



2021/0104(COD)

16.11.2021

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## **DRAFT REPORT**

on the proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting  
(COM(2021)0189 – C9-0147/2021 – 2021/0104(COD))

Committee on Legal Affairs

Rapporteur: Pascal Durand



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## **DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION**

**on the proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (COM(2021)0189 – C9-0147/2021 – 2021/0104(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2021)0189),
  - having regard to Article 294(2) and Articles 50 and 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0147/2021),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Central Bank of 7 September 2021<sup>1</sup>,
  - having regard to the opinion of the European Economic and Social Committee of 22 September 2021<sup>2</sup>,
  - having regard to Rule 59 of its Rules of Procedure,
  - having regard to the opinions of the Committee on Economic and Monetary Affairs, the Committee on Employment and Social Affairs and the Committee on the Environment, Public Health and Food Safety,
  - having regard to the report of the Committee on Legal Affairs (A9-0000/2021),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

### **Amendment 1**

#### **Proposal for a directive Recital 17 a (new)**

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<sup>1</sup> OJ C 446, 3.11.2021, p. 2.

<sup>2</sup> Not yet published in the Official Journal.

*Text proposed by the Commission*

*Amendment*

***(17a) Account should be taken of the specific situation of undertakings which, although not having any legal establishment in the Union, regularly carry out a significant economic activity in it. Such undertakings should be subject to the same obligations as those established in the territory of the Union.***

Or. fr

## **Amendment 2**

### **Proposal for a directive Recital 18 a (new)**

*Text proposed by the Commission*

*Amendment*

***(18a) Certain sectors of economic activity are recognised as posing particularly significant sustainability risks. In order to ensure that this directive can also apply to such high-risk sectors of economic activity they should be defined and the power to adopt a delegated act in accordance with Article 290 of the Treaty on the Functioning of the European Union in respect of establishing a list of high-risk sectors of economic activity should be delegated to the Commission. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure their equal participation in the preparation of delegated acts, Parliament and the Council should receive all documents at the same time as Member States' experts, and their experts should systematically***

*have access to meetings of Commission expert groups dealing with the preparation of delegated acts. Medium-sized undertakings carrying out a high-risk economic activity should also be subject to sustainability reporting obligations.*

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*\* OJ L 123, 12.5.2016, p. 1.*

Or. fr

### Amendment 3

#### Proposal for a directive

#### Recital 21

##### *Text proposed by the Commission*

(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*

##### *Amendment*

(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, *as defined in the aforementioned directive*, 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 the *activities of all the undertakings covered by the scope of the directive*. It is therefore necessary to require those subsidiary undertakings to publish *a* management report *containing information on sustainability*. *The absence of an exemption does not affect the possibility for a parent undertaking to pool costs and resources with its subsidiaries in order for them to fulfil their obligations concerning sustainability reporting and auditing of sustainability reporting. Nor does it affect the possibility for parent undertakings to produce a*

*requirements of this Directive or in a manner equivalent to EU sustainability reporting standards.*

*consolidated management report.*

Or. fr

#### Amendment 4

##### Proposal for a directive Recital 22

*Text proposed by the Commission*

*Amendment*

*(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.*

*deleted*

Or. fr



## Amendment 5

### Proposal for a directive Recital 49

#### *Text proposed by the Commission*

(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, 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.

#### *Amendment*

(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 **machine-readable** 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.

Or. fr

## Amendment 6

### Proposal for a directive Recital 53

#### *Text proposed by the Commission*

(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

#### *Amendment*

*(Does not affect the English version.)*

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 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.

Or. fr

*Justification*

*Linguistic adaptation to use the established term in French.*

**Amendment 7**

**Proposal for a directive**  
**Recital 54**

*Text proposed by the Commission*

(54) Statutory auditors or audit firms already verify the financial statements and the management report. The assurance of sustainability reporting by the statutory

*Amendment*

(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<sup>66</sup> 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. 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.

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<sup>66</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ

auditors or audit firms would help to ensure the connectivity between, and consistency of, financial and sustainability information, which is particularly important for by users of sustainability information. However, there is a risk of further concentration of the audit market, which could risk the independence of auditors and increase audit or assurance fees. It is therefore desirable to offer undertakings a broader choice of independent assurance service providers for the assurance of sustainably reporting. Member States should therefore be allowed to accredit independent assurance services providers in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council<sup>66</sup> 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 *equivalent to* 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.

