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INFORMATION NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements - Letter sent to the European Parliament

At its meeting on 10 December 2025, the Permanent Representatives Committee:

a) confirmed the provisional agreement reached with the European Parliament on the above-mentioned proposal for a Directive, subject to revision by the lawyer-linguists of both institutions, as set out in the Annex to document 16159/25 REV 1; and

b) authorised the Chair of the Permanent Representatives Committee to send a letter to the Chair of the Committee on Legal Affairs (JURI) confirming that, should the European Parliament adopt its position at first reading on the text of the proposal in the exact form as set out in the Annex to 16159/25 REV 1, subject to revision of that text by the lawyer-linguists of both institutions, the Council would approve the European Parliament's position and the act would be adopted in the wording corresponding to the European Parliament's position at first reading.

The letter together with its annex, as it was sent to the European Parliament, is set out in the **Annex**.

Council of the European Union

SGS 25/4819

Brussels, 10/12/2025

Mr Ilhan KYUCHYUK
Chair of the Committee on Legal Affairs

European Parliament
Rue Wiertz 60
B-1047 BRUSSELS

Subject: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements

Dear Mr Ilhan KYUCHYUK,

Following the informal negotiations on this proposal between the representatives of the three institutions, today the Permanent Representatives Committee agreed with the final compromise text.

I am therefore now in a position to inform you that, should the European Parliament adopt its position at first reading, in accordance with Article 294(3) TFEU, in the exact form of the text set out in the Annex to this letter (subject to revision by the lawyer-linguists of the two institutions), the Council, in accordance with Article 294(4) TFEU, will approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the position of the European Parliament.

On behalf of the Council, I also wish to thank you for your close cooperation which should enable us to reach agreement on this proposal at first reading.

Yours sincerely

C. GRØNBECH-JENSEN
Chair of the
Permanent Representatives Committee

Copy:
– Ms Maria Luís ALBUQUERQUE, Commissioner for Financial Services and the Savings and Investments Union

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- Mr Michael McGRATH, Commissioner for Democracy, Justice, the Rule of Law and Consumer Protection
- Mr Jörgen WARBORN, European Parliament rapporteur, Committee on Legal Affairs

ANNEX I

2025/0045 (COD)

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) In its Communication of 11 February 2025 entitled 'A simpler and faster Europe: Communication on implementation and simplification',[2] the European Commission set out

[1] OJ C […], […], p. […].

[2] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 11

a vision for an implementation and simplification agenda that delivers fast and visible improvements for people and business on the ground. This requires more than an incremental approach and the Union must take bold action to achieve this goal. The Commission, the European Parliament, the Council, Member States' authorities at all levels and stakeholders need to work together to streamline and simplify EU, national and regional rules and implement policies more effectively.

(2) In the context of the Commission's commitment to reduce reporting burdens and enhance competitiveness, it is necessary to amend Directives 2006/43/EC[3], 2013/34/EU[4], (EU) 2022/2464[5] and (EU) 2024/1760 of the European Parliament and of the Council[6], whilst maintaining the policy objectives of the European Green Deal[7], and the Sustainable Finance Action Plan[8].

(2a) Given the change of the scope of undertakings being subject to sustainability reporting, it would be disproportionate to require that audit firms that wish to carry out assurance

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February 2025, 'A simpler and faster Europe: Communication on implementation and simplification', COM/2025/47 final.

3 Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87, ELI: http://data.europa.eu/eli/dir/2006/43/oj).

4 Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: http://data.europa.eu/eli/dir/2013/34/oj).

5 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 (OJ L 322, 16.12.2022, p. 15, ELI: http://data.europa.eu/eli/dir/2022/2464/oj).

6 Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024, ELI: http://data.europa.eu/eli/dir/2024/1760/oj).

7 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions of 11 December 2019, 'The European Green Deal', COM/2019/640 final.

8 Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions of 8 March 2018, 'Action Plan: Financing Sustainable Growth', COM/2018/097 final.

of sustainability reporting are subject to requirements for approval equivalent to the ones for the approval of audit firms that carry out audits of financial statements. Such approval requirements relate to natural persons who carry out the work on behalf of the audit firm, the majority of the voting rights held by the audit firm and the majority of the members of the administrative or management body of the audit firm. Audit firms that wish to carry out assurance of sustainability reporting should only need to ensure they designate at least one key sustainability partner who must satisfy the approval conditions for this purpose and who is approved as statutory auditor in the Member State concerned.

(3) Article 26a(1) of Directive 2006/43/EC requires Member States to ensure that statutory auditors and audit firms carry out the assurance of sustainability reporting in compliance with limited assurance standards to be adopted by the Commission. Article 26a(3) of that Directive requires the Commission to adopt those standards by 1 October 2026. Undertakings have raised concerns on the work carried out by the assurance providers and have expressed the need for flexibility in addressing specific risks and critical issues identified in the areas of sustainability assurance. ***The Commission should duly take into account those concerns when working on the limited assurance standards. The lack of harmonised assurance standards is contributing to the problems experienced by undertakings, and it is therefore important for*** the Commission to ***adopt a suitable*** delegated act. ***To allow adequate time to develop the standard the deadline for its adoption should be postponed to 1 July 2027.***

(4) Article 26a(3), second subparagraph, of Directive 2006/43/EC empowers the Commission to adopt standards for reasonable assurance by 1 October 2028, following an assessment of feasibility. To avoid an increase in costs of assurance for undertakings, the requirement to adopt such standards for reasonable assurance should be removed.

(4a) Article 45 of Directive 2006/43/EC requires a Member State to register third-country auditors and audit entities issuing assurance reports on the sustainability information of third country entities admitted to trading on a regulated market of that Member State. The conditions for that registration concern the requirements to be met by the majority of the members of the administrative or management body of the third-country audit entity, the requirements to be met by the third country-auditor, the assurance standards to be used and the publication of an annual transparency report by the third-country

audit entity. Moreover, Member States are to subject registered third-country auditors and audit entities to their systems of oversight, their quality assurance systems and their systems of investigation and penalties. Taking into account the current international landscape on the regulation of sustainability reporting and its assurance, and considering that the registration is necessary for the validity of those assurance reports within the Union, requiring to meet those registration conditions in the first years of application of the sustainability assurance regime would be disproportionate. In addition, the supervision of registered third-country auditors and audit entities is dependent on the existence of equivalence and/or adequacy decisions. Therefore, for a transitional period, simplified registration conditions and an exemption from supervision should be introduced for third country auditors and audit entities issuing assurance reports on the sustainability information of third country entities admitted to trading on a regulated market of a Member State. The simplified registration is possible on condition that certain information, as referred to in Article 45(5b), points (a) to (f), of Directive 2006/43/EC, is provided to the competent authorities of the Member State and they should decline registration if the information is not provided.

(5) Article 19a(1) of Directive 2013/34/EU requires large undertakings and small and medium-sized undertakings with securities admitted to trading on an EU regulated market, excluding micro-undertakings, to prepare and publish ▌ sustainability ***reporting*** at individual level***. The Report on The future of European competitiveness identified the sustainability reporting framework as "a major source of regulatory burden", concluding in this respect that there was a "need to better consider the size of companies affected by regulation"***. To reduce the reporting burden on undertakings ***and to achieve the objectives of reporting in a more proportionate way***, the obligation to prepare and publish ▌ sustainability ***reporting*** at individual level should be reduced to ▌ undertakings with ***a net turnover exceeding EUR 450 000 000 and*** an average of more than ***1 000*** employees during the financial year***, as defined in the national measures transposing*** Directive 2013/34/EU***. This more targeted scope, which should also apply as regards groups and issuers, will ensure that*** the ***burden of mandatory sustainability*** reporting ***is limited to the largest*** undertakings***, groups and issuers. Those undertakings, groups and issuers are the most consequential in terms of environmental, social and governance (ESG) impacts. At the same time, they are the most able to absorb the costs implied by ESG reporting. Undertakings, groups and issuers below this threshold remain free to***

carry out voluntary sustainability reporting, a possibility that is significantly facilitated by the new sustainability reporting standards for voluntary use introduced by this Directive.

▌

(7) Article 1(3) of Directive 2013/34/EU specifies that credit institutions and insurance undertakings that are large undertakings or small and medium-size undertakings – excluding micro-undertakings – with securities admitted to trading on an EU regulated market are subject to the sustainability reporting requirements set out in that Directive, regardless of their legal form. Considering that the scope of individual sustainability reporting should be reduced to ▌ undertakings with ***a net turnover exceeding EUR 450 000 000 and*** an average of more than ***1 000*** employees during the financial year, that reduction in scope should also apply to credit institutions and insurance undertakings.

(7a) For the purpose of coherence across sustainable finance legislation, it is important to consider whether requirements related to ESG or sustainability for the financial sector, including sector-specific financial services legislation, ESAs and supervisory expectations, are to be framed or adapted in a way that ensures consistency with the sustainability reporting obligations set out in Directive 2013/34/EU. Maintaining coherence, including as regards undertakings outside of the scope of Article 19a and 29a of this Directive, will require careful attention and, may require action from the Commission, co-legislators and the European Supervisory Authorities.

(8) The European Financial Stability Facility (EFSF) established by the EFSF Framework Agreement is subject to the sustainability reporting requirements set out in Directive 2013/34/EU, although it is exempted from the sustainability reporting regime set out in Directive 2004/109/EC of the European Parliament and of the Council[9] pursuant to Article 8 of that Directive. Despite it being a large undertaking incorporated in a legal form listed in Annex I to Directive 2013/34/EU, the EFSF has a mandate - i.e. to safeguard financial stability in the Union by providing temporary financial assistance to Member States whose

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[9] Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 39, 31.12.2004, p. 38, ELI: http://data.europa.eu/eli/dir/2004/109/oj).

currency is the euro – that is largely similar to the one of the European Stability Mechanism (ESM), which is not subject to sustainability reporting requirements. For the EFSF to benefit from the same treatment as the ESM as regards sustainability reporting, and for consistency with the exemption regime provided by Directive 2004/109/EC, the EFSF should be exempted from the regime on sustainability reporting provided by Directive 2013/34/EU.

