

Director-General John Berrigan  
Directorate-General for Financial Stability,  
Financial Services and Capital Markets Union  
European Commission  
1049 Bruxelles/Brussel  
Belgium

Brussels, 12 July 2021

**Subject: Feedback on the Proposal for a Corporate Sustainability Reporting Directive**

Dear Mr. Berrigan,

On behalf of the Deloitte firms in the European Union (EU) and Deloitte Global, we are pleased to provide feedback on the proposal for a Corporate Sustainability Reporting Directive (CSRD). We welcome the leadership the EU has shown in this arena and share the need to accelerate sustainability reporting (SR) to serve the EU policies to succeed in a green and inclusive economic transition and meet the Paris global climate targets.

For the success of the CSRD, it is important to ensure that the corporate reporting ecosystem comes together. Preconditions for high quality corporate information include high quality reporting standards, efficient internal controls, strong independent audit committees, high quality external assurance, engaged investors and stakeholders, as well as strong oversight bodies.

We support many of the proposals of the CSRD, in particular those related to:

- management responsibilities and governance oversight of the SR;
- EU Sustainability Reporting standards (ESRS) allowing for both international consistency and catering for EU needs and its legislative landscape; and
- external SR assurance.

They will be key essential levers for companies' transformation throughout the EU financial market.

Similar to the G7 ministers of finance and central bank governors, note that we support a baseline global reporting standard for sustainability to be developed by the IFRS Foundation, which jurisdictions can further supplement. Issues at stake are global, investors and other stakeholders are often global, and many companies operate and source through global value chains. We therefore urge the closest collaboration between EFRAG, the future ISSB and other international sustainability standard-setters to achieve the greatest possible international convergence.

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<sup>1</sup> For more information, see the link to [Deloitte](#).

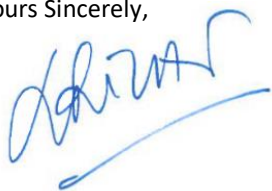
Our other key points are as follows:

1. We agree with the proposed CSRD scope. We suggest clarifying that all listed companies (other than micro-undertakings) fall in the scope of the CSRD without any exemption from publishing SR, due to their PIE nature, even if they are subsidiaries part of a group that provides such SR.
2. We support the digitalisation of sustainability information. It will represent an implementation challenge. We suggest benefiting from the experience of ESEF for financial information.
3. We welcome the role proposed to statutory auditors for SR assurance, noting increasing connectivity between financial and sustainability reporting (Taxonomy indicators, issuance of green bonds, etc.), requiring consistency throughout corporate reporting. We recommend similar professional requirements for all assurance services providers to ensure objectivity, independence and quality of the assurance provided.
4. Acknowledging the challenging timetable, both companies and auditors will have to adapt at a fast pace. We agree with requiring limited assurance as a first step, transiting to reasonable assurance after consistent reporting standards are developed and companies have had time to improve the quality of the SR.
5. We recommend that coordination takes place at an EU level between the local assurance standard-setters and supervisors, to ensure consistency of the work effort to be required for SR assurance across the EU (and globally) (assuming that the EC has not already adopted assurance standards for SR).
6. ISAE 3000 on 'Assurance engagements other than audits or reviews of historical financial information' is a suitable starting point already widely applied for assurance on SR, together with the recent IAASB developments on Extended External Reporting.

See attached further drafting suggestions for the CSRD.

Should you wish to have additional information or to discuss any point from our response, please contact Laurence Rivat, EU Corporate Reporting Policy Leader, on +33 1 55 61 67 60, or Pablo Zalba, Managing Director EU Policy Centre, on +34 91 438 19 08.

