicable assurance standards.
--	--

	We also believe that the development of different national standards would lead to unnecessary fragmentation of regulation and it would not ensure the consistency that the Proposal aims to achieve, having in mind existing international rules in accounting profession.
Member States shall communicate the assurance procedures or requirements to the Commission at least three months before their entry into force.	CZ (Drafting): Member States shall communicate the assurance procedures or requirements to the Commission at least three months before their entry into force.
2. 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.	AT (Comments): For reasons of legal certainty or plannability, it would make sense to include a deadline in the directive by which the EC must adopt standards for the audit of sustainability reporting. Otherwise, the form of assurance (limited/reasonable assurance) depends purely on whether the EC issues a corresponding legal act. CZ (Drafting): 2. 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. FI (Drafting): 2. By 31 October 2023 the Commission <i>shall adopt</i>, 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. FI (Comments): The soundness of this Directive Proposal is built on two pillars that are equally fundamental: on one hand, we have the reporting standards that are to be defined in detail by the Commission and on the other hand, we have the requirement that the information should be verified by an auditor or some other national assurance service provider. Our concern is that the Proposal does not define any deadline whatsoever to have a unified European assurance standard in place. We find this rather peculiar since an underlying assumption seems to be that there were national assurance standards in place. We think that if we leave the assurance requirements undefined and non-unified for an undefined time it represents a major risk for this Project.
--	---

The Commission may adopt the assurance standards only where they:	CZ (Drafting): The Commission may adopt the assurance standards only where they:
(a) have been developed with proper due process, public oversight and transparency;	CZ (Drafting): (a) have been developed with proper due process, public oversight and transparency;
(b) contribute a high level of credibility and quality to the annual or consolidated sustainability reporting;	CZ (Drafting): (b) contribute a high level of credibility and quality to the annual or consolidated sustainability reporting;
(c) are conducive to the Union public good. ²	CZ (Drafting): (c) are conducive to the Union public good.²

	BE (Drafting): (d) are in lign with international assurance standards. BE (Comments): We propose to add this condition to ensure concistency of assurance standards at EU and international levels.
3. Where the Commission adopts standards for reasonable assurance, 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.²;	AT (Comments): In this context, it would also be necessary to ensure that independent assurance services providers are subject to the same requirements as statutory auditors. CZ (Drafting): 3. Where the Commission adopts standards for reasonable assurance, 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.²;
(13) the following Article 27a is inserted:	

‘Article 27a	
Assurance of consolidated sustainability reporting	
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.’;	
(14) Article 28 is amended as follows:	CZ (Drafting): (14) — Article 28 is amended as follows:
(a) paragraph 1 is replaced by the following:	CZ (Drafting): (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.';	SK (Comments): SK: We do not see it appropriate to include an opinion on the assurance of the sustainability reporting in the audit report as there are different standards to be used and the assurance service might be provided by a different provider (other statutory auditor or an independent assurance services provider). CZ (Drafting): '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.'; BE (Comments): If the information on sustainability is located in the management report, how can the responsibility of the auditor be distinguished from the responsibility of the independent assurance services provider? Please clarify. PT (Drafting):
--	---

	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 a separate audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the Union, as referred to in Article 26 and with the requirements of assurance standards adopted by the Commission, as referred to in Article 26a.’; PT (Comments): In line with our comments to 26 A We suggest making clear that the sustainability assurance is not issued in the same document as the opinion on the accounts, since: (a) that will necessarily be the case if the sustainability assurance is done by another statutory auditor or an “independent assurance services provider”, (b) technically, they are two different services (i.e., an audit of the accounts follow ISA and the sustainability assurance follows ISAE) and therefore generate different liability regimes, require different filing systems and different supervisory methods. 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.
(b) paragraph 2 is amended as follows:	CZ (Drafting): (b) — paragraph 2 is amended as follows:

(i) the following point (aa) is inserted:	CZ (Drafting): (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;’;	CZ (Drafting): ‘(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;’; HU (Drafting): ‘(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;’; HU (Comments): If the statement of assurance on sustainability reporting is part of the audit report, we do not recommend highlighting the section on sustainability reporting (subject, scope, signature...etc.). The addition is not meaningful. For example: the financial statement and the sustainability report do not have a separate balance sheet date, signature, date...etc.