(8a) Article 19(1), fourth subparagraph, of Directive 2013/34/EU requires large undertakings, and small and medium-sized undertakings, except micro undertakings, which are public-interest entities as defined in point (a) of point (1) of Article 2, that is the undertakings which are subject to mandatory sustainability reporting, to report information on key intangible resources and their role in the undertaking's business model and value creation. In order to ensure consistency with the new scope in Article 19a(1) of Directive 2013/34/EU and to achieve the objectives of such reporting in a more proportionate way, this requirement should only apply to undertakings that have a net turnover exceeding EUR 450 000 000 and have more than 1 000 employees during the financial year.

(9) Article 19a(3) of Directive 2013/34/EU requires undertakings to report information about the undertaking's own operations and about its value chain. ***There is evidence that undertakings in the value-chain, including small and medium-sized enterprises, are receiving disproportionate requests for information from reporting undertakings, notwithstanding the existing limitations specified in Article 29b(4) of that Directive.*** It is ***therefore*** necessary to ***introduce protections*** for undertakings in the value chain that ***do not exceed the average of 1 000 employees during the financial year to limit the burden for those undertakings ('protected undertakings'). Reporting undertakings may rely on a self-declaration issued by undertakings in*** their ***value chain for the purposes of determining the size of those undertakings***. ***No further verification by*** the reporting undertaking ***is necessary. However***, ***the reporting undertaking cannot rely on a self-declared size that it knows, or can reasonably be expected to know, is manifestly incorrect. When seeking to obtain information about their value chain, reporting undertakings should be prohibited from requiring information exceeding certain limits from protected undertakings. Those limits should reflect the limits specified by the sustainability reporting standards for voluntary use to be adopted by the Commission pursuant to Article 29ca of this Directive. At the same time, protected undertakings in***

their value chain should be given a statutory right to refuse to provide information exceeding those limits. To ensure the effectiveness of that right and to avoid placing a burden on smaller companies to proactively assess whether that right applies, reporting undertakings which choose to request information exceeding those limits should be required to ensure that protected undertakings are informed of which extra information is requested and of their statutory right to decline to provide it. To ensure proportionality, the scope of this 'value-chain cap' is limited in the following ways. First, it does not prohibit the sharing of information on a voluntary basis, such as information that is commonly shared among undertakings in a given sector. Second, it does not affect any obligation that may exist, whether contractually or under other Union or national law, to provide information that does not exceed the information specified in the voluntary standard. Third, the value-chain cap only applies to information gathering done for the ***purpose*** of reporting sustainability information ▌ as required by Directive 2013/34/EU***. It does not affect*** Union requirements to conduct a due diligence process ***or*** information ***gathering made for any other purpose, such as for*** the reporting undertaking***'s risk management***. Undertakings reporting ▌ in accordance with those limitations should be deemed to comply with the obligation to report ***value chain information as required by Articles 19a and 29a of Directive 2013/34/EU. It is important that reporting undertakings only request information from undertakings in*** their ***value chain insofar as necessary. In particular, it is important that they request less information than that specified in the standards for voluntary use if they do not need all the information in those standards***. Assurance providers should prepare their assurance opinion respecting the ***protections provided for*** undertakings ***in the value chain. Furthermore, recognising that all the necessary information may not always be available*** from undertakings in ***the*** value chain***, the reporting undertaking may meet the reporting requirements for value chain*** information ***by using*** information ***directly obtained from*** undertakings ***in its value chain or estimates for*** that information ***as appropriate***.

(9a) Given the simplification of the series of dates set out in Article 5(2) of Directive (EU) 2022/2464, Article 19a(3), second subparagraph and Article 29a(3), second subparagraph of Directive 2013/34/EU should be amended to simplify and to clarify that the 3-year transition period begins at the point at which an undertaking becomes required to report sustainability information in accordance with Directive 2013/34/EU and Directive (EU) 2022/2464.

(9c) There are circumstances in which undertakings should, subject to assurance, be permitted to omit certain information when applying the sustainability reporting requirements. Those circumstances should be developed and clarified. First, in certain cases the disclosure of sustainability information could seriously prejudice the commercial position of an undertaking. In such cases, the undertaking should be allowed to omit such information, provided that specific conditions for the omission are met to ensure that such cases remain exceptional and that the interests of the users of reported sustainability information are also adequately protected. In this context, the fact that undertakings not established in the Union are not required to report the same information does not constitute a serious prejudice to the commercial position of the undertaking. Second, undertakings should be able to omit information corresponding to intellectual capital, intellectual property, know-how, technological information or the results of innovation, that would qualify as a trade secrets as defined in Directive (EU) 2016/943 of the European Parliament and of the Council. Third, undertakings should be able to omit classified information. Finally, there may be information that should be kept confidential for reasons not relating to commercial prejudice, trade secrecy or classification. In particular, undertakings should be free to omit information that is to be protected from unauthorised access or disclosure according to other Union legislation or national law. Moreover, the sustainability reporting requirements should not oblige undertakings to disclose information which would be prejudicial to the privacy of natural persons or to the security of natural or legal persons. This is especially important in the current geopolitical context. Defence undertakings in particular need discretion to withhold sensitive information the disclosure of which could be prejudicial to their own security or to that of other legal persons, including Member States.

(10) Article 29c(1) of Directive 2013/34/EU allows small and medium-sized undertakings with securities admitted to trading on an EU regulated market, small and non-complex institutions and captive re(insurance) undertakings, to report sustainability information in accordance with the limited set of standards to be adopted by the Commission. Considering that small and medium-sized undertakings with securities admitted to trading on an EU regulated market should be excluded from sustainability reporting, the empowerment for the Commission to adopt delegated acts to provide for sustainability reporting standards for those small and medium-sized undertakings should be removed. ***References to Article 29c should accordingly be deleted from that Directive.***

(11) Article 19a(7) of Directive 2013/34/EU allows small and medium-sized undertakings with securities admitted to trading on an EU regulated market to opt out from sustainability reporting for the first two years of application of those requirements. Considering that small and medium-sized undertakings should be excluded from the sustainability reporting, the provision allowing for the two-year opt out should be removed.

(12) Article 29a(1) of Directive 2013/34/EU requires parent undertakings of ▌ groups ***of a certain size*** to prepare and publish a sustainability ***reporting*** at consolidated level. ***However, it is appropriate to increase the flexibility in the case of financial holding*** undertakings ***as defined in Article 2(15) of Directive 2013/34/EU. In particular, where a group*** of that ***size exists only by virtue of the diverse investments of a financial holding undertaking, consolidated reporting may present practical difficulties and burdens and be of limited use to other market participants. Consequently, financial holding undertakings that are*** parent undertakings of ***such*** groups ***should be able to choose whether to report*** consolidated ***sustainability information or whether to omit that information. This option should be strictly limited in light of its objective. It should only apply where the parent undertaking fulfills the definition of a*** financial ***holding undertaking, including the obligation not to involve themselves directly or indirectly in the management of the subsidiary undertakings, without prejudice to their rights as shareholders***. ***Those rights include the right to vote at general shareholder meetings, which may, depending on national company law rules, among other things, relate to the appointment of members of the management, administrative, and supervisory bodies of the undertakings in which holdings exist, to ensure the proper oversight and protection of those investments. Additionally, financial holding undertakings should only have this option where they have diverse holdings, namely in undertakings whose business models and operations are independent of one another; this excludes cases where those latter undertakings are closely interconnected through their business activities, for example when the activities of one subsidiary enable or directly support the activities of another subsidiary. Finally, this option does not affect any reporting obligations that may apply to other undertakings in the group, for instance if an undertaking in the group falls within Article 19a or 29a of Directive 2013/34/EU in its own right.***

(12a) Directive (EU) 2022/2464 requires undertakings in scope to report sustainability information according to mandatory European Sustainability Reporting Standards (ESRS). In July 2023 the Commission adopted a first set of ESRS. To deliver swiftly on

the simplification and streamlining of sustainability reporting the Commission will adopt a delegated act as soon as possible, and at the latest six months after the entry into force of this directive, to revise the first set of ESRS to substantially reform the standards by: (i) removing datapoints deemed least important for general purpose sustainability reporting, (ii) prioritising, to the extent possible, quantitative datapoints over narrative text, (iii) further distinguishing between mandatory and voluntary datapoints, (iv) providing clear instructions on how to apply the materiality principle, to ensure that undertakings are only required to report material information, and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process, (v) improving consistency with other pieces of EU legislation, including financial services legislation and (vi) taking account, to the greatest extent possible, interoperability with global sustainability reporting standards. The revision will clarify provisions that are deemed unclear. It will simplify the structure and presentation of the standards. It will also make any other modifications that may be considered necessary considering the experience of the first application of ESRS. Sustainability reporting standards should also take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements laid down in Article 19a and 29a and from suppliers in emerging markets and economies.

(12b) When the composition of a group of undertakings changes during the financial year due to the acquisition or merger of undertakings, integrating these undertakings into the sustainability reporting process for the same financial year may take additional time and pose administrative challenges. It is therefore appropriate to enable the parent undertaking subject to consolidated sustainability reporting requirements to postpone the sustainability reporting for such newly acquired or merged undertakings to the subsequent financial year. In addition, when an undertaking exits a group during the financial year, requiring the parent undertaking subject to consolidated sustainability reporting requirements to provide sustainability information on that undertaking for the same financial year would be disproportionate. It is therefore appropriate to enable the parent undertaking not to include in the consolidated management report for that financial year the sustainability information on that undertaking. Considering that certain events affecting the undertakings that were acquired or merged or that exited the

group may nevertheless have an effect on the group's impacts, risks or opportunities related to sustainability matters, it is appropriate to require the parent undertaking that chooses not to provide sustainability information on these undertakings for a financial year to indicate those significant events in its consolidated management report.

