

The revision of the CSRD and its delegated regulation (ESRS) is necessary, but it must be carried out without abandoning the objectives of standardizing sustainability reporting¹

As major listed companies and their auditors prepare their first standardized sustainability statements in line with European regulations (the CSRD directive and the 12 “sector-agnostic” standards), challenges are multiplying. The new framework is said to be unnecessarily complex, not proportionate enough to the size of the companies and the stakes involved; there are some inconsistencies between the many texts that determine reporting requirements (CSRD, but also the due diligence directive, the environmental taxonomy regulation and the regulations specific to the financial sector). In short, a burdensome, costly and largely useless system which, far from being an advantage in terms of competitiveness by enabling companies to consolidate the sustainability of their business model and secure appropriate financing, would be a handicap in relation to competitors from third countries not subject to similar transparency. For some, this bureaucratic monster should be postponed indefinitely, even before the first sustainability statements are available.

This debate may come as a surprise, given that the CSRD received massive and largely cross-party support when it was adopted in 2022²; similarly, the “sector-agnostic” standards (the ESRS), which were the subject of a delegated regulation in 2023, were adopted after a public consultation by EFRAG and then by the Commission, and were rejected neither by the Council nor by the European Parliament, where a motion to reject them was tabled but failed to secure a majority³.

While some of the criticisms levelled at the CSRD are legitimate, let's not lose sight of what's essential: establishing robust standards applying to the communication of economic players means having the common language needed to understand each other and thus be able to make the right decisions. This applies to companies and their governance, who need a management tool adapted to their challenges and those of their suppliers and customers, and it also applies to those who finance them. It is essential to have a standardized and audited language both for dealing with the company's financial position and performance and for dealing with sustainability issues, so as to be able to measure the risks and opportunities associated with issues as essential as global warming, the disappearance of biodiversity attrition or the impact of activities on populations; the establishment of transition plans for climate change mitigation is necessary for steering on the medium and long term the reduction of greenhouse gas emissions.

¹ This document is a contribution to the debate on the evolution of the CSRD and the ESRSs in the perspective of the Omnibus currently in preparation. It does not commit the ANC or its College.

² in the European Parliament, of the 613 members voting (92 were absent), 85.6% supported the text, 9.8% opposed it and 4.6% abstained; votes in favor far outweighed votes against in the 7 groups at the time, as well as among the non-attached members

³ only 41.4% of the 631 MEPs who voted supported it; this last vote, however, illustrated the evolution of opinion: while S&D, Les Verts and La Gauche massively refused to vote for the rejection, ECR and ID massively supported it, while the EPP, Renew and Non-attached Members were more divided.

The constraints associated with sustainability reporting are partly excessive, despite their progressive nature, but let's address them intelligently. This could take the form of four types of measures, which will be compared in the annex 1 to the detailed request for revision submitted by the German government to the Commission in December.

1. Introduce more proportionality into the system

The European definition of a “large company” covers a large number of mid-sized companies. It is clearly unreasonable to impose the same reporting requirements on these entities as on large multinationals, even if the materiality filter is applied. We need simplified reporting for the “smaller large companies”, and we need to give them time to make it their own.

While this idea, put forward in Mario Draghi's report, has gained broad consensus, the determination of appropriate thresholds, standards and timetable may give rise to legitimate debate⁴.

a. What thresholds should be introduced for this intermediate category?

The current European framework, set out in the Accounting Directive, defines a large company (or a large group, since the CSRD is generally applied at the consolidated level) when two of the following three thresholds are reached or exceeded: 250 employees, €25 million balance sheet total, €50 million turnover⁵. These thresholds, which cover approximately 50,000 groups across the EU, are too low, but the notion of “intermediate-sized undertakings”, which has been defined in some member states, does not exist in European law.