(ii) the following point (bb) is inserted:	CZ (Drafting): (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;’;	CZ (Drafting): ‘(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;’; HU (Drafting): ‘(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;’; HU (Comments): If the statement of assurance on sustainability reporting is part of the audit report, we do not recommend highlighting the section on sustainability reporting (subject, scope, signature...etc.). The addition is not meaningful.

	For example: the financial statement and the sustainability report do not have a separate balance sheet date, signature, date...etc.
(c) in paragraph 2, point (e) is replaced by the following:	CZ (Drafting): (e) — in paragraph 2, point (e) is replaced by the following:
‘(e) include the opinions and statement, which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of Article 34(1) of Directive 2013/34/EU, where applicable;’;	CZ (Drafting): ‘(e) include the opinions and statement, which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of Article 34(1) of Directive 2013/34/EU, where applicable;’; ES (Comments): From a practical point of view, the Commission proposal should try to give some order to the different opinions and the statement that the auditor’s report will contain and that will be referred to the financial statements, to the legal requirements of the management report (except the sustainability reporting), to the ESEF requirements in relation to the financial statements and to the legal requirements and ESEF requirements regarding the sustainability reporting.

	The Commission proposal could elaborate a little bit more on the content of the auditor's report to avoid any confusion to users or any misleading, specially considering the different level of assurance that is foreseen in relation to the financial statements and the sustainability reporting.
(d) in paragraph 3, the following subparagraph is added:	CZ (Drafting): (d) — in paragraph 3, the following subparagraph is added:
'The requirements of the first subparagraph as regards the statutory audit shall apply to the assurance of sustainability reporting.';	CZ (Drafting): 'The requirements of the first subparagraph as regards the statutory audit shall apply to the assurance of sustainability reporting.';
(e) in paragraph 4 the first subparagraph is replaced by the following:	CZ (Drafting): (e) — in paragraph 4 the first subparagraph is replaced by the following:

‘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 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.’;	CZ (Drafting): ‘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 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.’; HU (Drafting): ‘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 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.’; HU (Comments): If the statement of assurance on sustainability reporting is part of the audit report, we do not recommend highlighting the section on sustainability reporting (subject, scope, signature...etc.). The addition is not meaningful. For example: the financial statement and the sustainability report do not have a separate balance sheet date, signature, date...etc.
(f) paragraph 5 is replaced by the following:	CZ (Drafting): (f) — paragraph 5 is replaced by the following:
‘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	CZ (Drafting): ‘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

the audit firms required by this Article may be combined.’	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.’ HU (Drafting): 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.’” HU (Comments): If the statement of assurance on sustainability reporting is part of the audit report, we do not recommend highlighting the section on sustainability reporting (subject, scope, signature...etc.). The addition is not meaningful. For example: the financial statement and the sustainability report do not have a separate balance sheet date, signature, date...etc.
	CZ (Drafting):

	(14) The following Article 28a is inserted: ‘Article 28a Assurance report on sustainability reporting 1. The statutory auditor(s) or the audit firm(s) shall present the results of the 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 Member State concerned, as referred to in Article 26a. 2. The assurance report on sustainability reporting shall be in writing and shall: (a) identify the entity whose annual or consolidated sustainability reporting are the subject of the assurance enagement; (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; (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; (d) include the opinions and statement, which shall be based on the work undertaken in the course of the assurance of sustainability reporting referred to in Article 34a(1) of Directive 2013/34/EU. 3. 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. 4. Where the auditor assigned for statutory audit of annual financial statements is the same as auditor assigned for assurance of sustainability reporting, the audit report as required by Article 28 and the assurance report on sustainability reporting may be merged into one. '. CZ (Comments): Regardless of whether the sustainability report will be part of the management report or a separate report, we propose that the assurance report on sustainability reporting will be, by default, separate report unless the auditor of financial statements and auditor of sustainability report is the same whereupon the audit report as required by Article 28 and the assurance report on sustainability reporting may be merged into one. We have already stated the reasons for such an adjustment in the commentary to our proposal for Article 34a of Accounting Directive.
--	---

