

# RECOMMENDATIONS FOR TRANSPOSITION OF THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)



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# RECOMMENDATIONS FOR TRANSPOSITION OF THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

European Trade Union Confederation  
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The ETUC recommendations in this document are informed by research conducted by the European Trade Union Institute (ETUI) with the support of GoodCorp, its expert network on Corporate Governance, and its Monaco network which monitors the transposition of EU company law Directives with a focus on their impact on workers' rights. This research is supported by the European Workers Participation Fund (EWPf) at the ETUI.

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# What you will find in this document

This document provides recommendations for the transposition of the Corporate Sustainability Reporting Directive (CSRD), which should be transposed by Member States by 6 July 2024<sup>1</sup>. It includes recommendations on:

- ▶ Issues which are critical for workers' representatives and trade unions which should be specified in the transposition, specifically:
  - **Information and consultation rights** – Who is consulted? How and when does consultation take place?
  - **Supervision of sustainability reporting** – which authority is responsible for ensuring proper conduct in auditing and reporting? Are trade unions included in the authority's governance? Is there a complaint mechanism? Who funds the authority?
- ▶ **Options for Member States** explicitly provided in the CSRD.
- ▶ **Points where transposition beyond the minimum CSRD requirements** could be strived for.

<sup>1</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance).



# The Five “W”s of the Corporate Sustainability Reporting Directive

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## 1 What is the CSRD?



The [Corporate Sustainability Reporting Directive \(CSRD\)](#) is a pivotal European Union legislative measure enacted in December 2022 as part of the European Green Deal. It establishes comprehensive reporting obligations for companies operating within the EU, requiring them to disclose key information annually on environmental, social, and governance (ESG) issues.

## 2 Where does it apply?



The CSRD applies across the European Union, impacting companies that meet specific criteria. It encompasses approximately 50,000 large EU companies (for whom one of the defining criteria is having 250 or more employees), listed SMEs (excluding micro-enterprises, for whom one of the defining criteria is having less than ten employees), and non-EU companies with branches or subsidiaries in the EU that surpass certain size or turnover thresholds. Voluntary standards are also supposed to be developed for non-listed SMEs.



### 3 When does it take effect?



The CSRD is to be transposed into national legislation by EU Member States by 6 July 2024. This deadline underscores the urgency for timely and effective implementation to ensure adherence to the Directive's reporting requirements. The first group of companies (listed companies with 500 or more employees and some financial companies) must already use the CSRD for reporting on their 2024 fiscal year.

### 4 Who is involved?



The Directive involves workers' representatives and trade unions, as well as other stakeholders, such as communities and consumers, and specifies a role for auditing firms. An estimated 55 million workers work for the over 50,000 large companies in Europe that are covered.

### 5 Why is it important?



As of the date of publication of these recommendations, the Directive had only been transposed into national law in one of the 27 Member States (France). There is thus an important opportunity for trade unions to strategically influence the transposition process at the national level. Most importantly, trade unions can push for a strong role for workers' representatives in sustainability reporting within the company.

Strong worker participation rights at the company level empower trade unions to actively shape sustainability reporting, ensuring that essential social metrics, such as employment, collective bargaining, social dialogue, and health and safety, are comprehensively covered. It also helps fight greenwashing, i.e. the false or misleading self-representation of a company to make its social and environmental performance look better than it actually is. The CSRD can therefore become a catalyst for trade unions and workers' representatives to empower workers, champion their rights, and foster a more equitable and socially responsible business environment.

# Background on the Corporate Sustainability Reporting Directive (CSRD)

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The CSRD, adopted as an EU Directive in December 2022, is a cornerstone of the European Green Deal, outlining the annual reporting requirements for companies on environmental, social, and governance (ESG) issues. This Directive is aligned with key international and European instruments, including human rights frameworks such as the United Nations Guiding Principles on Business and Human Rights (UNGP), the OECD Due Diligence Guidance for Responsible Business Conduct as well as with the Corporate Sustainability Due Diligence Directive (CSDDD), the EU labour law acquis, the EU taxonomy for sustainable activities, and the Sustainable Finance Disclosure Regulation.

