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To the attention of the member states' Financial attachés
and of the members of the European Parliament's negotiating team on the CSRD

Brussels, the 4th of May 2022

Dear financial attachés,
Dear members of the European Parliament,

The European power industry, represented by Eurelectric, **is fully committed to the objectives of the European Green Deal** and to the sustainability values of economic development, environmental leadership, and better quality of life for the people. Against this background, we support the sustainable finance agenda of the European Commission. In particular, as intended by the Corporate Sustainability Reporting Directive (CSRD), we firmly believe that **putting on an equal footing sustainability information with financial information** to better channel financial resources to sustainable companies and investments is of the **utmost importance**.

Since the release of the European Commission's proposal in April 2021, we have been closely monitoring the political developments on the CSRD. This file has now entered the final stage of its negotiation as the trilogue meetings between the Commission, the European Parliament and the Council have started in April. In this regard, **we are very much concerned by the European Parliament's mandate on the reporting exemption for *subsidiaries*** when there is reporting at group level (article 19a and 29a of the directive proposal).

We strongly support the proposal of the European Commission which recommends that a subsidiary that is included in the consolidated sustainability reporting of a group is exempted from any additional information to be published. In our opinion, is absolutely essential not to delete such an exemption, for at least three reasons:

- It would have **no or very limited added value for data users** (and in some cases it would even be onerous for them). Our experience clearly shows that stakeholders want holistic, meaningful and integrated information on companies' ESG performance;
- It would **massively expand reporting efforts** for European companies;
- It would have **no significative impact on the ESG performance** of such subsidiaries;

To give some concreteness to our arguments, a specific case from our sector of activity can be mentioned. Imagine a fictitious power utility (Company A) with a wide range of activity throughout Europe, and in particular which runs several wind parks. In some EU jurisdictions, for regulatory reasons, **each wind park needs to have its own legal entity and thus needs to be a separate subsidiary**. Sometimes, businesses even end up with several legal entities for a sole wind park if it comprises numerous licenses (which is often the case). Thereby, the power utility in question (Company A) consists of more than 450 legal entities[1]. Even medium-sized

[1] This case is fictitious but based on real experience.

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companies might have a more than a few subsidiaries, e.g. for regulatory reasons if the company has Distribution Service Operator activities.

For these reasons removing the reporting exemption for subsidiaries is likely to have significant impacts. We foresee the followings:

- *What would be the impact for the* **data-users**, *in particular investors or rating agencies?* For them, such a deletion would mean that they would have to collect and to combine sustainability information from several documents in order to have the full picture, increasing considerably the workload for them. Moreover, generally an investor/stakeholder does not need the information at subsidiary level, because as a rule it is not possible to invest directly in a subsidiary. Therefore, there seems to be no case for preparing these separate reports.
- *What would be the impact in terms of workload for a power utility which runs several wind parks?* The answer seems straightforward, as it would undoubtedly result in a massive expansion of reporting efforts. Furthermore, the business model or the strategy, which are usually decided at group level, would need to be artificially broken down for each subsidiary (*ie.* For each wind park entity or entities). If we use the previous example of the Company A, a deletion of the exemption would result in substantial additional reports to prepare, without any clear benefits resulting from this.
- *And, last but not least, would it have any positive impact on the ESG performance of such subsidiaries?* It seems very unlikely: these subsidiaries would still have to prepare their transition, as they would still be included in the strategy at group-level. Non-financial statements are already well-suited for providing qualitative and quantitative information on subsidiaries, as they are often based on financial consolidation and therefore include consolidated subsidiaries, in accordance with accepted accounting standards.

For these reasons, **we do *not* see the case for such a modification**. We believe that this would not help in any way our common sustainable transition, while threatening the very efficiency of corporate reporting on sustainability issues. **We, therefore, urge you to retain the reporting exemption for subsidiaries when there is reporting at group level.**

We very much hope that you will take our inputs into consideration, and we remain at your disposal to further discuss the content of the present letter.

Yours sincerely,

Ch. Renaud

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