(15) Article 29 is amended as follows:	
(a) in paragraph 1, point (d) is replaced by the following:	
‘(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting and in the assurance of sustainability reporting and sustainability reporting combined with specific training on quality assurance reviews;’;	CZ (Comments): Persons who carry out quality assurance review shall be given a time to gain training and experience in sustainability reporting standards and assurance of sustainability reporting. We suggest including a transition period. HU (Drafting): ‘(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting and in the assurance of sustainability reporting and sustainability reporting combined with specific training on quality assurance reviews;’; HU (Comments): We do not propose to specifically name the section on providing assurance on sustainability reporting, given that other specific areas of expertise are not specifically named (e.g. money laundering, corruption,

	transformation...etc). PT (Drafting): ‘(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting and in the assurance of sustainability reporting and sustainability reporting or other equivalent assurance services combined with specific training on quality assurance reviews;’; PT (Comments): To avoid restrictions on labour market
(b) in paragraph 1, point (h) is replaced by the following:	
‘(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;’;	
(c) in paragraph 2, point (a) is by the following:	

‘(a) reviewers shall have appropriate professional education and relevant experience in statutory audit and financial reporting and in the assurance of sustainability reporting and sustainability reporting combined with specific training on quality assurance reviews;’;	
(16) the following Article 30(g) is inserted:	
‘Article 30g	
Investigations and Sanctions as regards the Assurance of Sustainability Reporting	
The requirements of Articles 30 to 30f as regards the statutory audit of financial statements shall apply to the assurance of sustainability reporting.’;	
(17) the following Article 36(a) is inserted:	

‘Article 36a	
Public Oversight and Regulatory Arrangements between Member States as regards the assurance of sustainability reporting	
The requirements of Articles 32, 33, 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:	CZ (Drafting): (18) the following Article 38a is inserted:
‘Article 38a	CZ (Drafting): ‘Article 38a

Appointment and dismissal as regards the assurance of sustainability reporting	PL (Comments): PL supports DE remarks concerning the provisions on appointment and dismissal – the appropriate wording should be carefully drafted. PL agrees that it would be more precise and more comprehensible for the legal user if Art. 37 and 38 of the Audit Directive were changed directly in the text and not by Art. 38a. CZ (Drafting): Appointment and dismissal as regards the assurance of sustainability reporting
The requirements of Articles 37 and 38 as regards the statutory audit of financial statements shall apply to the assurance of sustainability reporting.’;	CZ (Drafting): The requirements of Articles 37 and 38 as regards the statutory audit of financial statements shall apply to the assurance of sustainability reporting.’;
(19) in Article 39(6), points (a) to (e) are replaced by the following:	PL (Comments): We are concerned that it will be difficult to find professionals with

	appropriate experience and skills on sustainability matters able to conduct all the required monitoring and review tasks provided by the proposals. In this regard we share the concerns expressed also by LU. CZ (Comments): The same applies as in our comment to Art. 29(1)(d)
‘(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 and what the role of the audit committee was in that process;	SK (Drafting): SK: ‘(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 and what the role of the audit committee was in that process; SK (Comments): SK: The wording should take into account an option of MS to designate as PIEs other entities that are not subject to Article 19a of the AD. BE

	(Comments): Given the new competences of the audit committee, at least one member of the audit committee should have the necessary knowledge and skills regarding sustainability reporting and/or assurance of the sustainability reporting. Please complete Article 39 accordingly. We also believe that a transition period would be needed here (such knowledge and skills will probably not be immediately or easily accessible).
(b) monitor the financial and sustainability reporting process, including the digital reporting process referred to in Article 19d and the process carried out by the undertaking to identify the information reported according to the standards adopted pursuant to Article 19b of Directive 2013/34/EU, and submit recommendations or proposals to ensure its integrity;	SK (Drafting): SK: (b) monitor the financial and sustainability reporting process, including, where applicable, the digital reporting process referred to in Article 19d and the process carried out by the undertaking to identify the information reported according to the standards adopted pursuant to Article 19b of Directive 2013/34/EU, and submit recommendations or proposals to ensure its integrity;
(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 19d, without	

breaching its independence;’	
(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;	SK (Drafting): SK: (d) monitor the statutory audit of the annual and consolidated financial statements and, where applicable, 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;
(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:	