(13) Article 29b (1), third subparagraph, Directive 2013/34/EU empowers the Commission to adopt sector-specific reporting standards by way of delegated acts, with a first set of such standards to be adopted by 30 June 2026. To avoid an increase in the number of prescribed datapoints that undertakings should report, that empowerment should be removed. ***Depending on the demand from undertakings subject to sustainability reporting requirements of the Directive 2013/34/EU, the Commission could support undertakings by providing sector-specific guidance that illustrates and facilitates the application of ESRS within a given sector, including guidance on the conduct of the double materiality assessment aimed at identifying sustainability matters likely to be material for a typical undertaking operating in that sector. Any such guidelines should be based on consultations with relevant stakeholders. Where appropriate, relevant international standards may be taken into account.***

(14) Article 29b(4) of Directive 2013/34/EU requires sustainability reporting standards to not specify disclosures requiring undertakings to obtain from small and medium-sized undertakings in their value chain any information that goes beyond the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings with securities admitted to trading on an EU regulated market. Considering that small and medium-sized undertakings with securities admitted to trading on an EU regulated market should be excluded from sustainability reporting, and in order to reduce the reporting burden for undertakings in the value chain that are not required to report on their sustainability, the sustainability reporting standards should not specify disclosures requiring undertakings to obtain from undertakings in their value chain that have up to ***1 000*** employees on average during the financial year any information that goes beyond the information to be disclosed pursuant to the sustainability reporting standards for voluntary use by undertakings that are not required to report on their sustainability.

(14 a) The Commission should be empowered to adopt a delegated act to provide for sustainability reporting standards for voluntary use by undertakings that are protected by the value chain cap. Those standards should be proportionate to, and relevant for, the

capacities and the characteristics of those undertakings and to the scale and complexity of their activities. Other undertakings not required to report sustainability information may also choose to make use of those standards. The voluntary standards should use simplified language and take into account the think small first principle, using modularity allowing for flexibility and progression in the disclosures. To the greatest extent possible, the standards should take account of Regulation (EC) 1221/2009 of the European Parliament and the Council (EMAS Regulation). The standards should also specify, where possible, the structure to be used to present that information. Until the Commission adopts sustainability reporting standards for voluntary use, undertakings that report sustainability information voluntarily are free to do so in accordance with the Commission Recommendation 2025/1710 which is based on the voluntary standard for SMEs (VSME) developed by EFRAG. To ensure continuity and proportionality, the sustainability reporting standards for voluntary use adopted by the Commission as a delegated act should be based on that Recommendation.

(14b) In order to ensure that the sustainability reporting standards for voluntary use remain aligned with developments relevant to sustainability reporting, the Commission should review those standards at least every four years. In carrying out that review, the Commission should take due account of developments relevant to sustainability reporting as well as whether the standards the standards enable undertakings to achieve relevant objectives, including (a) providing information that meets the data needs of undertakings requesting sustainability information from their suppliers; (b) providing information that meets the data needs of financial institutions and investors and thereby facilitates undertakings' access to finance; (c) improving the management of sustainability matters, including, as relevant, environmental and social aspects such as pollution and workforce health and safety, in a manner that strengthens their competitiveness and resilience; and (d) contributing to a more sustainable and inclusive economy. Where those conditions are not met, the Commission should amend the standards accordingly.

(15) Article 29d of Directive 2013/34/EU requires undertakings subject to the requirements in Articles 19a and 29a of that Directive to prepare their management report, or consolidated management report, where applicable, in the electronic reporting format specified in

Article 3 of Commission Delegated Regulation (EU) 2019/815[10] and to mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council[11], in accordance with the electronic reporting format to be specified in that Delegated Regulation. To provide clarity to undertakings, it should be specified that until such rules on the marking up ▌ of sustainability reporting ***are*** adopted ***by way of that Delegated Regulation*** undertakings ▌ should not be required to mark-up their sustainability reporting.

(16) Article 33(1) of Directive 2013/34/EU specifies that the members of the administrative, management and supervisory bodies of an undertaking have collective responsibility for ensuring that ***certain*** documents are drawn up and published in accordance with the requirements of that Directive. To provide flexibility ▌ for undertakings and reduce their reporting burden, ***Member States can provide*** that the collective responsibility of the members of the administrative, management and supervisory bodies of an undertaking for compliance with the requirements of Article 29d of that Directive as regards the digitalisation of the management report is limited to its publication in the single electronic format, including the marking up of the sustainability reporting therein.

(17) Pursuant to Article 40a(1), fourth and fifth subparagraph of Directive 2013/34/EU, ***certain subsidiaries*** in the Union of a third-county undertaking that generates a net turnover of more than EUR 150 million in the Union, or, in the absence of such ***subsidiaries***, a branch in the Union that generates a net turnover of more than EUR 40 million, ***are*** to publish and make accessible sustainability information at the group level of the third-country parent undertaking. To ***relieve burden on third country*** undertakings ▌ in ***a similar proportion to the reduction in burden on undertakings subject to Articles 19a and 29a of that*** Directive ▌ , the net turnover threshold for the third-country undertaking should be raised from EUR 150 000 000 to EUR 450 000 000. ***In addition,*** for reasons of ▌ burden reduction, the

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[10] Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1, ELI: http://data.europa.eu/eli/reg_del/2019/815/oj).

[11] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13, ELI: http://data.europa.eu/eli/reg/2020/852/oj).

size for a subsidiary undertaking and a branch to be in scope of Article 40a should ***also*** be adjusted. The size of the subsidiary undertaking ***and*** the branch should be ***set at EUR 200 million. The reporting requirements for the subsidiary undertaking or the branch of the third-country undertaking under Article 40a are different from the reporting requirements for*** undertakings ***under Articles 19a and 29a***. ***The subsidiary or branch of the third-country undertaking subject to Article 40a is only required to publish and make available the sustainability report provided by the third-country undertaking, whereas undertakings subject to Articles 19a and 29a must report on their own behalf. It is therefore not necessary to apply the same thresholds when defining the size of EU subsidiaries or branches subject to the reporting requirements under Article 40a and when defining the size of undertakings subject to the reporting requirements under Article 19a and 29a. Further, to ensure a level playing field, third-country parent undertakings which are financial holding undertakings as defined in Article 2(15) of Directive 2013/34/EU, whose subsidiaries have business models and operations independent from one another, should be allowed not to publish and make accessible a sustainability report in accordance with Article 40a.***

(17a) To ensure that undertakings can access practical information about the application of mandatory and voluntary sustainability reporting standards referred to in Directive 2013/34/EU, and to ease the burden of applying those standards, the Commission should provide for a dedicated online portal. This portal should give access to information, guidance and support, including relevant templates and guidance, regarding those sustainability reporting standards. It should be interconnected with online support measures provided by Member States, where they exist, to take account of national contexts.

(17b) In order to reduce the administrative burdens stemming from sustainability reporting requirements mainly associating with the data collection, data processing and business-to-business sharing of data for undertakings, the Commission should present a report on initiatives that enable undertakings to collect, process and exchange data in a secure, seamless and automated manner. This should include providing harmonized, standardized and structured digital data formats for efficient business-to-business sharing of activity data, such as electronic invoices, digital VSME-reports; setting minimum technical requirements for digital systems used for sustainability data management and reporting to ensure interoperability; ensuring access to trustworthy

and qualified data; and ensuring the possibility to share data through open and common EU data exchange infrastructure.

(17c) In order to adapt the net turnover thresholds for undertakings to be subject to sustainability reporting requirements, as with the passage of time inflation will erode their real value, the Commission should be empowered to adopt delegated acts in accordance with Article 290 of the TFEU. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

(18) Article 5(2), first subparagraph, of Directive (EU) 2022/2464 specifies the dates by which the Member States are to apply the sustainability reporting requirements set out in Directive 2013/34/EU, with different dates depending on the size of the undertaking concerned. Considering that ***only*** undertakings with ***a net turnover exceeding EUR 450 000 000 and*** more than ***1 000*** employees on average during the financial year, ***at the group level, as appropriate, should be subject to*** sustainability reporting requirements ▌, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings with securities admitted to trading on an EU regulated market should be removed.

(18a) It is important to ensure legal certainty regarding this reduction in scope, especially regarding the personal scope of the relevant provisions at each point in time. Accordingly, Article 5(2), first subparagraph, point (a) of Directive (EU) 2022/2464, on the first set of undertakings subject to that Directive, should be amended to limit its application to three financial years from 1 January 2024. For financial years starting on or after 1 January 2027, Article 5(2), first subparagraph, point (b) of Directive (EU) 2022/2464, on the second set of undertakings subject to that Directive, should apply. Accordingly, undertakings that fall within point (a) but outside of point (b), as amended by this Directive, will fall outside of the scope of this Directive as of financial years starting on or after 1 January 2027. Nevertheless, with a view to reducing burden as swiftly as possible, Member States should be able to exempt such undertakings from reporting obligations as regards the financial years beginning between 1 January 2025

and 31 December 2026. Member States are required to implement this derogation in a way that ensures compliance with the principle of legal certainty.

(19) Article 5(2), third subparagraph, of Directive (EU) 2022/2464 specifies the dates by which the Member States are to apply the sustainability reporting requirements set out in Directive 2004/109/EC, with different dates depending on the size of the issuer concerned. Considering that ***only*** undertakings with ***a net turnover exceeding EUR 450 000 000 and*** more than ***1 000*** employees on average during the financial year, ***at the group level, as appropriate, should be subject to*** sustainability reporting requirements ▌, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings ***with securities admitted to trading on an EU regulated market*** should be removed.