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<sup>66</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ

L 218, 13.8.2008, p. 30).’;

L 218, 13.8.2008, p. 30).’;

Or. fr

## **Amendment 8**

### **Proposal for a directive Recital 57 a (new)**

*Text proposed by the Commission*

*Amendment*

***(57a) A high level of independence should be ensured for sustainability reporting assurance operations by establishing the principle of incompatibility between a statutory audit engagement and an assurance of sustainability reporting engagement being carried out by the same statutory auditor or the same audit firm.***

Or. fr

## **Amendment 9**

### **Proposal for a directive Recital 60**

*Text proposed by the Commission*

*Amendment*

(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.***

(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.

Or. fr

## Amendment 10

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 1

Directive 2013/34/EU

Article 1 – paragraph 3 – introductory part

#### *Text proposed by the Commission*

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:

#### *Amendment*

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, ***provided that they meet the criteria laid down in Article 19a(1)***, regardless of their legal form:

Or. fr

#### *Justification*

*Technical clarification to comply with the application thresholds for undertakings referred to in Article 19a.*

## Amendment 11

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 2

Directive 2013/34/EU

Article 2 – point 20 a (new)

#### *Text proposed by the Commission*

#### *Amendment*

***(20a) ‘High-risk economic activity sector’ means economic activities likely to have serious negative impacts on sustainability matters;***

Or. fr

## Amendment 12

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 2

Directive 2013/34/EU

Article 2 – point 20 b (new)

*Text proposed by the Commission*

*Amendment*

***(20b) ‘Specific science-based measurable targets’ means indicators which take into account the UN programme ‘Transforming our world: the 2030 Agenda for Sustainable Development’, reports and analyses of the Organisation for Economic Cooperation and Development (OECD) on the Sustainable Development Goals and the EU’s ‘Europe 2020 strategy’.***

Or. fr

## Amendment 13

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 1

*Text proposed by the Commission*

*Amendment*

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.

1. Large undertakings ***and undertakings referred to in Article 3(7) which are governed by the law of a third country and are not established in the territory of the Union when they operate in the internal market selling goods or providing services under the arrangements set out in Article 19b(1),*** and, as of 1 January 2026, small and medium-sized undertakings which are undertakings referred to in Article 2, point (1), point (a), ***and medium-sized undertakings referred to in Article 3(3) which operate in one or more of the high-risk economic activities referred to in Article 19a(8),*** 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.

Or. fr

## Amendment 14

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 2 – point a – sub-point ii

#### *Text proposed by the Commission*

(ii) the opportunities for the undertaking related to sustainability matters;

#### *Amendment*

(ii) the opportunities **and risks** for the undertaking related to sustainability matters;

Or. fr

## Amendment 15

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 2 – point a – sub-point iv

#### *Text proposed by the Commission*

(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;

#### *Amendment*

(iv) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and **risk management and of the principal actual or potential adverse** impacts of the undertaking on sustainability matters;

Or. fr



## Amendment 16

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 2 – point b

#### *Text proposed by the Commission*

(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;

#### *Amendment*

(b) a description of the targets related to sustainability matters set by the undertaking, ***of the action to be taken to successfully achieve those targets*** and of the progress the undertaking has made towards achieving those targets;

Or. fr

## Amendment 17

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 2 – point e – sub-point i

#### *Text proposed by the Commission*

(i) the due diligence process implemented with regard to sustainability matters;

#### *Amendment*

(i) the due diligence process implemented with regard to sustainability matters, ***in accordance with international conventions on social and human rights, in particular the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union;***

Or. fr

## Amendment 18

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 2 – point e – sub-point ii

#### *Text proposed by the Commission*

(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;

#### *Amendment*

(ii) the principal actual or potential adverse impacts connected with the undertaking's value chain, ***where applicable as identified in the implementation of the due diligence strategy***, including its own operations, its products and services, its business relationships, ***its subsidiaries*** and its supply chain;

Or. fr

## Amendment 19

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 3 – subparagraph -1 (new)

#### *Text proposed by the Commission*

#### *Amendment*

***The information referred to in paragraphs 1 and 2 shall be published in a specific section of the management report and in a format equivalent to, and consistent with, that laid down for the publication of the financial statements.***

Or. fr

## Amendment 20

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 7 – subparagraph 1

*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\*<sup>6</sup>, to the manner required by the sustainability reporting standards referred to in Article 19b of this Directive.*