‘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:	
(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*¹⁹ 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;	
(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.’;	
(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;’;	CZ (Drafting): ‘(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 26, as well as the requirements laid down in Articles 22, 22b, 25 and 25b;’; ES (Drafting): ‘(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; <u>or with equivalent standards and requirements</u>’ ES (Comments): Should the clause “or with equivalent standards and requirements” be included as it is included in letter d) of that same article. Otherwise, this could be too restrictive. If the scenario is that there are no

	European standards for the assurance adopted by the Commission, and a third country auditor wants to be registered in different Member States with different national assurance standards, this would lead to the need for the third country auditor to provide the assurance report according to different standards.
(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).	
* ¹⁹ 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).’;	
(21) Article 48a is amended as follows:	SK (Comments):

	SK: We consider more appropriate to follow the procedures equivalent to the endorsement of IFRS.
(a) in paragraph 2 the following subparagraph is added:	
‘The power to adopt delegated acts referred to in Article 26a(2) shall be conferred on the Commission for an indeterminate period of time.’;	CZ (Drafting): ‘The power to adopt delegated acts referred to in Article 26a(2) shall be conferred on the Commission for an indeterminate period of time.’; The power to adopt delegated acts referred to in Article 26(3) as regards the International Standards on Assurance Engagements (ISAEs) and International Standards on Review Engagements (ISREs) shall be conferred on the Commission for a period of five years from /XXX/. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period. CZ (Comments): For reasons of legal certainty a deadline should be included in the directive by which the EC must adopt standards on assurance

	engagements hence for the audit of sustainability reporting.
(b) paragraph 3 is replaced by the following:	
‘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.’;	CZ (Drafting): ‘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.’;
(c) paragraph 5 is replaced by the following:	
‘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	CZ (Drafting): ‘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

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.'	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 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 Amendments to Regulation (EU) No 537/2014	BE (Comments): We are of the opinion that other Articles of Regulation (EU) n° 537/2014 should also be amended, such as Article 11.
Regulation (EU) No 537/2014 is amended as follows:	
(22) Article 5 is amended as follows:	
(a) paragraph 1 is amended as follows:	
(i) the first subparagraph is replaced by the following:	

‘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:	
(a) the period between the beginning of the period audited and the issuing of the audit report; and	
(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.’;	
(ii) in the second subparagraph, the following point (l) is added:	
‘(l) consulting services for the preparation of sustainability reporting, where the statutory auditor or audit firm carries out the assurance of sustainability reporting.’;	AT (Drafting): ‘(l) preparation of sustainability reporting, where the statutory auditor or

	audit firm carries out the assurance of sustainability reporting.’; AT (Comments): In all other cases of prohibited non-audit services in Art. 5 (e.g. bookkeeping, preparation of financial statements, payroll services) only the activity itself is prohibited. Advice and legal information in this context (e.g. on accounting issues) are still permitted. The same should therefore apply to the area of sustainability reporting.
(b) the following paragraph 6 is added:	
‘6. Paragraphs 4 and 5 referring to the statutory audit of financial statements shall apply to the assurance of sustainability reporting, where applicable.’	
(23) in Article 14, point (b) is replaced by the following:	PL (Drafting): PL (Comments):

	PL supports the following DE remarks: With regard to the proposed amendments to Article 14 (b) of the Audit Regulation we are of the opinion that revenues from the assurance of sustainability reporting should not be considered as revenues from non-audit services. In Article 25 of the Audit Directive they are considered to be audit fees and in Article 5 (1) of the Audit Regulation the statutory audit and the assurance of sustainability reporting are both treated as audit services (and set in contrast to non-audit services). Therefore we suggest the following wording for Art. 14 (a) of the Audit Regulation: “<u>revenues from statutory audit and, where applicable, the assurance of sustainability reporting;</u>”. Article 14 (b) of the Audit Regulation should not be amended.
‘(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,’.	AT (Comments): The phrase “non-audit services other than those referred to in Article 5(1)” is misleading. The wording should be clarified. Revenues from the assurance of sustainability reporting should not be considered as revenues from non-audit services. PL (Drafting): HU