(19a) It is important to ensure legal certainty regarding this reduction in scope, especially regarding the material scope of the relevant provisions at each point in time. Accordingly, Article 5(2), third subparagraph, point (a) of Directive (EU) 2022/2464, on the first set of issuers subject to that Directive, should be amended to limit its application to three financial years from 1 January 2024. For financial years starting on or after 1 January 2027, Article 5(2), third subparagraph, point (b) of Directive (EU) 2022/2464, on the second set of issuers subject to that Directive, should apply. Accordingly, issuers that fall within point (a) but outside of point (b), as amended by this Directive, will fall outside of the scope of this Directive as of financial years starting on or after 1 January 2027. Nevertheless, with a view to reducing burden as swiftly as possible, Member States should be able to exempt such issuers from reporting obligations as regards the financial years beginning between 1 January 2025 and 31 December 2026. Member States are required to implement this derogation in a way that ensures compliance with the principle of legal certainty.

(19aa) Due to the change in the scope of undertakings subject to sustainability reporting obligation, the review clause included in Article 6(1) should be adjusted. In order to ensure that the Union's objective of enabling the disclosure of sufficient data on corporate sustainability, the Commission should assess the appropriateness of the scope of Directive (EU) 2022/2464 as amended by this Directive. It is appropriate for that review to be based on, in particular, an analysis of the needs for sustainability data to mobilise private investments towards EU Green Deal objectives on the one hand, and

the influence of sustainability reporting on the competitiveness of the EU undertakings on the other hand. It is also important that the review take into account the best practices developed and the actual level of preparedness of undertakings to provide sustainability disclosures under that Directive. To this end and in the light of the proportionality principle, when considering the possible extension of the scope, it is important that the Commission consider whether to balance this extension with a possibility to establish a simplified reporting regime.

(19b) Article 1(2) of Directive (EU) 2024/1760 precludes that Directive from constituting grounds for reducing the level of protection of certain rights and interests provided by national law or collective agreements applicable at the time of that Directive's adoption. However, this should not prevent Member States from adjusting national corporate sustainability due diligence law applicable at the time of the adoption of that Directive, when implementing the Directive, in order to increase or ensure their alignment with it, in particular their scope.

(19c) Directive (EU) 2024/1760 does not aim to provide a comprehensive framework for the protection of human rights or the environment in the context of companies' operation. Instead, it aims to harmonise national law concerning general due diligence obligations on such companies and liability in that respect, thereby ensuring that companies active in the internal market contribute to sustainable development. Due diligence processes are complementary to, rather than replacing, the specific legal obligations that operate to protect, directly or indirectly, human rights or the environment. Those specific legal obligations include, amongst many other examples, labour, working time and equality law; law concerning workplace health and safety, including the handling of hazardous materials; construction standards and building zoning laws; and law regulating product or food safety. All such legal obligations fall outside of the scope of this Directive, unless and insofar as they lay down general due diligence obligations. To increase legal certainty and to ensure that the necessary regulatory freedom is explicitly preserved, Article 1 of Directive (EU) 2024/1760 should be amended to further clarify the limits of the Directive's scope.

(19d) Directive (EU) 2024/1760 imposes wide-ranging due diligence obligations on relevant companies. Because of this, its scope is limited to particularly large companies. Nevertheless, the Report on The future of European competitiveness identified the due

diligence framework as "a major source of regulatory burden", concluding in this respect that there was a "need to better consider the size of companies affected by regulation". Furthermore, this Directive can best achieve its objectives as regards the very largest companies, which have the greatest influence over their value chain, the greatest impact on human rights and the environment, and the greatest resources to implement due diligence diligently. For all of these reasons, and in line with the crucial objective of simplification, the scope of this Directive should be reduced. The threshold of EUR 450 000 000 in Article 2(1) and 2(2) should be raised to EUR 1.5 billion, and the threshold of 1 000 employees in Article 2(1) should be raised to 5 000 employees. Accordingly, the thresholds in Article 2(1), point (c), and Article 2(2), point (c), should be raised to EUR 75 000 000 in royalties and EUR 275 000 000 in net worldwide turnover.

(20) Article 4(1) of Directive (EU) 2024/1760 prohibits Member States from introducing, in their national law, provisions within the field covered by the Directive laying down human rights and environmental due diligence obligations diverging from those laid down in Article 8(1) and (2), and ***Articles 10(1) and 11(1)*** of that Directive. To ensure that Member States do not go beyond that Directive and to avoid the creation of a fragmented regulatory landscape resulting in legal uncertainty and unnecessary burden, the full harmonisation provisions of Directive (EU) 2024/1760 should be expanded to additional provisions regulating the core aspects of the due diligence process. That includes, in particular, the identification duty, ***prioritisation,*** the duties to address adverse impacts that have been or should have been identified, ▌ and the duty to provide for a complaints and notification mechanism ***, the duty to monitor due diligence measures, and the duty to report on the matters covered by that Directive***. At the same time, Member States should ***continue to*** be allowed to introduce more stringent ▌ provisions on other aspects ***or provisions on due diligence that are more specific in terms of the objective or the field covered. The latter concept includes provisions of national law regulating specific adverse impacts or specific sectors of activity, in order to achieve a different level of protection of human, employment and social rights, the environment or the climate. To increase legal certainty and to ensure necessary regulatory freedom, in particular as regards*** emerging ***specific*** risks ***for which due diligence obligations may be important, this concept should be further clarified. It should be clarified that the concept includes due diligence obligations concerning specific*** products***,*** services***, or situations***. ***Conversely, national***

rules going beyond a specific objective or field, for instance by regulating the due diligence process in general or regulating due diligence in a whole sector, do not fall within this concept.

(21) Article 5 of Directive (EU) 2024/1760 obliges Member States to ensure that large companies above a certain size conduct ▌ human rights and environmental due diligence. ***Article 8 requires those*** companies ***to take appropriate measures to identify and assess adverse impacts, taking into account relevant risk factors. Companies should be*** required ***to conduct a scoping exercise, based solely on reasonably available information, to identify*** general ***areas across their*** own operations, those of ***their*** subsidiaries and***, where related to*** their chains of activities, ***those of their*** business partners ***where adverse impacts are most likely to occur***. ***When conducting the scoping exercise,*** companies ***are not required to systematically identify*** adverse impacts ***at entity level, but rather are required to scope general areas. In the scoping exercise***, companies should ***rely solely on information that is reasonably available to them,*** which ***will as a general rule preclude requesting information from*** business ***partners. Nevertheless, companies have flexibility in judging what information is reasonably available to them***.

(21a) Based on the results of the scoping exercise, the companies should be required to carry out an in-depth assessment in the areas where adverse impacts were identified to be most likely to occur and most severe. Companies are not required to request any information from business partners, where no likely and severe risks were identified. The in-depth assessment should be aimed at obtaining accurate and reliable information, in particular about the nature and extent, causes, severity and likelihood of the identified adverse impacts, to enable the company to conduct, where relevant, the prioritisation in accordance with Article 9 and adopt appropriate measures to address them in accordance with Articles 10 to 12. To provide companies with additional flexibility, when a company has identified adverse impacts equally likely or equally severe in several areas, they should be able to prioritise assessing adverse impacts which involve direct business partners. Companies are only required to take appropriate measures to identify adverse impacts. They are thus not required to identify every adverse impact in their operations, those of their subsidiaries, and those of their business partners. In some cases, this could lead to such an impact not being identified, and therefore not being prevented, mitigated, brought to an end or minimised, despite the company having

complied in full with its obligations under this Directive. It follows that companies would not be penalised under Article 27 of that Directive for such an impact.

(22) To limit the trickle-down effect on ***other companies, including*** small and medium-sized undertakings and small midcap companies***,*** when it comes to ***the in-depth assessment of business partners***, ▌ companies ***subject to that Directive*** should ***only request*** information ***from business partners where*** that information ***is necessary. It is important that any request be targeted,*** reasonable ***and proportionate***. ***In the case of business partners with fewer than 5000 employees, companies should request information only when the information cannot reasonably be obtained by other means such as from information they have or other sources.***

(-22a) Article 8(3) of Directive (EU) 2024/1760 requires Member States to ensure that for the purpose of identifying and assessing the adverse impacts, companies are entitled to make use of appropriate resources, including independent reports, information gathered through the notification mechanism and the complaints procedure provided for in Article 14. To ease compliance for companies and the relevant business partners, it should be specified that digital solutions, industry and multi-stakeholder initiatives could also constitute appropriate resources. This list is not exhaustive, and so companies remain free to obtain the necessary information individually instead of, or as well as, through industry and multi-stakeholder initiatives in order to avoid duplicative requests.

(22a) As adverse impacts should be prioritised according to their severity and likelihood and addressed gradually, if it is not possible to address at the same time to the full extent all adverse impacts it has identified, a company should not be penalised under Article 27 of Directive (EU) 2024/1760.

(23) Companies may find themselves in situations where their production heavily relies on inputs from one or several specific suppliers. At the same time, where the business operations of such a supplier are linked to severe adverse impacts, including child labour or significant environmental harm, and the company has unsuccessfully exhausted all due diligence measures to address those impacts, the company, as a last resort should suspend the business relationship while continuing to work with the supplier towards a solution, where possible using any increased leverage resulting from the suspension. ***The suspension should end once the adverse impact is addressed.***

(24) To reduce burdens on companies and make stakeholder engagement more proportionate, companies should only have to engage with workers, their representatives including trade unions, and individuals and communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners, and that have a link to the specific stage of the due diligence process being carried out. That includes individuals or communities in the neighbourhood of plants operated by business partners where those individuals or communities are directly affected by pollution, or indigenous people whose right to lands or resources are directly affected by how a business partner acquires, develops or otherwise uses land, forests or waters. Moreover, stakeholder engagement should only be required for certain parts of the due diligence process, namely at the identification stage, for the development of (enhanced) action plans and when designing remediation measures.

▌

(25) To reduce administrative burdens on companies, the Commission's ▌ general due diligence guidelines should be ***made available prior to the transposition deadline, by*** 26 July ***2027***. In parallel, the application deadline for Directive (EU) 2024/1760 for ***all*** companies should be deferred to 26 July ***2029***. That two-year interval ▌ should provide companies with sufficient time to take into account the practical guidance and best practices included in the Commission's guidelines when implementing due diligence measures.