The CSRD includes the following key provisions:

- ▶ **Transposition Deadline:** Member States are obliged to transpose the CSRD into their national legislation by 6 July 2024.
- ▶ **Diverse Reporting Rules:** The Directive tailors reporting rules for different types of companies:
  - Approximately 50,000 large EU companies, which are companies meeting at least two of the following three criteria: 250 or more employees, balance sheet total of €25 million or more, and/or net turnover of €50 million or more.
  - Listed SMEs (except micro-enterprises, which are companies meeting at least two of the following three criteria: less than ten employees, balance sheet total of less than €350,000 and/or net revenue of less than €8 million).
  - Non-EU companies with branches or subsidiaries in the EU exceeding specific size or turnover thresholds.

- ▶ **Specified Reporting Topics:** Companies are required to report on a range of social, environmental, and governance issues, including:
  - **Social topics**
    - Respect for the human rights, fundamental freedoms, democratic principles and standards established in key human rights instruments;
    - Employment numbers;
    - Precarious employment;
    - Adequate wages;
    - Social protection;
    - Health and safety;
    - Training;
    - Collective bargaining coverage;
    - Social dialogue.
  - **Environment** – the six goals of the EU taxonomy on sustainable activities
    - Climate change mitigation;
    - Climate change adaptation;
    - Sustainable use and protection of water and marine resources;
    - Transition to a circular economy;
    - Pollution prevention and control;
    - Biodiversity.
  - **Governance** – including:
    - lobbying activities;
    - anti-corruption measures;
    - risk management;
    - and relations with suppliers and communities.
- ▶ **Comprehensive Reporting Requirements:** The CSRD requires reporting on the business strategy/model, supply chain, materiality assessment process (including engagement with stakeholders), key risks, and impacts.
- ▶ **Double Materiality Perspective:** Reporting is required from two perspectives - the company's impact on people and the planet ('impact materiality') and risks and opportunities for investors ('financial materiality').
- ▶ **Role of EFRAG:** The Directive entrusts EFRAG (the European Financial Reporting Advisory Group) with developing proposals to the Commission for specific reporting rules known as the **European Sustainability Reporting Standards (ESRS)**. A procedure for implementing these rules through Delegated Acts is also established.

# Key Issues for Transposition

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## 3.1 Information and consultation rights for trade unions and workers' representatives

### What's in the Directive?

The CSRD defines important information and consultation rights for trade unions and workers' representatives in sustainability reporting. These rights are referenced in the recitals and the body of the CSRD:

*"Member States should ensure that sustainability reporting is carried out **in compliance with workers' rights to information and consultation**. The management of the undertaking should therefore inform workers' representatives at the appropriate level and discuss with them relevant information and the means of obtaining and verifying sustainability information. This implies for the purpose of this amending Directive the establishment of dialogue and exchange of views between workers' representatives and central management or any other level of management that could be more appropriate, at such times, in such fashion and with such content as would enable workers' representatives to express their opinion. Their opinion should be communicated, where applicable, to the relevant administrative, management or supervisory bodies." (Recital 52)*

*“The management of the undertaking shall inform the workers’ representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers’ representatives’ opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.” (Article 19a 5)*

*“The management of the parent undertaking shall inform the workers’ representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers’ representatives’ opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies”. (Article 29a 6)*

## What's in it for workers?

These provisions define important rights to the involvement of workers and their organisations in the process, but the CSRD does not specify how these should be implemented in practice. This is why these rights must be clearly formulated by the national legislator. Key issues which should be specified in the transposition legislation are: **who** should be consulted (trade unions, European Works Council, workplace employee representation at the local or cross-site level, etc.) and **how & when** should they be consulted.