	(Drafting): ‘(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,². HU (Comments): The Audit Regulation considers the provision of assurance on sustainability reporting as part of non-audit services, and the Audit Directive considers the provision of assurance on sustainability reporting as an integral part of the audit. The proposed provisions are inconsistent and unclear.
Article 5 Transposition	PT (Comments): As a general remark, we are concerned that the proposed deadlines seem to be very ambitious. Please also consider the comments we convey below in point 1 of the “General comments” section.
1. Member States shall bring into force the laws, regulations and	NL

administrative provisions necessary to comply with Articles 1 to 3 of this Directive by 1 December 2022. They shall immediately inform the Commission thereof.	(Drafting): 1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Articles 1 to 3 of this Directive [OP set the date = the last day of the month of 18 months after entry into force] at the latest. They shall immediately inform the Commission thereof. NL (Comments): We would propose to reassess the implementation deadline and opt instead for a reasonable implementation period of 1,5 year (18 months) after the adoption of this directive. Such a reasonable implementation period would give MS enough time to implement this complicated directive, and give sufficient time to the standard setter to develop the standards. Furthermore, we find that an 18-month period still sufficiently conveys the sense of urgency that results from the need of investors to obtain sustainability information in order to comply with their obligations under the SFRD. SK (Drafting): SK: 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 18 months after the date of entry into force of this amending Directive . They shall immediately inform the Commission thereof. SK
---	---

	(Comments): SK: We acknowledge the need to proceed quickly with the proposal. However, the proposed transposition date is in our view too ambitious and does not take into account the time required by national rules for a legislative procedure. In this regard we could support the transposition deadline of 18 months. Furthermore, if the non-listed companies should be in the scope of the proposal they would definitely need more time to be ready to comply with the new rules as they have no experience with ESEF. In this regard we support different timetables for different types of undertakings. PL (Drafting): 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 xx They shall immediately inform the Commission thereof. PL (Comments): PL already provided at WPoCL meetings reasons as to why this deadline is not feasible in the context of the national legislative procedures. BE (Comments): We are of the opinion that the transposition deadline is too short, especially taking into account the scope of CSRD. Member States should
--	---

	benefit from a deadline of at least 18 months to transpose CSRD. We notice that no transitional measures have been foreseen and wonder why. We believe that CSRD should include some transitional measures. SE (Drafting): 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 1 December 2023. They shall immediately inform the Commission thereof. ES (Comments): The deadline for the transposition is not realistic. Considering that the amendments in the Directive need to be transposed in the corresponding national legislation that has to be drafted, discussed at Ministry level, then subject to the public consultation of other departments and organisms both inside and outside the Ministry of Economic Affairs and Digital Transformation and finally approved by the Parliament (both the Congress and the Senate), it is practically impossible to meet the one-year deadline that the Commission is proposing. HU (Drafting): 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 1 December 2022. They shall immediately inform the Commission thereof.
--	--

	HU (Comments): We object to the tight timeframe for implementation. In our opinion, there is not enough time to incorporate it into the training system and to acquire the professional competence from both a corporate and an audit perspective. Among other things, we note that, according to the Hungarian legislative practice, a bill should be submitted in September 2022, in order to be proclaiming by the end of the year, in which the EU acts to be implemented should be explicitly and concretely mentioned. Until such time as the EU acts to which reference is made have been drafted and published, we will not have the opportunity to submit a bill for implementation. HR (Comments): Due to the structure of Croatian economy, which consists out of a substantial amount of entities that will fall under the scope of the Directive, but in reality have small number of employees, often consisting out of family members, which could lead to quite significant administrative burden to mentioned entities, we would like to emphasize the that the companies will inevitably need the adequate time to adjust to new legal framework. Therefore, we consider the given time for transposition to be too short. Having in mind all obligations arising from the Proposal, such as necessary development of standards, education of auditors and etc., we
--	---