*deleted*

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*\*<sup>6</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).*

Or. fr

*Justification*

*L'exemption proposée par la Commission diffère des règles pour la communication des données financières qui ne dispensent pas les entreprises de publier leur bilan si ce dernier est intégré dans les comptes consolidés de la maison mère ou du groupe. La consolidation des données de durabilité sur base d'un critère de matérialité au niveau de la maison mère ou du*

*groupe peut entraîner l'omission de certaines informations particulièrement pertinentes pour les investisseurs et les parties prenantes. Le rapporteur propose de conserver l'obligation en matière d'information pour les filiales et les maisons mères au niveau de l'entreprise. L'absence d'exemption ne remet pas en cause la possibilité pour une entreprise mère de mutualiser les coûts et les ressources avec ses filiales afin de remplir leurs obligations en matière d'information et d'audit de durabilité. Cela ne remet pas non plus en cause la possibilité pour les entreprises mères de produire un rapport de gestion consolidé.*

## Amendment 21

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 7 – subparagraph 2

#### *Text proposed by the Commission*

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.

#### *Amendment*

The consolidated management report of *a* parent undertaking shall be published in accordance with Article 30, in the manner prescribed by the law of the Member State by which the undertaking ***which meets the requirements referred to*** in paragraphs 1 to 4 is governed.

Or. fr

## Amendment 22

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 3

Directive 2013/34/EU

Article 19 a – paragraph 7 – subparagraph 3

#### *Text proposed by the Commission*

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

#### *Amendment*

The Member State by which the undertaking ***which meets the requirements referred to*** in paragraphs 1 to 4 is governed may require that the consolidated management report ***of a parent undertaking*** is published in an official language of the Member State or in a language customary in the sphere of

language customary in the sphere of international finance, and that any necessary translation into those languages is certified.

international finance, and that any necessary translation into those languages is certified.

Or. fr

## **Amendment 23**

### **Proposal for a directive**

#### **Article 1 – subparagraph 1 – point 3**

Directive 2013/34/EU

Article 19 a – paragraph 7 a (new)

*Text proposed by the Commission*

*Amendment*

**7a. The Commission shall be empowered to adopt delegated acts in accordance with Article 49 to establish and amend the list of high-risk sectors of economic activity set out in Article 2, point (20a).**

***That list shall take into account the work of the Platform on Sustainable Finance established in accordance with Article 20 of Regulation (EU) 2020/852 and the OECD Due Diligence Guidance for Responsible Business Conduct, including for mining, extractive industries, agriculture, clothing and footwear, finance and international shipping. The list of sectors taken into account in this definition shall take account of correspondence with the NACE classification<sup>1a</sup>.***

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**<sup>1a</sup> Statistical classification of economic activities in the European Union, NACE Rev. 2.**

Or. fr

## Amendment 24

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 1 – subparagraph 1 – point b – sub-point i

*Text proposed by the Commission*

(i) complementary information that undertakings shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;

*Amendment*

(i) complementary information that undertakings shall report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary, ***including details of their immaterial and intangible assets;***

Or. fr

## Amendment 25

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 1 – subparagraph 1 – point b – sub-point ii a (new)

*Text proposed by the Commission*

*Amendment*

***(iia) the specific measurable objectives based on scientific evidence set out in Article 2, point (20b);***

Or. fr

## Amendment 26

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 1 – point b – sub-point ii b (new)

*Text proposed by the Commission*

*Amendment*

***(iib) the criteria and implementing rules for sustainability reporting for medium-sized undertakings referred to in***

*Article 19a(1);*

Or. fr

*Justification*

See recital - amendment 2.

**Amendment 27**

**Proposal for a directive**

**Article 1 – subparagraph 1 – point 4**

Directive 2013/34/EU

Article 19 b – paragraph 1 – point b – sub-point ii c (new)

*Text proposed by the Commission*

*Amendment*

***(iic) the criteria and implementing rules for sustainability reporting for undertakings referred to in Article 3(7), which are governed by the law of a third country and are not established in the territory of the Union when they operate in the internal market selling goods or providing services.***

Or. fr

**Amendment 28**

**Proposal for a directive**

**Article 1 – subparagraph 1 – point 4**

Directive 2013/34/EU

Article 19 b – paragraph 2 – point b – sub-point iii

*Text proposed by the Commission*

*Amendment*

(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

(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, ***including the UN Guiding Principles on Business and Human Rights***, the International Labour Organization's

conventions and the Charter of Fundamental Rights of the European Union.

Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.

Or. fr

## Amendment 29

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 2 – point c – sub-point i

#### *Text proposed by the Commission*

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

#### *Amendment*

(i) the role of the undertaking's administrative, management and supervisory bodies, including with regard to ***proper implementation of the due diligence strategy and*** sustainability matters, and their composition;

Or. fr

## Amendment 30

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 2 – point c – sub-point-ii

#### *Text proposed by the Commission*

(ii) business ethics and corporate culture, including anti-corruption and anti-bribery;

#### *Amendment*

(ii) business ethics and corporate culture, including anti-corruption and anti-bribery ***and internal arrangements within the undertaking for protecting whistleblowers, animal welfare and combating food waste;***

Or. fr



## Amendment 31

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 2 – point c – sub-point v

*Text proposed by the Commission*

(v) the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

*Amendment*

(v) the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process ***and implementation of the due diligence strategy.***

Or. fr

## Amendment 32

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 b – paragraph 3 – point h a

*Text proposed by the Commission*

*Amendment*

***(ha) Directive (EU) 2019/1937 of the European Parliament and of the Council<sup>1a</sup>;***

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***<sup>1a</sup> Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L 305, 26.11.2019, p. 17).***

Or. fr

## Amendment 33

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 4

Directive 2013/34/EU

Article 19 d – paragraph 1

*Text proposed by the Commission*

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<sup>\*15</sup> 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.

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<sup>\*15</sup> Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).;’

*Amendment*

1. Undertakings subject to Article 19a shall prepare their financial statements and their management report in a single electronic ***and machine-readable*** reporting format in accordance with Article 3 of Commission Delegated Regulation (EU) 2019/815<sup>\*15</sup> 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. ***The mark-up must be compatible with the consolidation and re-use of such data in a European single access point as described in Action 1 of the Commission Communication entitled ‘A Capital Markets Union for people and businesses – new action plan’.***

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<sup>\*15</sup> Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1).;’

Or. fr

**Amendment 34**

**Proposal for a directive**  
**Article 1 – subparagraph 1 – point 4**  
Directive 2013/34/EU  
Article 19 d – paragraph 2

*Text proposed by the Commission*

2. Undertakings subject to Article 29a shall prepare their consolidated financial statements and their consolidated management report in a single electronic

*Amendment*

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.

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.

***The mark-up must be compatible with the format specified in paragraph 1.***

Or. fr

## **Amendment 35**

### **Proposal for a directive**

#### **Article 1 – subparagraph 1 – point 5 – point a**

Directive 2013/34/EU

Article 20 – paragraph 1 – point g

#### *Text proposed by the Commission*

(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.***

#### *Amendment*

(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.

Or. fr

## **Amendment 36**

### **Proposal for a directive**

#### **Article 1 – subparagraph 1 – point 7**

Directive 2013/34/EU

Article 29 a – paragraph 1

#### *Text proposed by the Commission*

1. Parent undertakings of a large group shall include in the consolidated management report information necessary

#### *Amendment*

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.

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. ***This information shall be published in a specific section of the management report and in a format equivalent to, and compatible with, that laid down for the publication of the financial statements.***

Or. fr

## Amendment 37

### Proposal for a directive

#### Article 1 – subparagraph 1 – point 7

Directive 2013/34/EU

Article 29 a – paragraph 7 – subparagraph 1

*Text proposed by the Commission*

*Amendment*

***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***

***deleted***

*referred to in Article 19b of this Directive.*

Or. fr

### *Justification*

*L'exemption proposée par la Commission diffère des règles pour la communication des données financières qui ne dispensent pas les entreprises de publier leur bilan si ce dernier est intégré dans les comptes consolidés de la maison mère ou du groupe. La consolidation des données de durabilité sur base d'un critère de matérialité au niveau de la maison mère ou du groupe peut entraîner l'omission de certaines informations particulièrement pertinentes pour les investisseurs et les parties prenantes. Le rapporteur propose de conserver l'obligation en matière d'information pour les filiales et les maisons mères au niveau de l'entreprise. L'absence d'exemption ne remet pas en cause la possibilité pour une entreprise mère de mutualiser les coûts et les ressources avec ses filiales afin de remplir leurs obligations en matière d'information et d'audit de durabilité. Cela ne remet pas non plus en cause la possibilité pour les entreprises mères de produire un rapport de gestion consolidé.*

## **Amendment 38**

### **Proposal for a directive**

#### **Article 1 – subparagraph 1 – point 7**

Directive 2013/34/EU

Article 29 a – paragraph 7 – subparagraph 3

#### *Text proposed by the Commission*

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.