### The ETUC recommends



The transposition legislation should explicitly reference key EU Directives and their respective national transposition:

- Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees;
  - Directive 2009/38/EC of the European Parliament and of the Council of 6 May 2009 on the establishment of a European Works Council;
  - Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees;
  - Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees.
- 



The transposition legislation should explicitly reference any relevant national legislation or practice relevant for specifying the following issues:

- Which trade union and/or worker's representatives should be informed and consulted?
- How is the appropriate level of management defined?
- How shall workers' representative be informed and consulted (including time limits, rules or criteria on the process and the content of information)?
- How shall their opinion be communicated to the board?
- What complaint procedures and penalties/fines are defined for violations of this right?

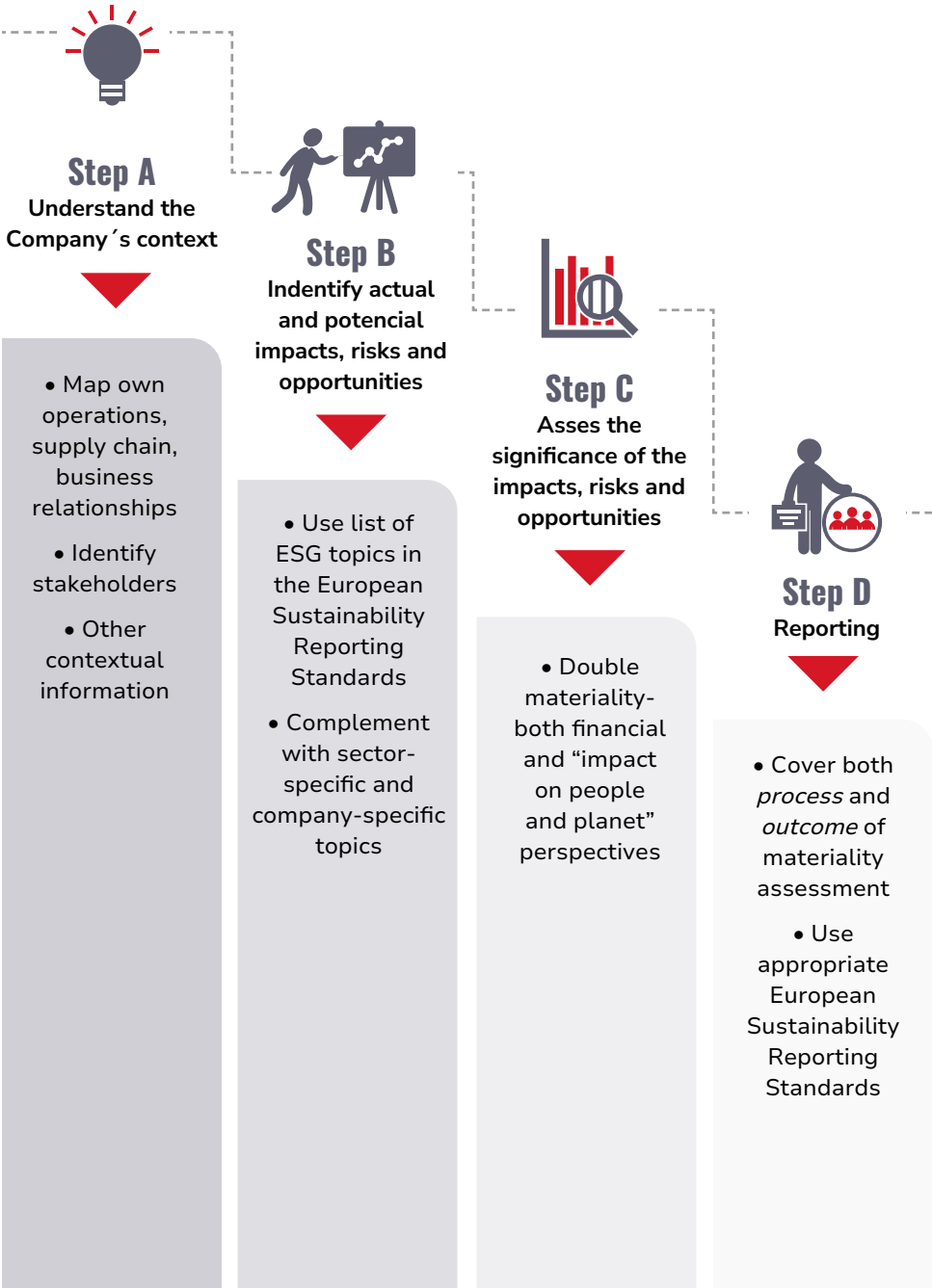


In particular, it is important to specify that workers' representatives have the right to be involved in 'materiality assessment' – that is, the procedure that companies use to decide if an issue is 'important' enough to be reported on. Workers' representatives' involvement in 'materiality assessment' is an important safeguard against greenwashing and ensures that key issues for workers are reported on.

A recommendation for transposition language that would give workers' representatives participation rights in all stages of 'materiality assessment' is as follows:

[The appropriate level(s) of workers' representatives, depending on national context] shall be consulted on:

- 1. the identification of the boundaries and characteristics of the companies' own operations, supply chain, business relationships, and identification of affected stakeholders;*
- 2. the identification and assessment of the significance of actual and potential impacts, risks and opportunities, including methods of data collection and its verification, and;*
- 3. reporting on the process and outcome of materiality assessment.*





## 3.2 Supervisory authority ('competent authority')

The CSRD requires that a 'competent authority' oversee auditors and the audits of sustainability reporting. After the massive failures in the auditing of financial firms during the last big financial crisis of 2008/9, the EU Audit Directive was amended in 2014 to require Member States to designate a competent authority to oversee auditors with the following responsibilities:

- ▶ The approval and registration of auditors and audit firms;