	would propose to reconsider extension of the stated deadline.
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	NL (Drafting): Member States shall provide that the provisions referred to in the first subparagraph shall apply: a. to large undertakings which are undertakings referred to in Article 2, point (1) for financial years starting on or after 1 January 2024, b. to large undertakings which are not undertakings referred to in Article 2, point (1) for financial years starting on or after 1 January 2025, and c. to small and medium-sized undertakings which are undertakings referred to in Article 2, point (1) for financial years starting on or after 1 January 2026. NL (Comments): We propose a phase-in approach. Large listed companies should report for financial years starting on or after 1 January 2024, and large non-listed companies should report for financial years starting on or after 1 January 2025. The latter category (non-listed large companies) do not currently have an obligation to report. Therefore, they will have one year extra to fulfil their obligations. Lastly, the Netherlands finds it reasonable that listed companies that are SME's should report for financial years starting on or after 1 January 2026. 1 January 2026 is a compelling deadline.

	PL (Drafting): Member States shall provide that the provisions referred to in the first subparagraph shall apply for financial years starting on or after 1 January xx PL (Comments): If there is no national legislation on time there will be no legal possibility to require the application of those provisions starting from the 1 January 2023. Furthermore, PL already provided at WPoCL meetings reasons as to why this deadline is not feasible for reporting entities, especially for first-time prepares of sustainability reporting. BE (Comments): We understand the urgency to move forward quickly in this field but we also think that – due a.o. to the practical impact of CSRD - this deadline is too ambitious. SE (Drafting): Member States shall provide that the provisions referred to in the first subparagraph shall apply for financial years starting on or after 1 January 2024
--	---

	HU (Drafting): Member States shall provide that the provisions referred to in the first subparagraph shall apply for financial years starting on or after 1 January 2025.2023. HU (Comments): In our view, it is necessary to allow sufficient timeframe for the new reporting requirements to be implemented, as considerable background knowledge needs to be acquired and appropriate training needs to be built up. In order to ensure the sufficient time to acquire this expertise and to prepare and train new professionals, we propose that the obligation to prepare sustainability reporting should enter into force from 1 January 2025.
	AT (Drafting): Member States may allow large undertakings not subject to disclosure obligations under Directive 2004/109/EC to comply with Article 19d of Directive 2013/34/EU for the first time for financial years starting on or after 1 January 2025. AT (Comments): Austria repeats its proposal for a Member State option: Large companies that are not subject to the disclosure obligation under Directive

	2004/109/EC (i.e. that are not issuers) should be allowed to comply with Article 19d of Directive 2013/34/EU (i.e. the mandatory preparation of annual financial statements and management reports in the ESEF format) for the first time for financial years beginning on or after 1 January 2025 (i.e. two years later).
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.	
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.	
Article 6 Date of application of Article 4	
Article 4 of this Directive shall apply to financial years starting on or after 1 January 2023.	SK (Comments): SK: Please see our comments on Article 5. The proposed date of

	application should be aligned with the transposition deadline. PL (Drafting): Article 4 of this Directive shall apply to financial years starting on or after 1 January xx . PL (Comments): Due to our comments on the deadlines in art. 5 the deadline for the application of art. 4 shall be adjusted accordingly. CZ (Comments): The Czech Republic believes that if the final form of technical standards is developed by the end of 2022, it is not realistic for individual indicators to be monitored already during 2023. From the Czech Republic's point of view, the proposed deadline seems to be very ambitious and very difficult to achieve. Therefore we propose a solution that would make it easier for companies to switch to a new reporting obligation. We prefer a step-by-step path of creating a single 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. BE (Comments): See our comment above. SE (Drafting): Article 4 of this Directive shall apply to financial years starting on or after 1 January 2024. SE (Comments): For reasons elaborated at the meeting on 24 September 2021, SE proposes an extension of the timeline for transposition and application. HU (Drafting): Article 4 of this Directive shall apply to financial years starting on or after 1 January 2025.2023. HU (Comments): In our view, it is necessary to allow sufficient timeframe for the new reporting requirements to be implemented, as considerable background knowledge needs to be acquired and appropriate training needs to be built up. In order to ensure the sufficient time to acquire this expertise and to prepare and train new professionals, we propose that the obligation to
--	--

	prepare sustainability reporting should enter into force from 1 January 2025. HR (Comments): Please see the comment under Article 5.
Article 7 Entry into force	
This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.	
Article 8 Addressees	
This Directive is addressed to the Member States. Article 4 shall, however, be binding in its entirety and directly applicable in all Member States.	