In France (Decree 2008-1354 of December 18, 2021), ETIs (intermediate-sized undertakings) are classified as large companies by European standards, with fewer than 5,000 employees and either sales not exceeding €1.5 bn or total assets not exceeding €2 bn. If we were to adopt the latter threshold, we would go from around 6,000 large French groups to around 300 very large groups (excluding ETIs). This threshold would appear to be ill-suited to the CSRD's objective:

- it covers roughly only a third of the added value and 40% of the turnover of French companies;
- it would bring very few additional companies to the first wave of companies concerned by sustainability reporting, i.e. large public-interest companies (companies whose securities are listed on a regulated market in the EU, credit institutions and insurance companies) with over 500 employees;
- it would impose heavier constraints on many listed companies than on similar unlisted companies, which is neither justified by sustainability concerns (such as double materiality or the information needs of financial market players), nor appropriate at a

⁴ The possible revision of thresholds applying to third-country groups with significant activity in the Union is not mentioned in this note, since beyond these thresholds, it is the exact scope of the information required, derived from standards applying to large companies, and therefore the extent of the extraterritoriality of regulations and equal treatment with Union companies, that is currently under debate.

⁵ These financial thresholds can be adjusted slightly at the national level to account for the specific characteristics of national accounting frameworks.

time when we are seeking to stimulate new listings on the stock exchange; the difference in treatment between listed and unlisted companies could be acceptable but should remain limited when it comes to sustainability matters;

- it would not cover the needs of financing institutions.

On the other hand, retaining the thresholds of the first wave (500 employees) for the generalization of standardised sustainability statements seems too low in relation to the expectations voiced by companies and relayed by many political leaders.

Adopting thresholds consistent with that of the Due Diligence Directive (CS3D 1,000 employees and €450m turnover) would therefore be a reasonable compromise, ensuring limited differences in treatment between listed and unlisted companies provided the “small large” undertakings are subject to simplified ESRSs (see below).

b. What standards?

Following a public consultation in the first half of 2024, EFRAG has nearly finalized its draft standards for SMEs whose securities are listed on a regulated market (LSMEs).

Compared to the current ESRS, these drafts simplify reporting by reducing the number of potential disclosures from 800⁶ to approximately 300, 130 of which have been simplified (bearing in mind that over 100 indicators have been retained to meet the requirements of other European regulations, including over 60 under SFDR).

Extending these standards to the intermediate-sized unlisted undertakings would be straightforward, but given the broader scope of the companies concerned, it should be the subject of a new review, particularly if the other requirements relating to the financial sector are reduced, and to a consultation. Currently, the population covered would be around 750 SMEs whose securities are listed on a regulated market (including around 30 in France) and 1,800 small, non-complex credit institutions - SNCI - (including less than 50 in France). With the thresholds raised to 1,000 employees and €450m in turnover for unlisted companies, while maintaining the 500-employee threshold for listed companies, the number of companies covered by these simplified ESRS would probably be multiplied by more than 10.

c. What timetable?

To ensure that the new standards are properly adopted and to be able to usefully integrate the timetable suggested for the review of standards (see below) as well as that for the development of tailored sectoral standards (cf. *intra*), the current timetable could be revised as follows:

⁶ There are 1,060 data points in the ESRS, but 270 are optional.

	Current		Proposed	
	Standards	First implementation	Standards	First implementation
Nb of employees >1000 and turnover > €450m	PIE	ESRS 2024	ESRS	2024
	nonPIE	ESRS 2025	ESRS	2025
Nb of employees >500 and <1000 and turnover > €50m	PIE	ESRS 2024	ESRS	2024
	nonPIE	ESRS 2025	revised LSME	2027
Nb of employees >250 and <500 and turnover > €50m	PIE	ESRS 2025	revised LSME	2027
	nonPIE	ESRS 2025	revised LSME	2027
Nb of employees >10 and <250 and turnover > €0.9m	listed + SNCI	LSME 2027/2028	revised LSME	2027/2028
	others	VSME	VSME	2025

However, such a revision, which involves modifying the thresholds and timetables set out in the directive, should be finalized very quickly, so as not to put at odds the many member States that have faithfully transposed the CSRD, and in which all major companies not already covered by the NFRD are about to start preparing their first sustainability statements for the 2025 financial year.

2. Let's also review the relevance of standards for very large companies, but on the basis of the lessons learned from the first sustainability statements that will have been produced and audited.

The CSRD stipulates that the Commission must draw up a report on the implementation of the directive by April 30, 2029 at the latest, accompanied, if necessary, by legislative proposals. This deadline appears too late in view of the challenges encountered during the first reporting exercises.