(26) ***The provisions*** of Directive (EU) 2024/1760 ***on*** the transition plan for climate change ***have been deemed to be disproportionate, particularly due to the*** administrative ***burden on companies and supervisory authorities, and could lead to legal uncertainty***. ***It is necessary to repeal those provisions in order to streamline obligations and support a more targeted and efficient implementation of that Directive.***

▌

(27) Article 27(1) of Directive EU 2024/1760 requires Member States to lay down penalties that are to be "effective, proportionate and dissuasive". Article 27(2) of that Directive requires Member States, when deciding whether to impose penalties and, if so, when determining their nature and appropriate level, to take due account of a series of factors that determine the gravity of the infringement and attenuating or aggravating

circumstances. Article 27(4) of that Directive requires Member States***, when imposing*** pecuniary penalties***, to base them*** on the net worldwide turnover of the company concerned. However, ***this requirement appears unnecessary and could be misinterpreted as requiring pecuniary penalties to be based solely or primarily on that turnover. Instead, in accordance with the requirement that penalties be effective, proportionate and dissuasive, supervisory authorities are required*** to take ***appropriate*** account ***of the net worldwide turnover (or, in the case of companies belong to a group, the net consolidated worldwide turnover of the ultimate parent company), alongside*** the series of factors laid down in Article 27(2) of that Directive***. Accordingly, this separate requirement should be removed. Conversely***, to ensure a level playing field across the Union ***and in line with the objective of harmonization***, Member States should be ***required to set a uniform maximum limit of*** pecuniary penalties ***of 3% of the net worldwide turnover. The application of this maximum limit to*** companies ***belonging to groups should be clarified***. Moreover, to ***increase the consistency of*** enforcement practices across the Union, the Commission, in collaboration with the Member States, should develop guidelines to assist supervisory authorities in determining the level of penalties.

(28) To ***better achieve the principle of subsidiarity***, the specific, Union-wide liability regime currently provided for in Article 29(1) of that Directive should be removed. At the same time, as a matter of both international and Union law, Member States should be required to ensure that victims of adverse impacts have effective access to justice and to guarantee their right to an effective remedy, as enshrined in Article 2(3) of the International Covenant on Civil and Political Rights, Article 8 of the Universal Declaration of Human Rights, Article 9(3) of the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention) and Article 47 of the EU Charter of Fundamental Rights. Member States should therefore ensure that, in case a company is held liable for a failure to comply with the due diligence requirements laid down in Directive (EU) 2024/1760, and that where such failure caused damage, victims are able to receive full compensation, which should be granted in accordance with the principles of effectiveness and equivalence, while balancing this through safeguards should prevent against overcompensation. In view of the different rules and traditions that exist at national level when it comes to allowing representative actions, the specific requirement in that regard in Directive (EU) 2024/1760 should be deleted.

Such deletion is without prejudice to any provision of the applicable national law allowing a trade union, non-governmental human rights or environmental organisation, other non-governmental organisation or a national human rights institution to bring actions to enforce the rights of the alleged injured party, or to support such actions brought directly by such party. Furthermore, for the same reason, the requirement for Member States to ensure that the liability rules are of overriding mandatory application in cases where the law applicable to claims to that effect is not the national law of the Member State should be deleted. That deletion does not restrict the possibility for Member States to provide that the provisions of national law transposing Article 29 of Directive EU 2024/1760 are of overriding mandatory application in accordance with Article 16 of Regulation (EC) No 864/2007, in cases where the law applicable to claims to that effect is not the national law of a Member State.

(29) Article 36(1) of Directive (EU) 2024/1760 requires the Commission to submit by no later than 26 July 2026 a report to the European Parliament and to the Council on the necessity of laying down additional sustainability due diligence requirements tailored to regulated financial undertakings with respect to the provision of financial services and investment activities, and the options for such due diligence requirements and their impacts. As that review clause does not leave any time to take into account the experience with the newly established, general due diligence framework, it should be removed.

(29a) The transposition deadline should be postponed by one year and the dates from which Member States are to apply Directive (EU) 2024/1760 should be unified for all companies within scope in order to give companies more time to prepare for the requirements of that Directive. Additionally, several other dates in that Directive should be amended to reflect this one-year postponement, as well as the postponement implemented by Directive (EU) 2025/794.

▌

(30) Since the objectives of this Directive cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of

proportionality as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.

(31) Directive 2006/43/EC, Directive 2013/34/EU, Directive (EU) 2022/2464 and Directive (EU) 2024/1760 should therefore be amended accordingly,

HAVE ADOPTED THIS DIRECTIVE:

Article 1

Amendments to Directive 2006/43/EC

Directive 2006/43/EC is amended as follows:

(-1) Article 3, first subparagraph of paragraph 4 is replaced by the following:

'4. The competent authorities of the Member States may approve as audit firms only those entities which satisfy the following conditions:

(a) the natural persons who carry out statutory audits on behalf of an audit firm must satisfy at least the conditions for statutory audit imposed by Article 4, Article 6(1), Article 7(1), Article 8(1) and (2), Article 9, Article 10(1) first subparagraph, Article 11 and Article 12 of this Directive and must be approved as statutory auditors in the Member State concerned;

(b) a majority of the voting rights in an entity must be held by audit firms which are approved in any Member State or by natural persons who satisfy at least the conditions for statutory audit imposed by Article 4, Article 6(1), Article 7(1), Article 8(1) and (2), Article 9, Article 10(1) first subparagraph, Article 11 and Article 12 of this Directive. Member States may provide that such natural persons must also have been approved in another Member State. For the purpose of the statutory audit of cooperatives, savings banks and similar entities as referred to in Article 45 of Directive 86/635/EEC, a subsidiary or legal successor of a cooperative, savings bank or similar entity as referred to in Article 45 of Directive 86/635/EEC, Member States may lay down other specific provisions in relation to voting rights;

(c) a majority - up to a maximum of 75 % - of the members of the administrative or management body of the entity must be audit firms which are approved in any Member

State or natural persons who satisfy at least the conditions for statutory audit imposed under Article 4, Article 6(1), Article 7(1), Article 8(1) and (2), Article 9, Article 10(1) first subparagraph, Article 11 and Article 12 of this Directive. Member States may provide that such natural persons must also have been approved in another Member State. Where such a body has no more than two members, one of those members must satisfy at least the conditions in this point;

(d) the firm must satisfy the condition imposed by Article 4.'

(-1a) In Article 24b(1), the second subparagraph is replaced by the following:

(-1g) 'Member States shall ensure that, when the assurance of sustainability reporting is carried out by an audit firm, that audit firm designates at least one key sustainability partner who must satisfy at least the conditions imposed by Articles 4 and 6 to 12 and must be approved as statutory auditor in the Member State concerned. That key sustainability partner may be (one of) the key audit partner(s). The audit firm shall provide the key sustainability partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.';

(1) in Article 26a, paragraph 3 is replaced by the following:

'3. The Commission shall***, no later than 1 July 2027,*** adopt delegated acts in accordance with Article 48a in order to supplement this Directive in order to provide for limited assurance standards setting out the procedures that the auditor(s) and the audit firm(s) shall perform in order to draw his, her or its conclusions on the assurance of sustainability reporting, including engagement planning, risk consideration and response to risks and type of conclusions to be included in the assurance report on sustainability reporting, or, where relevant, in the audit report.

The Commission ***shall*** adopt the assurance standards referred to in the first subparagraph***, ensuring that the*** standards:

(a) have been developed with proper due process, public oversight and transparency;

(b) contribute a high level of credibility and quality to the annual or consolidated sustainability reporting; and

(c) are conducive to the Union public good.;

(1a) in Article 45, paragraph 5, the second subparagraph, point (a) is replaced by the following:

'(a) the majority of the members of the administrative or management body of the third-country audit entity meet requirements which are equivalent to those laid down in Articles 4 to 10, with the exception of Article 7(2), Article 8(3) and the second subparagraph of Article 10(1);''

(1aa) in Article 45, the following paragraph is inserted:

'5b. Member States shall not apply paragraphs 1 to 5a in relation to assurance reports concerning annual or consolidated sustainability reporting, issued for financial years starting during the period from 1 January 2025 to 31 December 2030 in cases where the third-country auditor or audit entity concerned provides the competent authorities of the Member State with the following:

(a) the name and address of the auditor or audit entity concerned and information about its legal structure;

(b) the declaration that the third country auditor who signs the assurance report acquired knowledge in the area of sustainability reporting and its assurance and the information on the level of that knowledge;

(c) where the auditor or the audit entity belongs to a network, a description of that network;

(d) the assurance standards and independence related requirements which have been applied to the assurance of sustainability reporting concerned;

(e) a description of the internal quality control system of the audit entity that covers the assurance of the sustainability reporting; and

(f) an indication of whether and when the last quality assurance review of the auditor or audit entity for the sustainability assurance engagements was carried out and necessary

information about the outcome of that quality assurance review.
Upon receiving all of the above information the competent authorities of the Member State register the third-country auditor or audit entity concerned for the purpose of assurance of sustainability information and make it clear that the registration was done under the transition period provision. If any of the above information is not provided by the third-country auditor or audit entity concerned, the competent authorities of the Member State shall not register that auditor or audit entity.

(2) in Article 48a(2), the second subparagraph is replaced by the following:

'The power to adopt delegated acts referred to in Article 26a(3) shall be conferred on the Commission for an indeterminate period of time..'

Article 2

Amendments to Directive 2013/34/EU

Directive 2013/34/EU is amended as follows:

(1) Article 1 is amended as follows:

(a) in paragraph 3, the introductory wording is replaced by the following:

'The coordination measures prescribed by Articles 19a, ***29a***, 29d, 30 and 33, Article 34(1), second subparagraph, point (aa), Article 34(2) and (3), and Article 51 of this Directive shall also apply to the laws, regulations and administrative provisions of the Member States relating to the following undertakings regardless of their legal form, provided that those undertakings are ▌ undertakings which, on their balance sheet dates, exceed ***a net turnover of EUR 450 000 000 and*** the average number of ***1 000*** employees during the financial year:;'

(b) paragraph 4 is replaced by the following:

'4. The coordination measures prescribed by Articles 19a, 29a and 29d shall not apply to the European Financial Stability Facility (EFSF) established by the EFSF Framework Agreement nor to financial products listed in Article 2, point (12), (b) and (f) of Regulation (EU) 2019/2088 of the European Parliament and of the Council*.