	General comments
	LT (Comments): Does the statutory auditor or audit firm that will carry out assurance engagements of sustainability reporting be a subject to the same requirements of the Audit Regulation as when it carries out audit of financial statements? For example requirements for rotation, requirements for transparency report and so on. BE (Comments): As the EU sustainability reporting standards are not established by the Member States, we propose to make a clear distinction between on the one side the legal dispositions of the directive that have to be transposed by the Member States, and on the other side the sustainability standards, set up by the European Commission as standard setter itself. Our proposal is to attach the standards preferably as Annexes to the Accounting Directive. Member State involvement in the decision making process has to be guaranteed by an appropriate consultation committee. As the collective responsibility of the members of the administrative, management and supervisory bodies of the undertaking is extended broadly to the disclosure of sustainability information, it is important that the sustainability reporting standards are published in a timely manner, and that the sustainability reporting standards are clear and understandable for the responsible bodies of the undertaking. There is a need to further clarify Articles 19a and 29a regarding the

	content of the disclosures that the undertaking or the group has to do about sustainability matters for instance, on “intangibles”, as well as on “retrospective” and “forward-looking information” and on other new concepts. In order to further clarify CSRD, we believe that Articles 19a and 29a have to be amended (to better identify what companies have to disclose and which legal texts Member States have to transpose in national law. With respect to the assurance of sustainability reporting, we are in favour of a common assurance standard across the European Union instead of different national assurance standards. We regret that the Commission does not seem to have the intention to establish a common assurance standard in the near future. The respective responsibilities of the auditor and of the independent assurance services provider regarding the management report have to be clarified. The change from limited assurance to reasonable assurance is also not clear. We consider that a reasonable timetable for the digitalization of the disclosure of the financial statements and of the management report of the undertakings and groups. Moreover, more clarity and consistency is necessary concerning the ESEF and ESAP format, especially for non-listed entities. It is not clear how and when Member States have to implement this format and how it can fit in the current national disclosure format. In the Audit Regulation, other articles have to be amended, such as Article 11. SE (Comments): <u>The comments and drafting suggestions above are not exhaustive and are</u>
--	--

	<u>not to be understood as SE waiving any comments or reservations submitted during previous meetings of the WP.</u> MT (Comments): Malta believes that more focus should be given to ensure that all stakeholders including SMEs are involved in these discussions and more awareness is created amongst the local companies on this forthcoming directive. Furthermore, SMEs must be well prepared for this process in terms of training. Malta fully recognises the consultation exercise that EFRAG is carrying out with the different stakeholders. The level of preparedness needed and analysis on the impact such a proposal may have on the SMEs are important departing points towards ensuring the safeguarding of SMEs' interests also in view that the envisaged additional costs could be significant. PT (Comments): 1) Article 5 – Transposition On the one hand, as a general remark, we are concerned that the proposed deadlines seem to be very ambitious. On the other hand, we are concerned with a potential inconsistency of implementation dates between what is being envisaged under the CSRD and the Delegated Act supplementing Article 8 of the Taxonomy Regulation, as we describe below: The European Commission has an indicative objective that co-legislators
--	--

	reach an agreement on the CSRD Directive between 1Q/2Q 2022 and that Member States implement the Directive by 1 December 2022. Regarding the Delegated Acts on Sustainability Reporting Standards, the Commission expects that if co-legislators reach an agreement in the first half of 2022 on the new CSRD Directive, by October 2022 the Commission should be able to adopt the first set of sustainability reporting standards and the second set by October 2023. This would mean that large companies would apply the reporting standards for the first time to reports published in 2024, covering the financial year 2023. On 6 July the European Commission adopted a Delegated Act supplementing Article 8 of the Taxonomy Regulation, which specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities (incl. green asset ratio). The Delegated Act is under scrutiny by the European Parliament and the Council, after which the disclosures regime will come into application from 1 January 2022 limited to certain elements and qualitative reporting, with the <u>remaining provisions starting to apply from 1 January 2023 for non-financial undertakings (covering financial year 2022) and from 1 January 2024 for financial undertakings (covering the financial year 2023)</u> – Recital 12. Against this background, there seems to be a mismatch regarding the timing for the first reporting date for <u>non-financial undertakings</u>: under the current provisions, they could hardly meet the disclosure obligations under the DA on Article 8 of the Taxonomy Regulation (first disclosures: covering financial year 2022) because the timeline envisaged for the first reporting standards on sustainability under the (proposed) CSRD starts
--	--

one year latter (first reporting: covering financial year 2023).

