Press release | 16.03.2022

MEPs vote for stronger obligations for climate and human rights

Company law and corporate governance

Last night, the European Parliament's Legal Affairs Committee adopted its report on the proposal for a directive on sustainability reporting by companies. The vote marks the start of negotiations with the Council and the Commission, which will begin shortly. The first negotiations are expected to take place in the week of 28 March and will be concluded during the French Presidency of the EU.

The Green Deal for Europe provides for the integration of sustainability into the governance of companies in order to make them more accountable. With this text, the Parliament sets the rules for companies to publish information on the environment and climate, social and workers rights and gender equality, respect for human rights and internal corporate governance.

Marie Toussaint MEP, Vice-President of the Greens/EFA Group and Member of the Legal Affairs Committee and shadow rapporteur for JURI, ENVI and ITRE, comments:

"It is essential that the European Union sets its own ambitious criteria for non-financial reporting, and updates the obligations already in place for companies to contribute to limiting global warming to 1.5°C, in line with the Paris Agreement.

"The European Parliament is ensuring that the largest companies, including the most polluting ones such as oil and gas companies and cement companies, adopt strategies that are compatible with the fight against climate change. The text demands a duty of transparency for companies on their absolute emissions of greenhouse gases in the short, medium and long term, their direct and indirect emissions linked to energy consumption and the entire life cycle of products. Companies will also have to specify their climate trajectories and transition plans to meet climate targets."

"Transparency is required for the respect of social and human rights. The European Parliament has strengthened the dimensions of diversity within the company and the participation of workers and trade unions. MEPs have therefore followed the opinion of the Employment Committee for which my colleague Kira Peter Hansen was rapporteur."

"However, we regret the obstruction from the right on the extension of the scope of the regulation to small and medium-sized enterprises. In particular, when they operate in risky sectors, such as the extractive sector, agriculture, textiles or finance. A review clause has nevertheless been introduced."

"We are, on the other hand, sceptical about the choice of EFRAG to develop the precise reporting criteria. We wanted the EU to have a large, independent agency responsible for setting the precise criteria for non-financial reporting by companies. We however managed to include stronger requirements for ensuring balanced participation in EFRAG of civil society and trade unions as well as democratic control by the European Parliament."

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