#### *Amendment*

The Member State by which the parent undertaking is governed may require that the consolidated management report 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.

Or. fr

## **Amendment 39**

### **Proposal for a directive**

#### **Article 1 – subparagraph 1 – point 7**

Directive 2013/34/EU

Article 29 a – paragraph 7 – subparagraph 4 – introductory part

*Text proposed by the Commission*

*Amendment*

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:

The consolidated management report of a parent undertaking, ***as referred to in paragraph 1, which is communicated to another undertaking with a view to drawing up its consolidated annual report in accordance with Article 29 and this Article,*** shall contain ***at least*** all of the following information:

Or. fr

#### **Amendment 40**

**Proposal for a directive**

**Article 1 – paragraph 1 – point 7**

Directive 2013/34/EU

Article 29 a – paragraph 7 – subparagraph 4 – point b

*Text proposed by the Commission*

*Amendment*

***(b) the fact that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article.***

***deleted***

Or. fr

#### **Amendment 41**

**Proposal for a directive**

**Article 1 – subparagraph 1 – point 8 – point a**

Directive 2013/34/EU

Article 30 – paragraph 1 – subparagraph 3

*Text proposed by the Commission*

*Amendment*

***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***

***deleted***

*not exceeding its administrative cost.*

Or. fr

*Justification*

*Having the possibility to request access to the report, even at cost price, runs counter to the principle of transparency and the centralisation of data in digital format.*

**Amendment 42**

**Proposal for a directive**

**Article 1 – subparagraph 1 – point 10 – point a – point ii**

Directive 2013/34/EU

Article 34 – paragraph 1 – subparagraph 2 – point a a

*Text proposed by the Commission*

*Amendment*

(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.

(aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements **and scope** 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;

Or. fr

*Justification*

*Amendment to bring the text into line with the change in scope.*

**Amendment 43**

**Proposal for a directive**

**Article 1 – subparagraph 1 – point 10 – point b**

*Text proposed by the Commission*

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.

*Amendment*

3. Member States **shall** allow independent assurance services **providers** 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.

Or. fr

**Amendment 44**

**Proposal for a directive**

**Article 2 – subparagraph 1 – point 3**

Directive 2004/109/EC

Article 23 – paragraph 4 – subparagraph 4

*Text proposed by the Commission*

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.

*Amendment*

In the context of the third subparagraph, the Commission shall also adopt, **by no later than 31 October 2023**, 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.

Or. fr

**Amendment 45**

**Proposal for a directive**

**Article 3 – subparagraph 1 – point 1**



*Text proposed by the Commission*

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.

*Amendment*

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 *either* by the statutory auditor or *by the* audit firm carrying out the statutory audit of financial statements.

Or. fr

**Amendment 46**

**Proposal for a directive**

**Article 3 – subparagraph 1 – point 4 – point b**

Directive 2006/43/EC

Article 8 – paragraph 1 – point c a

*Text proposed by the Commission*

(ca) sustainability reporting standards;

*Amendment*

(ca) sustainability reporting standards *as referred to in Article 19b of Directive 2013/34/EU*;

Or. fr

**Amendment 47**

**Proposal for a directive**

**Article 3 – subparagraph 1 – point 12**

Directive 2006/43/EC

Article 26 a – paragraph 2 – subparagraph 1

*Text proposed by the Commission*

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

*Amendment*

The Commission shall be empowered to adopt, by means of delegated acts in accordance with Article 48a, *limited* assurance standards *before 1 October 2023 and reasonable assurance standards*

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.

***before 1 January 2026*** 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.

Or. fr

## **Amendment 48**

### **Proposal for a directive**

#### **Article 3 – subparagraph 1 – point 12**

Directive 2006/43/EC

Article 26 a – paragraph 3

#### *Text proposed by the Commission*

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.