We would very much appreciate the COM's clarification on this topic, as the aforementioned mismatch of deadlines may also be relevant for financial undertakings, as the additional year provided for in the DA for financial undertakings was justified by the importance of giving them the possibility to include in their reports the impact of any relevant information published one year earlier by non-financial undertakings.

2) Cross cutting consistency of sustainability reporting requirements with other legal acts

We would appreciate if the Commission could further elaborate on (i) how the specific reporting requirements envisaged in Article 19a points (2) and (3) of the Accounting Directive interact and are consistent with those envisaged in other Union legislation - namely in the SFDR and the Delegated Act under Article 8 of the Taxonomy Regulation, but also with the work carried out by the EBA on the implementation of Pillar 3 disclosure requirements (Article 434-A of the CRR).

In particular, it should be taken into account that the expansion of the mandatory reporting requirements to additional undertakings implies that more financial undertakings will have to report in accordance with CSRD for the first time, while at the same time some of those undertakings will fall under the scope of Art. 8 of the Taxonomy Regulation and under the scope of Article 449-A of the CRR.

Therefore, consistency in the overall sustainability reporting requirements is paramount *inter alia* (i) to avoid unnecessary and disproportionate burden on undertakings, (ii) to ensure that users are provided with integrated, relevant, comparable, reliable and easily accessible information (iii) and to promote market discipline.

	3) Fulfilment of credit institutions' reporting requirements Typically financial institutions are end users of information provided from their counterparties' activities, including SMEs. Therefore, without prejudice to the principle of proportionality on the sustainability information to be disclosed by SMEs (which is paramount to safeguard), it is necessary to ensure as well that the simplified information to be disclosed by in-scope SMEs will be sufficient for credit institutions' fulfilment of their own disclosure obligations. As a core principle we must not unduly penalize certain countries, companies or financial sector entities, due to their small relative size, their geographic location or the nature of their activities. Simplified requirements may be justified in some circumstances, provided this does not jeopardize analytical rigor nor hamper financial institutions' reporting obligations. In addition, concerns may arise if credit institutions' fulfilment of their reporting obligations is hampered by the fact that such information comes from counterparties excluded from the scope of the CSRD. We would appreciate clarification from the Commission on this item. 4) Alignment of reporting standards with international initiatives 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. 5) Single Electronic format We have concerns regarding the intended obligation to prepare the whole financial statements in a single electronic reporting format for large
--	---

companies that are not issuers.

We believe that a requirement to prepare only a management report in ESEF is sufficient for this type of companies.

Furthermore, the XHTML format would lead to increased costs for the Member State (that is responsible for the maintenance of the register) and also for the companies, if the Member State has already in place a requirement for a machine readable format other than XHTML.

6) Training

The proposed transitional regime may delay the time for accessing the profession (which is already quite long), in a period when knowledge about sustainability reporting is still scarce and there may not yet be assurance standards on the subject by 2023. Furthermore, depending on the timings for publication of the reporting standards (on which the assurance standards depend), the time available for the training of auditors may not be sufficient for appropriate training.

HR

(Comments):

In relation to the entire Proposal, we consider that it is necessary to take into account the scope of new obligations for statutory auditors and audit firms, as well as competent authorities within the meaning of Regulation (EU) No 537/2014, arising from the current text of the Proposal.

Therefore, we emphasize that it is necessary to ensure sufficient time for education of all subjects that will fall under the scope of the proposed

	Directive, in the mentioned field of application. It is important to ensure that the statutory auditors and audit firms, carrying out the statutory audit of financial statements, will have enough time to meet all necessary conditions to be able to perform the proposed tasks and obligations with needed quality and in prescribed deadlines.
END	END