

FuelsEurope position paper on the “European Commission proposal on the update of the Corporate Sustainability Reporting Directive”

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FuelsEurope is aware that corporate reporting will play a crucial role in preserving and further improving sustainability reporting to ensure a level playing field. In particular, corporate reporting is intended to meet the growing needs and expectations of stakeholders for more transparency and comparability on business activities and impacts on social, environmental, consumer and human rights aspects, amongst others.

For these reasons, we welcome the Corporate Sustainability Reporting Directive’s (CSRD) ambition to improve the quality and the comparability of the information provided and to clarify the double materiality approach.

The refining sector is keen to provide performance indicators that offer useful insight to the regulator and other stakeholders. To achieve this, we would like to contribute with the following suggestions.

Reporting format: material and relevant information to be included in the annual/management report

FuelsEurope supports the step taken by the proposal in removing the possibility for Member States to allow companies to report the requested **material** information in a separate report (different from the annual/management report).

We believe that the relevant material information (both financial and sustainability information) should be included mandatorily in the management/annual report, provided that such information is strictly relevant and material.

However, we suggest that companies could continue, on a voluntary basis, to report additional information in a separate, supplementary document to the annual/management report. This supplement would allow investors and stakeholders to have a more comprehensive understanding of the sustainability performance and context of a company.

The potential of digitalisation

Information should be reported in the most simplified and efficient way, through easily accessible and comparable reports. The digitalization of sustainability information has the potential to help in this regard, provided that companies are given the appropriate time to adapt their systems once the detailed requirements are available in a definitive form.

As an example, the digitalization process for sustainability information could be similar to the European Single Electronic Format (ESEF) for financial information, which entered into force on 1 January 2020.

Sustainability reporting standards aligned with existing frameworks and with the final outcome of the CSRD

While acknowledging the increased calls for standardization to enable comparability across sectors, it needs to be recognized that *“one-size does not fit all”*. We invite the European Commission to consider this while trying to create a broad set of uniform standards to measure and compare non-financial risks across various sectors.

FuelsEurope appreciates the intention to *“minimise disruption for undertakings that already report sustainability information¹”* and encourages the Commission to facilitate companies’ alignment of their reporting against existing standards/frameworks. As an example, our industry would recommend alignment with existing international standards.

In particular, we would encourage the Commission to play an active role in bringing the global community along, e.g. through aligning their work and that of EFRAG with the IFRS Foundation’s work to set up an International Sustainability Standards Board and develop sustainability reporting standards that can be adopted worldwide; the work should be based on existing frameworks and guidance such as SASB, TCFD and/or GRI.

We acknowledge that sustainability-reporting standards are going to be defined by EFRAG and then adopted unilaterally by the European Commission through delegated acts. To ensure fair and full scrutiny of the CSRD from the co-legislators, we recommend the sustainability-reporting standards be adopted only at the end of the co-decision process. By doing so, the final agreement between the co-legislators is respected and can be fully reflected in the delegated acts.

A fair limited assurance approach

FuelsEurope supports the approach of limited assurance but the timeframe for implementation should be clarified in order to allow sustainability standards to be prepared and internal systems to adapt.

In fact, the CSRD proposal refers to the impact assessment of this proposal and states that *“The preferred policy option identified in the impact assessment would [...] require all companies within the scope to seek limited assurance for reported sustainability information, while including an option to move towards a reasonable assurance requirement at a later stage”*. Any eventual move to reasonable assurance should come with a clear and feasible timeframe for implementation.

Time needed for companies to adapt

FuelsEurope would like to emphasise that companies will have to review their reporting processes and establish new systems/reporting functionalities enabling the changes in data collection, processing, and assurance to be in line with the new requirements.

1 Brussels, 21.4.2021 COM(2021) 189 final 2021/0104 (COD) 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 – recital 37, page 32

Furthermore, we invite the European Commission and co-legislators to consider that delegated acts implementing the CSRD will need to be implemented concurrently with the delegated act on Article 8 of the Taxonomy Regulation.

Thus, a reasonable time should be allowed for companies to prepare for compliance with the requirements set by the delegated acts, also taking into account the time needed by the auditors to build the capacity to support the new requirements set forth in the proposal.

Reasonable and proportionate penalties

FuelsEurope acknowledges the system of penalties and sanctions, naturally embedded in a law, foreseen in the CSRD proposal. We recommend for such penalties and sanctions to be reasonable and proportionate given that the proposal expands the volume of companies in the scope significantly and that a large number of companies will need to start setting up processes and systems from a low base.

Furthermore, penalties and sanctions should be in alignment with other regimes, such as the existing Accounting Directive.

Importance of the alignment with existing legislation

The European Commission should ensure coherence and alignment between different EU legislation.

Firstly, several regulations are currently being implemented (e.g. the Taxonomy Regulation, the Sustainable Finance Disclosure Regulation), and it is important to avoid any overlap of reporting obligations (with potentially slightly varying requirements) stemming from these different pieces of legislation.

Secondly, simplification of the existing regulatory framework in terms of coherence between the different pieces of legislation (Taxonomy Regulation, Sustainable Finance Disclosure Regulation, and CSRD) is needed.

Thirdly, synergy with future initiatives such as the Renewed Sustainable Finance Strategy and the Sustainable Corporate Governance initiative is essential.

Finally, overlapping/contradicting complementary legislation must be avoided *“to reduce unnecessary costs of sustainability reporting for companies, and to enable them to meet the growing demand for sustainability information in an efficient manner”*², to quote the Explanatory Memorandum to the CSRD proposal.

²Brussels, 21.4.2021 COM(2021) 189 final 2021/0104 (COD) 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 – page 4 of the Explanatory Memorandum.

FuelsEurope, the voice of the European fuel manufacturing industry

FuelsEurope represents with the EU institutions the interest of companies manufacturing and distributing liquid fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.

Contact : **Alain Mathuren**
T +32 2 566 91 19
F +32 2 566 91 11
alain.mathuren@fuelseurope.eu
www.fuelseurope.eu