The extensive volume of information required by the ESRS is often highlighted as disproportionate to the issues at stake, and calls for a rapid revision of these standards. In fact, the 12 ESRS outline around 1,060 data points; this number is obviously very high, but it needs to be put into perspective:

- only 785 are mandatory (275 are optional);
- 625 of the 785 data points are subjected to a materiality analysis to determine their relevance to the company;
- 70% of the 625 data points are narrative, and ultimately only 160 data points are unavoidable (mainly cross-cutting requirements from ESRS 2), and only 30% (238) are pure figures;
- more than a hundred of these figures are required by other European regulations.

The fact remains that a review of the relevance of ESRs is essential, but it will take some time before it can be carried out seriously:

- the review must be based on the experience gained from the first sustainability statements: it can therefore start in June 2025, but will also have to take into account the second delivery (Q2 2026), in particular so as to be able to take proper account of feedback from countries that are behind schedule in their transposition.
- it should also take into account developments in other European regulations (taxonomy, CS3D, SFDR, Pillar 3, etc.).
- the revised draft will have to undergo public consultations, and the revised delegated regulation cannot be submitted before June 2027, i.e. application at the earliest for the 2027 financial year for sustainability statements drawn up in 2028 (i.e. 3 financial years with the current standards: 2024, 2025, 2026).

Deleting substantial portions of the current standards that have been the subject of lengthy debate, were not opposed at the time of their adoption, and are already partly in the process of being deployed (see below for transitional arrangements), can only be envisaged at the end of a carefully managed process.

To alleviate constraints, however, it is possible to extend the transitional arrangements provided for in the ESRs so that they do not end prematurely (before the review referred to above); the current arrangements are as follows:

- for companies with fewer than 750 employees:
 - social standards data are mandatory with a time lag of 1 year (S1 standard) or 2 years (S2, S3 and S4);
 - for certain environmental standards, the time lag is 1 year (E1 for scope 3 GHG emissions) or 2 years (E4);
- for companies with more than 750 employees, relief is available on many elements of the S1 standard in the first year;
- for all companies:
 - if, for the first 3 years, information concerning the value chain (upstream and downstream) is not available, the company will be able to explain the efforts made to obtain this information, the reasons why not all the necessary information has been obtained, and what it intends to do to obtain this information in the future;
 - data concerning the expected financial impact of significant physical and transitional risks and potential opportunities associated with the 4 E-standards may be delayed by 3 years.

For all companies subject to sustainability reporting in 2024 and 2025 (see table above), an additional year could be added to the transitional period.

3. Let's not postpone the development of sector-specific standards as a complement to sector-agnostic standards, but rather radically modify the approach.

Sector-specific standards, as currently conceived, would be added to sector-agnostic standards, using the same logic of the materiality filter. This approach would lead to the definition of very voluminous standards applying to very broad economic sectors, while placing the burden of analysing their relevance and materiality on companies (and their auditors). Some are therefore calling for a pause in their development.

In fact, the approach could be modified: instead of adding to the sector-agnostic requirements, sector-specific standards should first and foremost be designed to help apply these sector-agnostic standards, by highlighting the information that is presumed to be relevant and material for a given sector (and therefore, a contrario, that which may be presumed to be non-material); it would only in some cases complete them. This leads to the selection of only homogeneous economic sectors (i.e. with a fairly fine granularity) for which a limited number of core indicators are probably unavoidable. Instead of increasing the workload involved in preparing sustainability reporting, sector-specific standards should aim to reduce it. From this point of view, far from postponing the establishment of sector-specific standards, we need to speed up their availability and have covered all sensitive sectors by June 2027, in line with the review of sector-agnostic standards. From the outset, sector-specific standards should be developed with a “complete” version for the ESRs and a lighter version for the simplified ESRs.

Compared to the current approach, this proposal would lighten the workload of preparers and of their auditors by easing the diligence required for materiality analysis and by reducing the number of data points to be produced; the extent of these reductions varies from sector to sector, but an experiment carried out on the quarries sector, currently included in EFRAG's work on the “Mining, Quarrying and Coal” sector MQC, has produced very significant results.

4. A consistent approach to sustainability requirements

Sustainability statements are intended to serve as an audited source of information to ensure compliance with requirements set out in other European regulations, particularly those concerning the financial sector, whether in terms of the financial products they develop or market (SFDR), the transparency required for the financial sector (Pillar 3 for banks and specific taxonomy implementation procedures for the financial sector) or prudential constraints (prudential transition plans required by CRR and Solvency2).