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* Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1, ELI: http://data.europa.eu/eli/reg/2019/2088/oj).;

(1a)

In Article 3, paragraph 13 is replaced by the following:

In order to adjust for the effects of inflation, the Commission shall at least every five years review and, where appropriate, amend, by means of delegated acts in accordance with Article 49, the thresholds referred to in the following provisions, taking into account measures of inflation as published in the Official Journal of the European Union: a) paragraphs 1 to 7 of this Article; b) the fourth subparagraph of Article 19(1), the first subparagraph of Article 19a(1), the first subparagraph of Article 29a(1); c) the second, fourth and fifth subparagraphs of Article 40a(1). '

(1b) in Article 19(1), the fourth subparagraph is replaced by the following:

'Undertakings which, on their balance sheet dates, exceed a net turnover of EUR 450 000 000 and the average number of 1 000 employees during the financial year, shall report information on the key intangible resources and explain how the business model of the undertaking fundamentally depends on such resources and how such resources are a source of value creation for the undertaking.'

(2) Article 19a is amended as follows:

(a) in paragraph 1, the first subparagraph is replaced by the following:

▌Undertakings which, on their balance sheet dates, exceed ***a net turnover of EUR 450 000 000 and*** the average number of ***1 000*** employees during the financial year shall include in their management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.;'

(b) paragraph 3 is amended as follows:

(i) ***after*** the first subparagraph**,** the following ***subparagraphs are inserted***:

'For the purposes of the third, fourth and fifth subparagraph the following definitions apply:

(a) 'reporting undertaking' means an undertaking required to report pursuant to paragraph 1 of this Article;

(b) 'protected undertaking' means an undertaking which:

a. does not exceed, on its balance sheet date, the average number of 1 000 employees during the preceding financial year; and

b. is in the value chain of a reporting undertaking;

(c) 'voluntary standards' means the standard for voluntary use as referred to in ***Article 29ca***.

Reporting undertakings ***may rely on a self-declaration*** from undertakings in their value chain ***to determine whether they are protected undertakings. Reporting undertakings shall not be required to take steps to verify this information. However, they may not rely on the self-declaration where they know, or can reasonably be expected to know, that the declaration is manifestly incorrect.***

Protected undertakings have the right to decline to provide information ***exceeding the information specified in the voluntary standards in response to a request made for the purpose of sustainability reporting as required by this Directive. Furthermore:***

(a) when establishing contractual and other arrangements for the purpose of meeting the sustainability reporting requirements of this Directive, reporting undertakings shall not require protected undertakings to provide information exceeding the information specified in the voluntary standards;

(b) any contractual provision contrary to point (a) shall not be binding, without however affecting the binding nature of the remaining provisions of the contract;

(c) where a reporting undertaking requests information, directly or indirectly, from protected undertakings for the purpose of sustainability reporting as required by this Directive, and some or all of that information exceeds the information specified in the voluntary ***standards, then that reporting***

undertaking shall ensure that protected undertakings ***are informed of:***

(i) which information exceeds the information specified in the ***voluntary standards; and***

(ii) protected undertakings' statutory right to decline to provide the information;

(d) reporting undertakings that report the necessary value chain information without reporting from ***protected*** undertakings***,*** any information that exceeds the information specified in the ***voluntary*** standards ***are*** deemed to have complied with the obligation to report value chain information set out in ***the first subparagraph.***

Nothing in the fourth subparagraph:

(a) affects information requests for purposes other than the purpose of sustainability reporting as required by this Directive, including requests for the purpose of complying with Union requirements on undertakings to conduct a due diligence process; or

(b) imposes or implies any obligation on any undertaking in the value chain to provide sustainability information.

For the first three years of being subject to sustainability reporting requirements in accordance with paragraph ***1 and in the event that not all the necessary information regarding its value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future. After that three-year transition period, the undertaking shall meet the reporting requirements for value chain information by using information directly obtained from undertakings in its value chain or estimates for that information as appropriate.***

(ii) the fourth subparagraph is replaced by the following subparagraph:

When reporting the information referred to in paragraphs 1 and 2, undertakings may omit the following information:

(a) in exceptional cases, information the disclosure of which would be seriously prejudicial to the commercial position of the undertaking, provided that all of the following conditions are met:

(i) such omission does not prevent a fair and balanced understanding of

the undertaking's development, performance and position, or of its principal risks or principal impacts;

(ii) the undertaking has determined that it is impossible to disclose the information in a manner, such as at an aggregated level, that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing its commercial position;

(iii) the undertaking discloses the fact that it has used this exemption;

(iv) the undertaking reassesses at each reporting date whether the information may still be omitted.

(b) information corresponding to intellectual capital, intellectual property, know-how, technological information, or the results of innovation, that qualifies as a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943, provided that both of the following conditions are met:

(i) the undertaking discloses the fact that it has used this exemption; and

(ii) the undertaking reassesses at each reporting date whether the information may still be omitted.

(c) classified information as defined in Article 2, point (7) of Regulation (EU) 2023/2418, provided that both of the following conditions are met:

(i) the undertaking discloses the fact that it has used this exemption; and

(ii) the undertaking reassesses at each reporting date whether the information may still be omitted;

(d) other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legislation or in national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person, provided that both of the following conditions are met:

(i) the undertaking discloses the fact that it has used this exemption; and

(ii) the undertaking reassesses at each reporting date whether the information may still be omitted.'

▌

(c) paragraphs 6 and 7 are deleted;

(d) paragraph 10 is replaced by the following:

'The exemption laid down in paragraph 9 shall also apply to public-interest entities subject to the requirements of this Article'.

▌

(4) Article 29a is amended as follows:

(a) in paragraph 1, the first subparagraph is replaced by the following:

'Parent undertakings of a ▌ group which, on ***its*** balance sheet ***date***, exceed***, on a consolidated basis, a net turnover of EUR 450 000 000 and*** the average number of 1000 employees ▌ during the financial year, shall include in the consolidated management report information necessary to understand the group's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the group's development, performance and position.***'***;'

(b) paragraph 3 is amended as follows:

(i) ***after*** the first subparagraph***,*** the following ***subparagraphs are inserted***:

'For the purposes of the third, fourth and fifth subparagraph the following definitions apply:
(a) 'reporting undertaking' means an undertaking required to report pursuant to paragraph 1 of this Article;
(b) 'protected undertaking' means an undertaking which:
a. does not exceed, on its balance sheet date, the average number of 1 000 employees during the preceding financial year; and
b. is in the value chain of a reporting undertaking;
(c) 'voluntary standards' means the standard for voluntary use as referred to in ***Article 29ca***.
Reporting▌ undertakings ***may rely on a self-declaration*** from undertakings in their value chain ***to determine whether they are protected undertakings. Reporting undertakings shall not be required to take steps to verify this information. However, they may not rely on the self-declaration where they know, or can reasonably be expected to know, that the declaration is manifestly incorrect.***

Protected undertakings have the right to decline to provide information ***exceeding the information specified in the voluntary standards in response to a request made for the purpose of sustainability reporting as required by this Directive. Furthermore:***

(a) when establishing contractual and other arrangements for the purpose of meeting the sustainability reporting requirements of this Directive, reporting undertakings shall not require protected undertakings to provide information exceeding the information specified in the voluntary standards;

(b) any contractual provision contrary to point (a) shall not be binding, without however affecting the binding nature of the remaining provisions of the contract;

(c) where a reporting undertaking requests information, directly or indirectly, from protected undertakings for the purpose of sustainability reporting as required by this Directive, and some or all of that information exceeds the information specified in the ▌ voluntary ***standards, then that reporting undertaking shall ensure that protected*** undertakings ***are informed of:***

(i) which information exceeds the information specified in the ***voluntary standards; and***

(ii) protected undertakings' statutory right to decline to provide the information;

(d) reporting undertakings that report the necessary value chain information without reporting from ***protected*** undertakings ▌ , ▌ any information that exceeds the information specified in the ***voluntary*** standards ***are*** deemed to have complied with the obligation to report value chain information set out in ***the first subparagraph.***

Nothing in the fourth subparagraph:

(a) affects information requests for purposes other than the purpose of sustainability reporting as required by this Directive, including requests for the purpose of complying with Union requirements on undertakings to conduct a due diligence process; or

(b) imposes or implies any obligation on any undertaking in the value chain to provide sustainability information.

For the first three years of being subject to sustainability reporting requirements in accordance with paragraph ***1, and in the event that not all the necessary information regarding its value chain is available, the parent***

undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future. After that three-year transition period, the parent undertaking shall meet the reporting requirements for value chain information by using information directly obtained from undertakings in its value chain or estimates for that information as appropriate.

(ii) The fourth subparagraph is replaced by the following subparagraph:

'When reporting the information referred to in paragraphs 1 and 2, parent undertakings may omit the following information:
(a) information the disclosure of which would be seriously prejudicial to the commercial position of the group, provided that all of the following conditions are met:
(i) such omission does not prevent a fair and balanced understanding of the group's development, performance and position, or of its principal risks or principal impacts;
(ii) the parent undertaking has determined that it is impossible to disclose the information in a manner, such as at an aggregated level, that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing the group's commercial position;
(iii) the parent undertaking discloses the fact that it has used this exemption;
(iv) the parent undertaking reassesses at each reporting date whether the information may still be omitted;
(b) information corresponding to intellectual capital, intellectual property, know-how, technological information, or the results of innovation, that qualifies as a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943, provided that both of the following conditions are met:
(i) the parent undertaking discloses the fact that it has used this exemption; and
(ii) the parent undertaking reassesses at each reporting date whether the information may still be omitted;
(c) classified information as defined in Article 2, point (7) of Regulation

(EU) 2023/2418, provided that both of the following conditions are met:

(i) the parent undertaking discloses the fact that it has used this exemption; and

(ii) the parent undertaking reassesses at each reporting date whether the information may still be omitted;

(d) other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legislation or in national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person, provided that both of the following conditions are met:

(i) the parent undertaking discloses the fact that it has used this exemption; and

(ii) the parent undertaking reassesses at each reporting date whether the information may still be omitted.'