#### *Amendment*

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 ***for the financial years following the adoption of the delegated act referred to in the first subparagraph of Article 2.***

Or. fr

## **Amendment 49**

### **Proposal for a directive**

#### **Article 3 – subparagraph 1 – point 13**

Directive 2006/43/EC

Article 27 a – subparagraph 2 (new)

#### *Text proposed by the Commission*

#### *Amendment*

***The statutory auditor or the audit firm carrying out the statutory audit of an undertaking referred to in Article 19a(1) of Directive 2013/34/EU, 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 assurance of sustainability reporting in;*

*(a) the period between the beginning of the period audited and the issuing of the audit report;*

*(b) the financial year immediately preceding the period referred to in point (a) of this subparagraph.*

Or. fr

#### *Justification*

*See amendment 9 (recital 57a).*

#### **Amendment 50**

##### **Proposal for a directive**

##### **Article 3 – subparagraph 1 – point 14 – point e**

Directive 2006/43/EC

Article 28 – paragraph 4 – subparagraph 1

#### *Text proposed by the Commission*

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

#### *Amendment*

The audit report shall be signed and dated by the statutory auditor **or by the audit firm carrying out the statutory audit**. Where an audit firm carries out the statutory audit **or**, 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 **that of the auditor who carried 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 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

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.

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.

Or. fr

*Justification*

*Consistency with the separation of audit engagements.*

**Amendment 51**

**Proposal for a directive**

**Article 4 – subparagraph 1 – point 22 – point a – point i**

Regulation (EU) No 537/2014

Article 5 – paragraph 1 – subparagraph 1 – introductory part

*Text proposed by the Commission*

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:

*Amendment*

A statutory auditor or an audit firm carrying out the statutory audit ***or*** 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:

Or. fr

**Amendment 52**

**Proposal for a directive**

**Article 5 – paragraph 1 – subparagraph 1**

*Text proposed by the Commission*

Member States shall bring into force the laws, regulations and administrative

*Amendment*

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.

provisions necessary to comply with Articles 1 to 3 of this Directive by 1 December **2023**. They shall immediately inform the Commission thereof.

Or. fr

*Justification*

*Postpones the transposition by one year to allow undertakings more time to adapt to the various reporting obligations, and pending the final adoption of the delegated acts for this Directive and related regulations.*

**Amendment 53**

**Proposal for a directive**

**Article 5 – paragraph 1 – subparagraph 2**

*Text proposed by the Commission*

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**

*Amendment*

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**

Or. fr

*Justification*

*Postpones the transposition by one year to allow undertakings more time to adapt to the various reporting requirements, and pending the final adoption of the delegated acts for this Directive and related regulations.*

## EXPLANATORY STATEMENT

In its resolution of 17 December 2020 on sustainable corporate governance<sup>1</sup>, Parliament reiterated the need for a thorough revision of the Non-Financial Reporting Directive in force since 2014<sup>2</sup>. The proposal for a directive called the Corporate Sustainability Reporting Directive (CSRD) has largely incorporated Parliament's requests, while including the need to communicate non-financial data with the same rigour and reliability as financial data.

With this revision, the European legislator is seeking to enhance the role of undertakings in addressing environmental and social challenges by establishing a common benchmark so that all undertakings communicate the same indicators. As the short- and long-term performance and even the financial survival of undertakings will increasingly depend on their ability to adapt to these challenges, environmental, social and governance performance indicators will enable their activities to be more effectively directed towards a resilient and more sustainable model. Undertakings' overall performance should therefore be measured as a combination of their financial and non-financial performance.

Data reliability is based above all on a requirement for strict assurance as regards sustainability information. It is therefore essential to ensure that sustainability audits are carried out throughout the value chain and that the level of assurance is gradually increased over time. Audit providers will be able to operate in a more competitive market, which will be open to new entrants.

The European Union is not the only power involved in drawing up new non-financial standards. Whether at national level or under the auspices of the IFRS<sup>3</sup>, other countries are in the process of devising their own indicators. If these were to dominate and become the international standard then sustainable development would be defined by a non-European vision, making it more difficult for European values to be effectively taken into account.

What is at stake is European independence and sovereignty and the achievement of the goals of a sustainable society which respects human, social and environmental rights.

The rapporteur's proposal to amend the CSRD is therefore structured in three main areas:

### **1. Developing and deepening the proposal for a simplified common basis for non-financial reporting in terms of both the format and type of information to be taken into account for the development of reporting standards**

The information which undertakings currently provide about their policies is not always clear and consistent, particularly when it comes to respect for human rights. There are many internationally developed 'measurable, science-based indicators' which can improve the quality of these reports. The rapporteur proposes further developing the definitions of the provisions on these measurable indicators while leaving it to the Commission, subject to supervision by the co-legislators, to reach a precise definition as to what needs to be reported (Amendments 11, 13, 14, 15, 16, 18, 22, 23, 24, 27, 29 and 35).