- ▶ The adoption of standards for professional ethics, internal quality control of audit firms, and auditing;
- ▶ The continuing education of auditors;
- ▶ Quality assurance; and
- ▶ Investigative and administrative disciplinary systems.

The transposition of the CSRD is an opportunity to raise the issue of the responsibilities and resources of the 'competent authority'. It should ideally be a public body, or at least a body with strong public oversight, and have:

- ▶ a **multistakeholder governance structure** including trade unions and civil society representatives (NGOs, consumer organizations);
- ▶ **adequate funding** for a competent and well-resourced staff;
- ▶ a **complaints procedure** where workers' representatives can raise concerns about 'greenwashing'; and
- ▶ **adequate powers of investigation and enforcement** against 'greenwashing'.

## 3.3 Explicit options in the CSRD

The CSRD contains 16 explicit options, which take the form “Member States may...” in the text of the Directive. These are formulated as clear options for Member States to either accept or reject as they choose. Ten of these options concern accounting (i.e. they amend the EU Accounting Directive), while another six concern auditing (i.e. they amend the EU Audit Directive).

The ten options concerning accounting can be clearly used in favour of workers:

### Option 1

Recommendation is “no”, i.e., not to exclude certain types of organizations from reporting obligations, since as many companies should be covered by the CSRD as possible.

### Options 2 and 4

concern the company’s right to not publish information which may be “commercially sensitive”. If these options are to be implemented in the transposition, they should not be defined so broadly that management has the discretion to exclude important information. It should also make clear that these are not reasons for company management to refuse to discuss these issues with trade unions and workers’ representatives.

### Options 3 and 5

Recommendation is “yes”, since sustainability reports should be available to workers in the local language.

### Option 6

Recommendation is “yes”, since sustainability reporting should be easily accessible to workers (specifically here, made available free of charge on the company’s website).

### Option 7

Recommendation is “no”, since also in the interest of easy access, companies should not be exempted from the obligation to publish their reports.

### Options 8 and 9

Recommendation in both cases is “yes”, since this would enable independent auditors specializing in sustainability issues to audit sustainability reporting. A “no” answer would only strengthen the oligopoly of the “Big 4” auditors, who would audit both the financial and non-financial information of companies.