It would be pointless to alleviate the direct constraints weighing on companies by maintaining them indirectly via the requests made for regulatory reasons by those who finance them.

In the case of SFDRs, current regulations (article 6-1 of the delegated regulation) require institutions to describe the main negative impacts on sustainability factors, providing (as a general rule) values for 16 indicators common to all, along with values of one of the 16 additional indicators for the environment, and one of the 17 additional indicators for social and personnel issues, respect for human rights and the fight against corruption and bribery. Many of these indicators have very limited relevance and simplification is expected.

Furthermore, the entity-level requirements of SFDR appear potentially redundant with the sustainability statements of these same entities under the CSRD once the sectoral standards have been finalized; the revision of SFDR would be well advised to limit the regulatory framework to marketed products, for which a limited number of indicators should be retained, and which could be informed by the sustainability statements of the institutions financed⁷.

In the case of taxonomy, the implementation of the taxonomy regulation has evidenced multiple problems (operationalisation of the DNSH principle, lack of proportionality, inconsistencies in the treatment of the supply chain, inadequate ratios for credit institutions and insurers ...). Simplification could also be achieved in a coherent and complementary way with CSRD.

January 8, 2025

Robert Ophèle, Chair of the French Autorité des Normes Comptables

⁷ If the entity dimension is included in CSRD, to ensure good coverage of the sector, an “assets under management” (AUM) indicator could be added to the thresholds triggering mandatory reporting.

ANNEX 1

Options for the simplification of sustainability reporting: comments on the German proposals (17.12.2024)

No.	Simplification proposal	Short description and required changes	Impact	Our comments
Corporate Sustainability Reporting Directive (CSRD) (EU 2022/2464) and Accounting Directive (2013/34/EU)				
1	Postponement of sustainability reporting obligations for “large” (but non-PIE [Public Interest Entities]) undertakings by two Years. A corresponding postponement would be required for PIE-SMEs.	Postponement of the scope of application for large (non-PIE) undertakings from currently FY 2025 to FY 2027 (publication of the reports then in 2028). A corresponding postponement by two years would have to apply to PIE-SMEs from currently FY 2026 to FY 2028 (while maintaining the opt-out possibility for an additional two years). This would also entail a postponement of the reporting obligations under the Taxonomy Regulation, which refers to the CSRD (Art. 8 Taxonomy Regulation).	Immediate relief for a significant number of EU “large” (but non-PIE) undertakings which, under the current CSRD, would have to report under the extensive ESRS from FY 2025 onwards (in DE more than 13 000 companies). The suppliers of these “large” companies would benefit likewise, since no trickle-down-effect will occur as long as the reporting obligation is postponed.	Combined with proposal N°2 it means that there will be no new corporates delivering a sustainability report before 2028 (FY 2027). While it is acceptable for the “small large” undertakings, it is not legitimate for the “very large ones”, penalizing unduly both listed corporates vis-à-vis non-listed ones and corporates incorporated in member states which, due to a timely transposition have already embarked in the process of producing their sustainability statement.
2	Increase the thresholds for the size criterion of “large” undertakings with regard to sustainability reporting.	Change in the personal scope of application (thresholds). We propose to align the size threshold for “large” undertakings in the context of sustainability reporting with the already existing CSDDD thresholds (Art. 2). We propose, subject to further discussion - Net turnover: € 450 million (currently € 50 million) - Employees: 1,000 (currently 250) The proposed change in thresholds should be limited to sustainability reporting and not affect the financial reporting thresholds.	The increased threshold for the size criterion “large” would lead to three main effects: a) Overall reduction of the group of large (but non-PIE) undertakings which have to report against ESRS (as of FY 2025). b) Overall increase of the group of PIE-SMEs which have to report against the less comprehensive LSME-standard as of FY 2026 at the earliest or even FY 2028, if combined with postponement according to No. 1 (all previously “large” PIEs, which are no longer “large” under the increased threshold, would become PIESMEs). c) Undertakings, which are not PIEs and – due to the increase in	Same proposal from our side but except for the point c): ‘small large’ undertakings (number employees above 250 but below 1000) should not be relieved from any sustainability reporting but should be covered by the simplified ESRS that should be applied by listed SMEs. If not, the difference of treatment between listed and not listed corporates will be very significant without real justification and the financing institutions (banks, insurers and asset managers) will not be able to fulfill their own requirements.