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<sup>1</sup> A9-0240/2020 (INI)

<sup>2</sup> Directive 2014/95/EU ('NFDR').

<sup>3</sup> The International Financial Reporting Standards Foundation.

The exemption proposed by the Commission differs from the rules on reporting financial data, which do not exempt undertakings from publishing their balance sheet if it is included in the consolidated accounts of the parent company or of the group. Consolidation of sustainability data on the basis of a materiality criterion at parent or group level may lead to the omission of certain information that is particularly relevant to investors and stakeholders. The rapporteur proposes retaining the reporting obligation for subsidiaries and parent undertakings at undertaking level (Amendments 21 and 38). The absence of an exemption does not affect the possibility for a parent undertaking to pool costs and resources with its subsidiaries in order to meet their sustainability reporting and auditing obligations. Nor does it affect the possibility for parent undertakings to produce a consolidated management report.

## **2. Broadening the scope of the Directive to address the information needs of investors and stakeholders on sustainability issues**

In order to assess the overall performance of an undertaking, it is important that, over time, the availability of sustainability information is not only comparable and compatible but also subject to the same level of requirement as financial data. As with statutory audits, in order to be accurate and fair the assurance of consolidated information at group level must be supplemented by an assurance of the same information at the level of parent undertakings and major subsidiaries, whether by business or by country.

The rapporteur therefore supports bringing the scope of the Directive into line with the threshold for ‘large undertakings’ in the Accounting Directive<sup>4</sup>, which would help to simplify and harmonise the reporting system around a common basis. This logic also applies to all listed public undertakings, which are already subject to a transparency requirement in respect of the balance sheet part of their activities.

A guaranteed level playing field and equal treatment for undertakings operating in Europe should be a guiding principle of this revision. The rapporteur supports extending the scope to include certain undertakings established outside the EU but operating in the internal market (Amendments 1, 13 and 27).

Certain business activities operating in ‘risky’ sectors are already subject to enhanced transparency requirements (e.g. conflict minerals) or even bans on access to the European market (e.g. timber from illegal forestry) on account of the significant and repeated impact of these activities on human rights, the environment and good governance. However, the effective implementation of these sectoral policies is hampered by a lack of access to information and unreliable information. The rapporteur therefore wishes to extend the scope of the Directive to include medium-sized undertakings operating in ‘high-risk’ sectors, without increasing the administrative burden on small businesses. The Commission, subject to supervision by the co-legislators, will draw up a priority list of these ‘high-risk’ economic sectors in line with international work on the subject (Amendments 2, 11, 13, 23 and 26).

## **3. Allowing an opening-up of the sustainability audit market by promoting the emergence of independent assurance service providers and separating financial audits and sustainability audits**

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<sup>4</sup> Directive 2013/34/EU

Given the hyper-concentration of the financial audit market in Europe, the risk of compromising the independence of auditors and the possible increase in audit or assurance fees that would result, it is important to encourage undertakings to issue calls for tender to choose assurance service providers. In order to ensure fair competition in the single market, independent audit operators must be subject to equivalent requirements not only between Member States but also with regard to other accredited audit providers.

There is a substantial difference in cost between audit engagements and assurance engagements. The audit engagement can represent more than 95% of the cost of the assurance engagement. With such a disproportion, there is a risk that a statutory auditor or an audit firm may be tempted to disregard the assurance engagement even though it deserves equal attention.

On the other hand, financial performance and sustainability performance may be contradictory. This would put statutory auditors and audit firms simultaneously carrying out audits of the financial statements and the assurance of sustainability reporting in a delicate conflict of interest, and one which would certainly be detrimental to the assurance engagement.

To prevent such situations, the rapporteur proposes prohibiting statutory auditors and audit firms from carrying out audits of the financial statements and of the sustainability reporting in the same undertaking or group (Amendments 8, 49, 50 and 51).

In view of the time limits for the adoption of the delegated acts pursuant to this revision and of the related regulations needed to draw up the reporting standards, and to ensure proper implementation of the text, the rapporteur proposes postponing its entry into force by one year, while keeping the deadlines as currently proposed for the development of reporting standards (Amendment 53).