

## Press Release

Brussels, Belgium – 22 April 2021

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### Statement on Corporate Sustainability Reporting Directive

EuropeanIssuers welcomes the European Commission's proposal published yesterday for a Corporate Sustainability Reporting Directive, revising the Non-Financial Reporting Directive (NFRD). EuropeanIssuers agrees that the EU needs harmonised standards for environmental, social and governance (ESG) information to enhance transparency and promote sustainable investments. Clear ESG standards for companies are necessary to ensure that reliable, comparable and relevant information is disclosed.

EuropeanIssuers also welcomes the fact that the proposal is keen to respect the principle of proportionality in order to avoid imposing unnecessary administrative burden on companies, especially SMEs, and to leave enough flexibility for companies to report on issues such as sustainability governance or targets in a way which suits them best, without adopting an overly prescriptive approach.

However, EuropeanIssuers considers that the proposed extension of the scope of sustainability reporting obligations raises two major concerns:

**1. EuropeanIssuers welcomes the proportional approach vis-à-vis SMEs inclusion, but opposes the asymmetric reporting requirements for listed and non-listed SMEs.**

To ensure that the EU reaches its objective of being carbon neutral by 2050, there is a need to reorient capital towards sustainable activities. EuropeanIssuers therefore very much welcomes the Commission's intention to extend the scope of the former NFRD beyond today's requirements to include all large undertakings (including non-listed entities). This is a sensible approach as disclosures should apply to companies with comparable footprints, whenever they operate in the EU, independently of being listed or not.

At the same time, EuropeanIssuers understands the Commission's approach introducing reporting requirement for small and medium-sized enterprises, as they account for a significant proportion of all listed undertakings in the Union. In this regard, considering the dimension and potentiality of these companies, in particular with regards to reporting obligations, EuropeanIssuers welcomes the Commission's proposal to extend the Directive's scope to SMEs in a way that is proportionate to their capacities and characteristics.

Nevertheless, EuropeanIssuers is concerned about the distinction drawn by the Commission according to which listed SMEs on regulated markets would report according to the Directive, while non-listed SMEs would not be subject to the same obligations. This risks disincentivising companies from going public and could increase de-listings. EuropeanIssuers further believes that the Commission's plan would privilege private equity compared to public markets. The aim should be increasing the number of listed companies to enable everyone, including retail investors, to participate in and benefit from economic growth creation. In light of this, SMEs

should all be subject to voluntary guidelines, as it would improve transparency, while placing a proportionate cost burden on SMEs.

## **2. EuropeanIssuers calls on the Commission to introduce identical reporting obligations for non-EU companies operating in the EU, regardless of their listing on a regulated market in the EU.**

According to the Commission proposal, non-EU companies would only be subject to ESG-reporting requirements if they are listed on a regulated market in the EU or if they have subsidiaries established in the EU. This would create an unfair level playing field with regard to non-EU companies offering their products or services in the EU, when they are not listed on EU regulated markets or when they do not have subsidiaries established in the EU.

EuropeanIssuers is concerned that such non-EU companies would be less accountable for their environmental and social impacts, although they are direct competitors of European companies in the EU, if not obliged to disclose their sustainability policies, targets and results by their respective jurisdictions. EuropeanIssuers believes that non-EU companies operating in the EU should be subject to the same sustainability reporting obligations as their EU competitors.

An appropriate eligibility criteria could be whether these companies have a level of global turnover exceeding a pre-determined threshold; and whether they supply goods or services in the EU – be it by way of a branch office or through internet platforms – generating a turnover within the EU exceeding a pre-determined amount.

EuropeanIssuers' Secretary General, Florence Bindelle, said: *"All companies offering products or services in the EU should be subject to the same reporting requirements. Extending sustainability reporting requirements to non-EU companies operating in the EU is critical."*

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## **NOTES TO EDITORS**

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### **About EuropeanIssuers**

EuropeanIssuers is a pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. Our members include both national associations and companies from all sectors in 15 European countries, covering markets worth € 7.6 trillion market capitalisation with approximately 8000 companies. We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer-term. We seek capital markets that serve the interests of their end users, including issuers. [EuropeanIssuers Vision 2019-2024](#) contains key priorities and policy recommendations in a number of areas to support the policymakers.

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