Brussels, 14th July 2021

EACB position on the Corporate Sustainability Reporting Directive proposal of the European Commission

The EACB considers the CSRD extremely important for the full achievement of the sustainable finance framework and welcomes many of the proposals. Our answer to the consultation represents our co-op banks members' views as both users and preparers of sustainability reports. Please see below our comments.

Scope:
We support the proposed extension of the scope to cover non-EU companies and SMEs whose securities are admitted to trading on an EU trading venue. This is sensible for financial institutions to have access to standardized, reliable and comparable data.

Implementation timetable:

In order to ensure that co-op banks and financial companies in general are able to perform their sustainability reporting, data from their clients must be available. Thus, we recommend the introduction of a one-year gap for the first reporting year between financial and non-financial corporates. This would mean that if the first NF corporate sustainability reports will be published according to CSRD in 2024, the sustainability reports of financial companies would have to be published in 2025.

International cooperation between sustainability reporting frameworks:

We are pleased that the European Commission advocates the global convergence of reporting standards in the present draft. We support efforts in this regard. As EFRAG is already operationalising the requirement to create a Sustainability Pillar to draft sustainability standards and provide technical advices to the EU Commission and in the light of the international harmonisation foreseen we would expect more clarity on the future architecture of standards and on how it will be ensured that the two levels will be aligned and complementary.

Audit reporting:
The EACB agrees that in general assurance standards help increase the reliability of the data, especially from the perspective that financial undertakings disclosure depends on corporate clients sustainability data whose accuracy is at the core of the Sustainable Finance Framework. Furthermore, it is important that the assurance of sustainability reporting is for the time being carried out as a limited assurance engagement.

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We welcome the grandfathering clause benefiting Statutory auditors approved before 1.1.2023 but think this provision needs to be extended. The new requirements should only apply to auditors starting training after 1.1.2023, while existing professional licenses must remain unaffected.

Machine-readability of sustainable data:

We support the underlying reason to have machine-readable digital information and we appreciate the effort to make sustainability data available in the ESAP, in line with our proposal for a centralised EU ESG Data Register. However, the implementation of ESEF for financial statements has shown how complex it is to implement such requirements as the XHTML format puts additional burden on undertakings. We suggest envisaging an implementation period for digitalization of NF data that could be feasible and allow to fulfil the future requirements in a reasonable manner. MSs should ensure that the reporting requirements will be developed in a proportionate manner, avoiding excessive administrative burdens and costs. Especially for undertakings which are currently not in scope of the ESEF regulation, it might serve as possible solution to convert data into XHTML for free at an officially designated data register.

Interrelation between management and sustainability report:

The management report shall give a true and fair view of the assets, liabilities, financial position and profit or loss. This means that important financial and NF KPIs must be disclosed in the management report in order to assess this situation. We do not consider a mandatory extension of the management report to include detailed sustainability information to make a difference: many entities publish separate sustainability reports which combine mandatory and voluntary information, to ensure an easier readability and avoid complexity. MSs should be given the possibility to decide on this issue, according to the reporting practices already in place at national level.

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