

**Corporate Sustainability Reporting Directive Consolidated Text**

*July 2022*

**Scope:**

* All **large** (defined by balance sheet, net turnover and average number of employees during the financial year) and **listed undertakings**;
* All large **public-interest entities** with more than **500 employees** and 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;
* **Credit institutions and insurance undertakings**;
* **Third-country undertakings** generating a net **turnover** of more than EUR **150 million in the Union** and which have a subsidiary or branch in the EU. Additional thresholds applied on these branches (net turnover of EUR 40 million in the EU) and on these subsidiaries (they have to be large or listed) - subsidiary undertaking should be exempted when consolidated sustainability reporting is drawn up;
* **Listed SMEs** will be given the possibility to report according to **proportionate standards** at a second stage.

**Content** (in bold is what has been added to the Directive):

* Double materiality approach;
* 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.

*Reporting Requirements for large, listed undertakings, PIEs, third country undertakings:*

* Description of the undertaking's business model and strategy, including:
  + (i) the resilience of the undertaking's business model and strategy to risks related to sustainability matters;
  + (ii) the opportunities for the undertaking related to sustainability matters;
  + (iii) the plans of the undertaking, ***including implementing actions and related financial and investment plans,*** 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 **and the objective of achieving climate neutrality by 2050 and where relevant, the exposure of the undertaking to coal, oil and gas-related activities**;
  + (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; (v) how the undertaking’s strategy has been implemented with regard to sustainability matters;
* A description of the **time-bound** targets related to sustainability matters set by the undertaking, **including where appropriate absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description** of the progress the undertaking has made towards achieving those targets, **and a specification of whether the undertaking’s targets related to environmental matters are based on conclusive scientific evidence**;
* A description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, **and of their expertise and skills to fulfil this role or access to such expertise and skills**;
* A description of the undertaking’s policies in relation to sustainability matters;
* **Information about the existence of incentive schemes offered to members of the administrative, management and supervisory bodies which are linked to sustainability matters;**
* A description of:
  + (i) the due diligence process implemented by the undertaking with regard to sustainability matters, **and where applicable in line with EU requirements on undertakings to conduct a due diligence process**;
  + (ii) the principal actual or potential adverse impacts connected with the undertaking’s **own operations and with its value chain, including** its products and services, its business relationships and its supply chain, **actions taken to identify and track these impacts, and other adverse impacts which the undertaking is required to identify according to other EU requirements on undertakings to conduct the due diligence process;**
  + (iii) any actions taken by the undertaking, and the result of such actions, to prevent, mitigate, **remediate or bring an end** to actual or potential adverse impacts;
* 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;
* 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 or **disabilities,** the objectives of that diversity policy, how it has been implemented and the results in the reporting period;
* Adequate reporting on intangibles should be required from all large undertakings and all undertakings listed on regulated, but certain information on intangibles resources is intrinsic to sustainability matters **(such as employees’ skills, loyalty, motivation for improving processes, quality of the relationships between the undertaking and its stakeholder...).**

*Reporting requirements for small and medium-sized undertakings, small and non-complex institutions and captive insurance and reinsurance undertakings:*

* **A brief description of the undertaking’s business model and strategy;**
* **A description of the undertaking’s policies in relation to sustainability matters;**
* **The principal actual or potential adverse impacts of the undertaking with regard to sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts;**
* **The principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks;**

*Workers’ participation:*

* **The management of the undertaking shall inform workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. Their opinion should be communicated, where applicable, to the relevant administrative, management or supervisory bodies.**

*Due diligence process:*

* Due diligence concerns the whole value chain, including the undertaking’s own operations, products, services, business relationships and supply chains);
* **For the first three years of the application of this Directive, in the event that not all the necessary information regarding the value chain is available, the undertaking shall explain the efforts made to obtain the information about its value chain, the reasons why this information could not be obtained, and the plans of the undertaking to obtain such information in the future.**

*Assurance of sustainability reporting:*

* Progressive approach from limited to reasonable assurance:
  + **1st October 2026 (at the latest): the Commission should adopt assurance standards for limited assurance;**
  + **1st October 2028 (at the latest): the Commission should adopt assurance standards for reasonable assurance;**
* **Member States should be given the option to allow a statutory auditor other than the one(s) carrying out the statutory audit of the financial statements to express an opinion on sustainability reporting (additional qualification of statutory auditors for the assurance of sustainability reporting should be required > practical training of minimum 8 months);**
* **The Commission should further enhance audit quality and to create a more open and diversified audit market for a successful application of this directive.**

*Sustainability Reporting standards:*

**The sustainability reporting standards shall, taking into account the subject matter of a particular standard:**

* **Specify the information that undertakings are to disclose about the following environmental factors:** 
  + **(i) climate change mitigation, including emissions on scope 1, scope 2 and, where relevant, scope 3 greenhouse gas emissions;**
  + **(ii) climate change adaptation;**
  + **(iii) water and marine resources;**
  + **(iv) resource use and circular economy;**
  + **(v) pollution;**
  + **(vi) biodiversity and ecosystems;**
* **Specify the information that undertakings are to disclose about the following social and human rights factors:** 
  + **(i) equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity;**
  + **(ii) working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of work councils, collective bargaining, including the rate of workers covered by collective agreements, the information, consultation and participation rights of workers, work-life balance and health and safety; (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;**
* **Specify the information that undertakings are to disclose about the following governance factors:** 
  + **(i) the role of the undertaking’s administrative, management and supervisory bodies with regard to sustainability matters, and their composition, and their expertise and skills to fulfil this role or access to such expertise and skills;**
  + **(ii) the main features of the undertaking’s internal control and risk management systems, in relation to the sustainability reporting process;**
  + **(iii) business ethics and corporate culture, including anticorruption and anti-bribery, the protection of whistle-blowers and animal welfare;**
  + **(iv) engagement of the undertaking to exert its political influence, including its lobbying activities;**
  + **(v) the management and quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, including payment practices, especially with regard to late payment to SMEs;**
  + **(vi) the main features of the undertaking’s internal control and risk management systems, in relation to the sustainability reporting and decision-making process.**
* **The sustainability reporting standards shall specify the forward-looking and retrospective information, and qualitative and quantitative information, as appropriate, to be reported by undertakings;**
* **Standards shall specify disclosures on value chains that are proportionate and relevant to the scale and complexity of the activities, and the capacities and characteristics of undertakings in value chains.**

**Timeline**:

* 1 January 2024: All large undertakings (> 500 employees), public-interest entities;
* 1 January 2025: large undertakings and parent undertakings of a large group;
* 1 January 2026: Listed SMEs and non complex institutions .