**Option 10**

Recommendation is “yes”, since it is essential for EU subsidiaries or branches of non-EU companies to get the information from their parent which is needed to produce a sustainability report.

## Infobox 2

## Explicit Options for Member State in the CSRD

Option Nr.	ETUC Recommendation	This option allows Member States to...	Article Nr.
1	No	exclude certain types of undertakings (central banks, post office, credit unions/friendly societies)	1 - Scope
2	No/narrowly defined	permit undertakings to exclude commercially sensitive information from the sustainability reporting under certain circumstances	19a point 3 – Sustainability Reporting
3	Yes	require an exempted subsidiary to publish a translation of the sustainability report in a locally accepted language	19a point 9 – Sustainability Reporting
4	No/narrowly defined	permit undertakings to exclude commercially sensitive information from the sustainability reporting under certain circumstances	29a point 3 – Consolidated Sustainability Reporting
5	Yes	require the consolidated group to publish a translation of the sustainability report in a locally accepted language	29a point 8 – Consolidated Sustainability Reporting
6	Yes	require that the management report is available to the public on the undertaking's website, free of charge	30 point 1 subparagraph 2 – General Publication
7	No	exempt undertakings from the obligation to publish the management report where a copy of all or part of any such report can be easily obtained upon request at a price not exceeding its administrative cost	30 point 1 subparagraph 4 – General Publication
8	Yes	may allow a statutory auditor or an audit firm other than the one(s) carrying out the statutory audit of financial statements to express the opinion on the compliance with sustainability reporting	34.3 point 3 – General Requirement Auditing
9	Yes	allow an independent assurance services provider established in their territory to express the opinion on the sustainability report	34.3 points 4+5 – General Requirement Auditing
10	Yes	may require subsidiary undertakings or branches to send them information about the net turnover generated in their territory and in the Union by the third-country undertakings	40a - Sustainability Reports concerning third-country undertakings

## 3.4 Additional reporting requirements in the CSRD

The CSRD defines a set of social, environmental and governance issues that companies must report on (see list on page 11). However, the CSRD does not specify exactly what information companies have to provide on these issues. These specific requirements are contained in the **European Sustainability Reporting Standards (ESRS)**, which were developed by EFRAG (a European corporate reporting standards body) and recommended to the European Commission.

Since a number of key trade union demands were not reflected in the ESRS published by the European Commission, one possibility would be to try to get these demands implemented through transposition legislation, such as:

- ▶ **Full country-by-country reporting** on key social metrics (e.g. employment, collective bargaining, social dialogue, health and safety, etc.);
- ▶ **Making key social metrics mandatory** – the final ESRS published by the European Commission make all metrics either ‘subject to materiality assessment’ or ‘voluntary’ (e.g. almost all metrics for precarious employment are voluntary);
- ▶ **Reducing the delays in reporting** (“phase-ins”) that were introduced by the European Commission on social issues and value-chain reporting;
- ▶ **Increasing the number of companies covered by the CSRD by;**
  - Expanding the types of companies covered by the CSRD (e.g. cooperatives and foundations);
  - Reducing the minimum employment threshold below 250.

# Contact

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For further information or inquiries regarding the Corporate Sustainability Reporting Directive (CSRD) and its implications, please feel free to reach out to Niklas Franke [nfranke@etuc.org](mailto:nfranke@etuc.org) and Sigurt Vitols at "[svitols@etui.org](mailto:svitols@etui.org)". Your questions and feedback are valuable as we navigate the dynamic landscape of sustainability reporting, and we welcome the opportunity to engage in constructive dialogue. Your proactive involvement is crucial in ensuring the effective transposition of the CSRD and the advancement of workers' rights within this transformative legislative framework.





For further information on our actions, demands and support to affiliates, please visit our website:

[www.democracyatwork.eu](http://www.democracyatwork.eu)

[www.worker-participation.eu](http://www.worker-participation.eu)

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