ANNEX 1

			<p>thresholds – are no longer “large”, <u>will be relieved from sustainability reporting altogether</u>. SMEs are only captured by the CSRD if they are PIEs (cf. Art. 19a para. 1 CSRD: “small and medium-sized undertakings, (...) which are public-interest entities”).</p> <p>The increased threshold would bring direct relief for companies:</p> <ul style="list-style-type: none"> • PIEs, which were previously “large” and due to the increased thresholds now qualify as PIE-SMEs, have significant benefit because (i) they may apply the less extensive LSME standard and (ii) their sustainability reporting obligation only begins with financial year 2026 (or even FY 2028, if combined with postponement according to no. 1, or FY 2030 if the opt-out possibility is carried forward). • Non-PIEs, which were previously “large” and due to the increased threshold now qualify as Non-PIE-SME benefit even more significantly, since they are altogether relieved from sustainability reporting obligation. 	
3	Avoid the introduction of burdensome sector specific standards (ESRS Set 2); instead, a more suitable and meaningful approach should be	Entry into force of sector-specific standards has already been postponed until June 2026. Sector-specific standards which would create additional burden for businesses should altogether be avoided. Any new approach towards	Avoids adding additional reporting requirement and additional data points, while enabling companies to focus on their sector-specific circumstances.	Well-conceived (see our proposal), sector specific standards alleviate the burden of complying with the sector agnostic standards. Fit for purpose sector standards should bring answers to the double

ANNEX 1

	developed.	sector-specific reporting requirements must ensure that it reduces the overall reporting obligations.		materiality assessment and improve the relevance of the sustainability statement. The sooner the better.
4	Targeted measures to reduce trickle-down effect in the value chain	<p>Measures are needed to effectively reduce the trickledown effect along the value chain: Simplifying the reporting obligations resulting from ESRS and LSME standards top down (no. 9 and 10) is key to reduce the information requests going into the value chain. The top-down approach is thus of paramount importance. In this context, the LSME value chain cap (Art. 29b para. 4 Accounting Directive) must be implemented stringently: The reduced content of the future LSME legally obliges the European legislator to cut back on the already existing ESRS, in order to ensure that there will be no incentives to confront SMEs with value chain requests under CSRD going beyond the narrow ambit of the future LSME.</p> <p>At the same time, bottom-up approaches will also help to alleviate value chain requests and thus should be further implemented. The VSME Standard needs to provide an easy template for information requests in the value chain. It needs to be very lean and focus on key data points, which even micro companies and sole traders can easily provide. It should focus on the most necessary data points (scope 1 and 2 GHG emissions [ESRS E1-6], energy consumption [ESRS E1-5] and resource use [ESRS E5-5]). The Commission should consult the final draft</p>	The proposed measures uphold the CSRD’s underlying general stance to purposefully include value chain information into the reporting obligations. However, the mitigating measures are needed to protect against any disproportionate value chain requests. Disproportionate requests would place excessively high burden on undertakings which themselves are not subject to the sustainability reporting requirements	<p>The proposal is not very clear. In any case we support a new public consultation on these LSME standards since, in our view they should be applied by “intermediate-sized” undertakings. The trickle-down effect from sustainability requirements should not be overestimated since it first comes from responsible procurement and financing activities.</p>

ANNEX 1

		<p>of the VSME with the MS, given that it has such a broad impact on a huge number of SMEs. SMEs should not be required to provide additional information for the purpose of sustainability reporting.</p> <p>The trickle-down effect should be limited with several measures, including by reducing the reporting requirements at the top of the value chain, by stating clearly that companies should not send out information requests under CSRD to SMEs in their value chain covering periods before 2027 in order to reduce avoidable or disproportionate requests.</p>		
5	ESEF Format	<p>The requirement to use the ESEF format should be reduced to the phase of publication, but not “preparation” of the sustainability report.</p>	<p>The ESEF-Format requirement is important for an increased searchability of reporting. However, the requirement should only apply for the publication itself.</p> <p>It is not necessary for the internal approval process before publication (“preparation”). This would ease internal processes considerably.</p>	Support the proposal
Taxonomy Regulation (EU 2020/852)				
6	<p>Dispense with additional Taxonomy reporting requirements, incl. Green Asset Ratio; instead, a more suitable and meaningful approach should be developed.</p>	<p>Avoidance of the duplicative reporting obligations under Art. 8 of the Taxonomy Regulation, incl. Green Asset Ratio.</p> <p>Any new strategic approach must ensure that it does not place new reporting obligations on SMEs and supports transition financing.</p>	<p>Immediate relief for thousands of EU companies that will have to report from FY 2025, as well as their suppliers</p>	<p>Not very easy to understand how this proposal is consistent with the proposals 1 and 2. Actually, at a minimum, all “very large” corporates should be covered by the taxonomy reporting requirements; regarding the “small large” and listed SMEs, there could be a debate but without them the ratios imposed to the</p>

