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MEETING DOCUMENT

From: To:	General Secretariat of the Council Working Party on Company Law
N° Cion doc.:	ST 14574 2023 INIT
Subject:	Decision on time limits for adoption of sustainability reporting standards – Presentation by the Commission at the Company Law WP meeting on 16.11.2023

Commission proposal postponing certain ESRS adoption deadlines

Key elements

Council Working Party on Company Law
16 November 2023

European Commission, DG FISMA/C1

“ESRS” – Background information (1/2)

- Directive 2013/34/EU (Accounting Directive – “AD”) requires large companies, listed SMEs, and parent companies of large groups to publish a sustainability statement.

- Sustainability statement to be drafted in accordance with European Sustainability Reporting Standards (ESRS) adopted by Commission by means of delegated acts, taking into consideration technical advice provided by EFRAG.

"ESRS" – Background information (2/2)

"ESRS full" (Art. 29b AD)	❑ Cross-cutting standards and standards for all sustainability topics > FY 2024	Adopted by COM on 31 July 2023
	❑ Sector-specific standards	To be adopted by COM by 30 June 2024
"ESRS for listed SMEs" (Art. 29c AD)	❑ Standards for listed SMEs (alternative to ESRS full for listed SMEs)	
"ESRS for certain non-EU companies" (Art. 40b AD)	❑ Standards for non-EU companies exceeding EU turnover threshold > FY 2028	

Rationale of the proposal

- Cumulation of reporting requirements may lead to disproportionate burdens on companies, SMEs in particular.

- Commission Communication on '*Long-term competitiveness of the EU: looking beyond 2030*' > Reduction of reporting burdens by 25% without undermining related policy objectives.

- Demand from corporate sector > sufficient time to prepare for new reporting requirements.

17 October 2023: Proposal for a 2-year postponement of adoption deadlines for sector-specific ESRS and ESRS for certain non-EU companies

Key elements of the proposal (1/2)

Deadline for Commission to adopt sector-specific ESRS is postponed to 30 June 2026

- allow CSRD companies to focus on the implementation of the first set of ESRS
- limit the reporting requirements to the minimum necessary
- allow EFRAG sufficient time to develop sector-specific ESRS that are efficient

Deadline for Commission to adopt ESRS for certain non-EU companies is postponed to 30 June 2026

- Disclosure requirements (Art. 40a AD) remain applicable from financial year 2028 > NO delay
- allow more resources for effective and proportionate sector-specific ESRS, while allowing non-EU companies sufficient time to prepare

Key elements of the proposal (2/2)

- Proposal is part of a first package of measures to rationalise reporting requirements and is consistent with the SME Relief Package.

- It will not negatively affect the achievement of the sustainability reporting objectives.

- The proposal amends the AD with a Decision because the amendments do not need Member States' transposition. The legal basis is the same as for the AD (i.e. Art. 50 TFEU).

Thank you

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