

## Corporate sustainability reporting directive

In April 2021, the European Commission proposed a directive on corporate sustainability reporting. The directive would establish new rules on sustainability reporting in the European Union, based on amending and enlarging the scope of reporting and increasing standardisation under the current Non-financial Reporting Directive. A provisional political agreement reached between the Parliament and Council is scheduled for a vote at first reading during the November I plenary session.

### Background

The [Non-financial Reporting Directive](#) (Directive 2014/95/EU – the NFRD), amending the Accounting Directive, was adopted in 2014. It applies to large listed companies, banks and insurance companies with more than 500 employees. The legislation requires such companies to publish reports on the policies they implement in relation to: environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards. The NFRD also requires companies to report both on how sustainability issues affect their performance, position and development, and on their impact on people and the environment.

### European Commission proposal

On 21 April 2021, the Commission put forward a [proposal](#) for a corporate sustainability reporting directive (CSRD), with a view to revising and strengthening the NFRD rules on sustainability reporting. The proposal aimed at improving the flow of sustainability information and for more consistent sustainability reporting by companies, so that financial firms, investors and the wider public can use comparable and reliable sustainability information. Compared to the NFRD, the CSRD's main innovations are: extending the scope to include all large companies (>250 employees and/or >€40 million turnover and/or >€20 million total assets), whether they are listed or not; extending the scope to listed small and medium-sized enterprises (SMEs), with the exception of listed micro-enterprises; standardising sustainability reporting standards, introducing mandatory assurance; including the information in the management report; and a reporting format in accordance with the [European Single Electronic Format regulation](#).

### European Parliament position

The European Parliament's Committee on Legal Affairs (JURI) adopted its [report](#) on the proposal on 15 March 2022. It welcomed the legislative proposal while calling for a number of changes, including: extending the scope to SMEs carrying out high-risk economic activities, establishing additional reporting criteria for companies with relevant activities in high-risk sectors, and underlining that sustainability reporting standards should include an evaluation mechanism. Following interinstitutional (trilogue) meetings, Parliament and Council negotiators reached a [provisional agreement](#) on 21 June 2022. Under this agreement, the new EU sustainability reporting requirements will apply to all large companies (>250 employees and turnover of €40 million), whether listed or not. Lighter reporting standards will apply to SMEs listed on public markets. Companies will have to report on their impact on the environment, human rights, social standards and work ethics, based on common standards. An accredited independent auditor or certifier will certify the reporting. The JURI committee approved the agreed text on 14 July 2022. It now needs to be adopted by Parliament, in a vote scheduled during the November I plenary session.

First-reading report: [2021/0104\(COD\)](#); Committee responsible: JURI; Rapporteur: Pascal Durand (Renew Europe, France).

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