(b a) The following paragraph is inserted:

4a. By way of derogation from paragraph 1 of this Article, in case the composition of the group has changed during the financial year due to acquisitions or mergers of undertakings, the parent undertaking may decide not to include in the consolidated management report related to that financial year the information referred to in paragraph 1 of this Article regarding these undertakings.

By way of derogation from paragraph 1 of this Article, the parent undertaking may decide not to include in the consolidated management report the information referred to in paragraph 1 of this Article regarding any subsidiary undertaking that exits the group during the financial year.

A parent undertaking exercising the options referred to in the first or second subparagraph shall indicate any significant event that affected the subsidiary undertaking during the financial year and that has an effect on the group's impacts, risks or opportunities related to sustainability matters.

(bb) The following paragraph is inserted:

7a. By way of derogation from paragraph 1 of this Article, Member States shall ensure that parent undertakings that are financial holding undertakings with subsidiaries having business models and operations independent from one another may choose not to include in their consolidated management report the information referred to in paragraph 1 of this Article.

(c) paragraph 9 is replaced by the following:

'The exemption laid down in paragraph 8 shall also apply to public-interest entities subject to the requirements of this Article.''

▌

(6) Article 29b is amended as follows:

(a) in paragraph 1, the third***,*** fourth ***and sixth*** subparagraphs are deleted;

(aa) in paragraph 2, the first subparagraph is replaced by the following:

The sustainability reporting standards shall ensure the quality of reported information, by requiring that it is understandable, relevant, verifiable, comparable and represented in a faithful manner. The sustainability reporting standards shall avoid imposing a disproportionate administrative or financial burden on undertakings, including by taking account, to the greatest extent possible, of the work of global standard-setting initiatives for sustainability reporting as required by point (a) of paragraph 5, and by ensuring as much coherence as possible with requirements in other Union legislation. The sustainability reporting standards shall, to the extent possible, prioritise the disclosure of quantitative information, taking account of the burden on undertakings and the needs of users.

(b) in paragraph 4, first subparagraph, the last sentence is replaced by the following:

'Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number ***of 1 000*** employees during the financial

year any information that exceeds the information to be disclosed pursuant to the sustainability reporting standards for voluntary use referred to in Article 29ca.***'***;'

(7) Article 29c is deleted;

(8) the following Article 29ca is inserted:

'Article 29ca

Sustainability reporting standards for voluntary use

1. To facilitate voluntary reporting of sustainability information by undertakings***, which on their balance sheet date, do not exceed the average number of 1 000 employees during the financial year, and to limit the information that may be required for the purposes of this Directive from such undertakings in the value chain***, the Commission shall adopt a delegated act by [***4 months after entry into force of this Directive***] in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards for voluntary use by such undertakings.

2. ***Without prejudice to paragraph 3,*** the sustainability reporting standards referred to in paragraph 1 shall ***be based on Commission Recommendation 2025/1710, in its original version. They shall also*** be proportionate to and relevant for the capacities and the characteristics of the undertakings for which they are designed and to the scale and complexity of their activities. They shall also, to the extent possible, specify the structure to be used to present such sustainability information. ▌

3. The Commission shall, at least every four years after the date of its application, review the delegated act referred to in paragraph 1 and, where necessary, it shall amend it to take into account developments relevant to sustainability reporting.;

4. When amending delegated acts pursuant to paragraph 3, the Commission shall take into consideration technical advice from EFRAG.'

(9) Article 29d is replaced by the following:

'Article 29d

Single electronic reporting format

1. Undertakings subject to the requirements of Article 19a of this Directive shall prepare their management report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815* and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format to be specified in that Delegated Regulation. Until such rules on the marking up are adopted by way of that Delegated Regulation, undertakings shall not be required to markup their sustainability reporting.

2. Parent undertakings subject to the requirements of Article 29a shall prepare their consolidated management report in the electronic reporting format specified in Article 3 of Delegated Regulation (EU) 2019/815 and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format to be specified in that Delegated Regulation. Until such rules on the marking up are adopted by way of that Delegated Regulation, parent undertakings shall not be required to markup their sustainability reporting.;

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* Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L 143, 29.5.2019, p. 1, ELI: http://data.europa.eu/eli/reg_del/2019/815/oj).;

(8a)

The following Chapter is inserted:

Chapter 6c Digital support measures

Article 29e

Digital portal for sustainability reporting

The Commission shall provide for a dedicated portal through which undertakings may access information, guidance and support, including relevant templates and

guidance, with regard to the mandatory and voluntary sustainability reporting framework referred to in this Directive. The portal shall be interconnected with online support measures provided by Member States, where they exist, to take account of national contexts.

Article 29f Report on technological solutions for sustainability reporting

The Commission shall by [24 months after the entry into force of this Directive] submit a report to the European Parliament and the Council on technological solutions for sustainability reporting, which includes initiatives that will enable undertakings to collect, process and exchange data in a secure, seamless and automated manner.'

(10) in Article 33, paragraph 1 is replaced by the following:

'1. Member States shall ensure that the members of the administrative, management and supervisory bodies of an undertaking, acting within the competences assigned to them by national law, have collective responsibility for ensuring that the following documents are drawn up and published in accordance with the requirements of this Directive and, where applicable, with the international accounting standards adopted pursuant to Regulation (EC) No 1606/2002, with Delegated Regulation (EU) 2019/815, with the sustainability reporting standards referred to in Article 29b of this Directive, and with the requirements of Article 29d of this Directive:

(a) the annual financial statements, the management report and the corporate governance statement when provided separately; and

(b) the consolidated financial statements, the consolidated management reports and the consolidated corporate governance statement when provided separately.

By way of derogation from subparagraph 1, Member States ***may provide*** that the members of the administrative, management and supervisory bodies of an undertaking, acting within the competences assigned to them by national law, do not have collective responsibility for ensuring that the management report, or consolidated management report, where applicable, is prepared in accordance with Article 29d.***'***;'

(11) Article 34 is amended as follows:

(a) paragraph 1, second subparagraph, point (aa), is replaced by the following:

‘(aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the sustainability reporting standards adopted pursuant to Article 29b, the process carried out by the undertaking to identify the information reported pursuant to those sustainability reporting standards, and the compliance with the requirement to mark up sustainability reporting in accordance with Article 29d, and as regards the compliance with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852;;’

(b) the following paragraph 2a is inserted:

‘2a. Member States shall ensure that the opinion referred to in paragraph 1, second subparagraph, point (aa), is prepared in full respect of the ***right of the*** undertakings in ***the*** value chain which, on their balance sheet dates, do not exceed the average number of ***1 000*** employees during the financial year ***to decline to provide to the reporting entity*** any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca ▌.;

▌

(12) in Article 40a, paragraph 1 is amended as follows:

(a) the second subparagraph is replaced by the following:

‘The first subparagraph shall only apply to ▌ subsidiary undertakings ***which, on their balance sheet dates, exceed a net turnover of EUR 200 000 000 in the preceding financial year.***;’

(b) the fourth and fifth subparagraphs are replaced by the following:

‘The rule referred to in the third subparagraph shall only apply to a branch where the third-country undertaking does not have a subsidiary undertaking as referred to in the first subparagraph, and where the branch generated a net turnover exceeding ***EUR 200 000 000*** in the preceding financial year.

The first and third subparagraphs shall only apply to the subsidiary undertakings or branches referred to in those subparagraphs where the third-country undertaking, at its group level, or, if not applicable, the individual level, generated a net turnover in the Union exceeding EUR 450 000 000 for each of the last two consecutive financial years.;

(ba) The following subparagraph is added:

By way of derogation from the first and third subparagraphs, where the third-country undertaking is a financial holding undertaking with subsidiaries having business models and operations independent from one another, Member States shall ensure that the subsidiaries and the branches may decide not to publish and make accessible the sustainability report referred to in the first and third subparagraphs. '

(13) Article 49 is amended as follows:

(-a) paragraph 2 is replaced by the following:

2. The power to adopt delegated acts referred to in Article 1(2), in point (a) of Article 3(13), Articles 29b, 40b, and Article 46(2) shall be conferred on the Commission for a period of 5 years from 5 January 2023. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the 5-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.

(-aa) in paragraph 3, first sentence, the reference to Article 29c is deleted

(-ab) paragraph 3b is amended as follows:

(i) in the first subparagraph, introductory wording, the reference to Article 29c is deleted;

(ii) in the fourth subparagraph, the reference to Article 29c is deleted;

(iii) in the sixth subparagraph, the reference to Article 29c is deleted

(a) the following paragraphs 3c ***and 3d*** are inserted:

‘3c. The power to adopt delegated acts referred to in ***points (b) and (c) of Article 3(13) and in Article*** 29ca shall be conferred on the Commission for an indeterminate period from ***[date of entry into force of amending Directive]***.