ANNEX 1

				banks and insurers would be meaningless.
European Sustainability Reporting Standards (ESRS) (delegated acts to the CSRD)				
7	Substantial reduction of the data points and contents of the ESRS	<p>There should be a very significant reduction of ESRS data points taking into account the input of experts.</p> <p>In particular, the ESRS could be replaced by the current draft LSME-standard, given that the LSME-draft contains approx. only 50 % of the data points compared to the ESRS.</p> <p>Reporting on due diligence should become more targeted.</p> <p>This would achieve immediate relief for companies.</p> <p>Individual data points could be introduced in stages over time.</p>	<p>The ESRS currently contain 913 mandatory and 265 voluntary data points (subject to a materiality analysis). The LSME draft contains approx. 50% fewer data points.</p> <p>Focus should be put on key quantitative data points. Data points which require extensive qualitative explanations are difficult to compare and should be deprioritised.</p> <p>Reduction would result in immediate relieve for all companies having to report in accordance with ESRS as well as their suppliers.</p>	<p>Actually, the current LSME draft standards contains less datapoints than indicated and such a brutal reduction is not acceptable:</p> <ul style="list-style-type: none"> • Many datapoints which are no longer included in the draft LSME standards are relevant for very large undertakings; • Revision of the ESRS would need to be done carefully on the basis of the analysis of the first reports; • Undertakings from Member State which have transposed the CSRD and implemented the full set of ESRSs should be treated on equal footing with the undertakings from other MS.
8	Substantial reduction of the data points and contents of the LSME Standard for PIE-SMEs	<p>If the LSME draft is used to replace the ESRS (see no. 7 above), a further significant reduction of the LSME-draft will be necessary (as otherwise the scope of the reporting obligation would be the same for all companies, which was not the intention of the co-legislators). The LSME should be reduced to the scope of the current VSME-draft taking into account the input of experts. Hence, the VSME should be used to replace the LSME.</p>	<p>Direct relief regarding reporting obligations for all companies having to report in accordance with the LSME standard (= PIE-SMEs). Relieves capital market oriented SMEs and small and non-complex banks and insurance companies as well as their suppliers.</p> <p>In addition, double reporting stemming from other EU requirements has to be avoided in order to achieve a coherent reporting system giving companies the chance for a one-stop-reporting system.</p>	<p>The scope of the current VSME is very minimal and not appropriate for “intermediate-sized” undertakings (i.e. undertakings that could have up to 1 000 employees), whose sustainability issues are much more challenging than those of SMEs.</p>

ANNEX 1

Comparison between the current system and the proposed revisions

	Current		Proposed		German proposal	
	Standards	First implementation	Standards	First implementation	Standards	First implementation
Nb of employees >1000 and turnover > €450m						
PIE	ESRS	2024	ESRS	2024	simplified LSME	2025(?)
nonPIE	ESRS	2025	ESRS	2025	simplified LSME	2027
Nb of employees >500 and <1000 and turnover > €50m						
PIE	ESRS	2024	ESRS	2024	"compulsory" VSME	2025 (?)
nonPIE	ESRS	2025	revised LSME	2027	VSME	
Nb of employees >250 and <500 and turnover > €50m						
PIE	ESRS	2025	revised LSME	2027	"compulsory" VSME	2027
nonPIE	ESRS	2025	revised LSME	2027	VSME	
Nb of employees >10 and <250 and turnover > €0.9m						
listed + SNCI	LSME	2027/2028	revised LSME	2027/2028	"compulsory" VSME	2027
others	VSME		VSME	2025	VSME	