Yours Sincerely,



**Laurence Rivat**  
EU Corporate Reporting Policy Leader



**Pablo Zalba**  
Managing Director EU Policy Centre

**Appendix: Questions, comments and editorial suggestions on the draft CSRD published 21 April 2021**

Draft CSRD reference	Questions / Comments / Difficulties identified	Suggestions
<p><b>1. Listed subsidiaries of larger groups</b>            Art. 1(3)/Accounting Directive art.19a-1-7/29a-1-7-p44 and p50</p>	<p>It is not clear whether listed subsidiaries can benefit from the group exemption for providing a sustainability reporting (SR), if the group to which it belongs publishes a SR in accordance with EU requirements.</p>	<p>We suggest disallowing the exemption granted for undertakings covered by consolidated reports (Art. 19a(7)/29a(7) of the Accounting Directive) in the case of undertakings with securities traded in EU capital markets that are within the scope of the CSRD.</p> <p>The public-interest entities’ characteristic of those undertakings should prevail. Market participants need to be provided with sustainability information at the level of those undertakings, rather than in an aggregated format at a larger group level.</p>
<p><b>2. Characteristics of information to be provided in the sustainability reporting</b>            Art. 1(4)/Accounting Directive new art. 19b-2 – p45</p>	<p>The SR standards shall require that the information to be reported is “understandable, relevant, <i>representative</i>, verifiable, comparable, and is represented in a faithful manner”.</p> <p>What is the basis for insertion of the ‘representative’ characteristic? What does it mean? Isn’t it redundant with “represented in a faithful manner”?</p>	<p>If this characteristic is redundant with “represented in a faithful manner”, suggest deleting “representative”.</p>
<p><b>3. Definition of “assurance of sustainability reporting” referred to in the Accounting Directive</b>            Art. 1(10)(b)-3/ Accounting Directive Art. 34-3 – p53</p>	<p>It is not clear why the end of the sentence refers to “assurance of sustainability reporting as defined in Article 2(1), point (r) of that Directive”. This reference is rather one from the Transparency Directive whereas the modification is proposed for the Audit Directive. Art. 2(1)(r) does not exist in the Audit Directive.</p> <p>Is there an editorial mistake?</p>	<p>When referring to the definition of “assurance of sustainability reporting” in the Audit Directive, we suggest referring to the new Art. 2(22) of the Audit Directive instead of Art. 2(1)(r).</p>

Draft CSRD reference	Questions / Comments / Difficulties identified	Suggestions
<p><b>4. Consistent requirements for all assurance services providers</b></p> <p>Art. 1(10)(b)/Accounting Directive Art. 34-3 – p52/53</p> <p>Art. 3(11)/Audit Directive Art. 25b – p59</p> <p>Art. 3(16) to (18)/Audit Directive Art. 30g, 36a, 38a – p61-62</p>	<p>It is our understanding that, with the combination of the proposed requirements of the Accounting Directive and the Audit Directive, the requirements of the Audit Directive for:</p> <ul style="list-style-type: none"> <li>- Professional ethics, independence, objectivity, confidentiality and professional secrecy</li> <li>- Investigations and sanctions, public oversight and regulatory arrangements, appointment and dismissal</li> </ul> <p>will also apply where assurance of sustainability reporting is provided, regardless of whether it is provided by the statutory auditor/audit firm or another independent assurance services provider.</p> <p>Is our understanding correct?</p>	<p>We suggest making clearer that the Audit Directive requirements for:</p> <ul style="list-style-type: none"> <li>- Professional ethics, independence, objectivity, confidentiality and professional secrecy</li> <li>- Investigations and sanctions, public oversight and regulatory arrangements, appointment and dismissal</li> </ul> <p>will also apply where assurance of sustainability reporting is provided, regardless of whether it is provided by the statutory auditor/audit firm or another independent assurance services provider.</p>
<p><b>5. Situation of joint audit for financial statements</b></p> <p>Art. 3(14)/AuD art. 28(e)-p60</p> <p>“Where more than one statutory audit 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.”</p>	<p>Where there is a situation of joint audit for the financial statements, we understand that an undertaking may decide to also appoint its joint auditors to provide the assurance on the SR.</p> <p>However, is it possible that the undertaking appoints only one of the joint statutory auditors for the SR assurance?</p> <p>If so, what are the consequences for the signature of the audit report?</p>	<p>We suggest clarifying the requirements that would apply for statutory auditors, where there is a situation of joint audit for the financial statements.</p>