3d. The delegations of powers referred to in ***points (b) and (c) of Article 3(13) and in Article*** 29ca may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the ***Official Journal of the European Union*** or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

▌

(b) paragraph 5 is replaced by the following:

‘5. A delegated act adopted pursuant to Article 1(2), Article 3(13) ▌, Articles 29b, 29ca or 40b, or Article 46(2) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council. ▌

Article 3

Amendments to Directive (EU) 2022/2464

In Directive (EU) 2022/2464, Article 5(2) is amended as follows:

(1) the first subparagraph is amended as follows:

(a) ***in*** point (a)***, the introductory text is replaced by ‘for financial years starting between 1 January 2024 and 31 December 2026 inclusive:’***

(b) point (b) is amended as follows:

(i) point (i) is replaced by the following:

‘(i) to ▌ undertakings which, on their balance sheet dates, exceed ***a net turnover of EUR 450 000 000 and*** the average number of 1000 employees during the financial year; ▌

(ii) point (ii) is replaced by the following:

‘(ii) to parent undertakings of a ▌ group which, on their balance sheet dates, exceed***, on a consolidated basis, a net turnover of EUR 450 000 000 and*** the average number of 1000 employees ▌ during the financial year; ▌

(c) point (c) is deleted;

(2) the third subparagraph is amended as follows:

(a) ***in*** point (a)***, the introductory text is replaced by ‘for financial years starting between 1 January 2024 and 31 December 2026 inclusive:’***

(b) point (b) is amended as follows:

(i) point (i) is replaced by the following:

‘(i) to issuers as defined in Article 2(1), point (d) of Directive 2004/109/EC which are ▌ undertakings**,** which ▌ on their balance sheet dates, exceed ***a net turnover of EUR 450 000 000 and*** the average number of ***1 000*** employees during the financial year; ▌

(ii) point (ii) is replaced by the following:

‘(ii) to issuers as defined in Article 2(1), point (d) of Directive 2004/109/EC which are parent undertakings of a ▌ group which, on its balance sheet dates, exceed***, on a consolidated basis, a net turnover of EUR 450 000 000 and*** the average number of 1000 employees ▌ during the financial year; ▌

(c) point (c) is deleted.

(3) The following fifth subparagraph is inserted:

'By way of derogation from point (a) of the first subparagraph and point (a) of the third subparagraph, Member States may exempt undertakings or issuers which do not exceed a net turnover of EUR 450 000 000 and the average number of 1 000 employees during the financial year, on a consolidated basis, where applicable, from complying with the measures necessary to comply with Article 1, with the exception of point (14), and with Article 2, for the financial years starting between 1 January 2025 and 31 December 2026.'

(4) In Article 6, paragraph (1) is amended as follows:

(a) points (b) and (c) are replaced by the following:

'(b) an assessment of the number of undertakings voluntarily using the sustainability reporting standards referred to in Article 29ca of Directive 2013/34/EU;

(c) an assessment of whether and how the scope of the provisions amended by this amending Directive should be extended, in particular in relation to large undertakings with a net turnover not exceeding EUR 450 000 000 and an average number of employee not exceeding 1 000 during the financial year, as well as to third-country undertakings operating directly on the Union internal market without a subsidiary or a branch on the territory of the Union;'

(b) The second subparagraph is replaced by the following:

The report concerning points (a), (b), (d) and (e) shall be published by 30 April 2029 and every 3 years thereafter, and shall be accompanied, if appropriate, by legislative proposals. The report concerning point (c) shall be published by 30 April 2031 and every 3 years thereafter, and shall be accompanied, if appropriate, by legislative proposals.

Article 4

Amendments to Directive (EU) 2024/1760

Directive (EU) 2024/1760 is amended as follows:

(1) in Article 1(1), point (c) is ***deleted;***

▌

(-2) in Article 1, paragraph (2) is replaced by the following:

2. This Directive shall not constitute grounds for reducing the level of protection of human, employment and social rights, or of protection of the environment or of protection of the climate provided for by the national law of the Member States or by the collective agreements applicable at the time of the adoption of this Directive. However, the first sentence of this paragraph shall not prevent Member States from adjusting any existing national corporate sustainability due diligence law, in particular its scope, with a view to aligning it with this Directive.

(-1a) In Article 1, the following paragraph is added:

'4. This Directive does not affect Union or national law relating to matters other than those set out in paragraph 1. In particular, the rules referred to in paragraph 1, point (a), do not affect Union or national law concerning human, employment or social rights, or protection of the environment and climate change other than general due diligence obligations.'

(1a) Article 2 is amended as follows:

(a) in paragraph 1, point (a) is replaced by the following:

'(a) the company had more than 5 000 employees on average and had a net worldwide turnover of more than EUR 1,5 billion in the last financial year for which annual financial statements have been or should have been adopted';

(aa) in paragraph 1, point (c) is replaced by the following:

The company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreements in the Union in return for royalties with independent third-party companies, where those agreements ensure a common identity, a common business concept and the application of uniform business methods, and where those royalties amounted to more than EUR 75 000 000 in the last financial year for which annual financial statements have been or should have

been adopted, and provided that the company had or is the ultimate parent company of a group that had a net worldwide turnover of more than EUR 275 000 000 in the last financial year for which annual financial statements have been or should have been adopted.

(b) in paragraph 2, point (a) is replaced by the following:

'(a) the company generated a net turnover of more than EUR 1,5 billion in the Union in the financial year preceding the last financial year;'

(ba) In paragraph 2, point (c) is replaced by the following:

The company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreements in the Union in return for royalties with independent third-party companies, where those agreements ensure a common identity, a common business concept and the application of uniform business methods, and where those royalties amounted to more than EUR 75 000 000 in the Union in the financial year preceding the last financial year; and provided that the company generated, or is the ultimate parent company of a group that generated, a net turnover of more than EUR 275 000 000 in the Union in the financial year preceding the last financial year.

(c) in paragraph 3, the first subparagraph is replaced by the following:

'3. Where the ultimate parent company has as its main activity the holding of shares in operational subsidiaries and does not engage in taking management, operational or financial decisions affecting the group or one or more of its subsidiaries, it may be exempted from carrying out the obligations under this Directive. That exemption is subject to the condition that one of the ultimate parent company's subsidiaries established in the Union is designated to fulfil the obligations set out in Articles 6 to 16 on behalf of the ultimate parent company, including the obligations of the ultimate parent company with respect to the activities of its subsidiaries. In such a case, the designated subsidiary is given all the necessary means and legal authority to fulfil those obligations in an effective manner, in particular to ensure that the designated subsidiary obtains from the

companies of the group the relevant information and documents to fulfil the obligations of the ultimate parent company under this Directive.'

(1a) ▌ Article 3(1) ***is amended as follows***:

(a) point (n) is replaced by the following:

''(n) 'stakeholders' means the company's employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers' representatives, and individuals or communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners and the legitimate representatives of those individuals or communities;***'***;

(b) point (u) is replaced by the following:

(u) 'risk factors' means facts, situations or circumstances that relate to the severity and likelihood of an adverse impact, including facts, situations or circumstances at the level of the business partner, such as whether the business partner is not a company covered by this Directive or other comparable mandatory sustainability due diligence legislation; at the level of geography and context, such as the level of law enforcement with respect to the type of adverse impact; and at the level of sectors, of business operations, and of products and service;'

(3) Article 4 is replaced by the following:

'Article 4

Level of harmonisation

1. Without prejudice to Article 1(2) and (3), Member States shall not introduce, in their national law, provisions within the field covered by this Directive laying down human rights and environmental due diligence obligations diverging from those laid down in Articles 6***, 8 and 9***, Article 10(1) to (5), Article 11(1) to (6) and ***Articles 14 to 16***.

▌

2. Notwithstanding paragraph 1, this Directive shall not preclude Member States from introducing, in their national law, more stringent provisions diverging from those laid down in provisions other than Articles 6***, 8*** and ***9***, Article 10(1) to (5), Article 11(1) to (6) and ***Articles 14 to 16***, or provisions that are more specific in terms of the objective or the field covered, including by regulating specific products, services or situations, in order to achieve a different level of protection of human, employment and social rights, the environment or the climate.;'

(3a) Article 6 is amended as follows:

(a) paragraph 1 is amended as follows:

'1. Member States shall ensure that parent companies falling under the scope of this Directive are allowed to fulfil the obligations set out in Articles 7 to 11 on behalf of companies which are subsidiaries of those parent companies and fall under the scope of this Directive, if this ensures effective compliance. This is without prejudice to such subsidiaries being subject to the exercise of the supervisory authority's powers in accordance with Article 25 and to their civil liability in accordance with Article 29.';

(aa) in paragraph 2, point (e) is replaced by the following:

(e) where relevant, the subsidiary seeks contractual assurances from a direct business partner in accordance with Article 10(2), point (b), or Article 11(3), point (c), seeks contractual assurances from an indirect business partner in accordance with Article 10(4) or Article 11(5) and suspends the business relationship in accordance with Article 10(6) or Article 11(7)

(b) paragraph 3 is deleted;

(4) Article 8 is ***replaced by the following***:

Article 8 Identifying and assessing actual and potential adverse impacts

'1. Member States shall ensure that companies take appropriate measures to identify and assess actual and potential adverse impacts arising from their own operations or those of their subsidiaries and, where related to their chains of activities, those of their business partners, in accordance with this Article.

2. As part of the obligation set out in paragraph 1, companies shall take appropriate measures to do the following, taking into account relevant risk factors including facts, situations or circumstances at the level of the business partner, such as whether the business partner is not a company covered by this Directive or other comparable mandatory sustainability due diligence legislation; at the level of geography and context, such as the level of law enforcement with respect to the type of adverse impact; and at the level of sectors, of business operations, and of products and services:

(a) carry out a scoping exercise, based solely on reasonably available information, to identify general areas across their own operations, those of their subsidiaries and, where related to their chains of activities, those of their business partners where adverse impacts are most likely to occur and to be most severe;

(b) based on the results of the ***scoping exercise*** as referred to in point (a), carry out ***an*** in-depth assessment ▌ in the areas where adverse impacts were identified to be most likely to occur and most severe. ▌

▌

'3. Member States shall ensure that, for the purposes of the in-depth assessment provided for in paragraph 2, point (b): a) companies may request information from business partners only where that information is necessary, and in case of business partners with fewer than 5000 employees only when the information cannot reasonably be obtained by other means; b) where the necessary information can be obtained from different business partners, companies prioritise requesting information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur; c) where adverse impacts are identified as equally likely to occur or equally severe in several areas, companies may prioritise assessing such areas which involve direct business partners.

▌ ***-***

‘4. ***Member States shall ensure that,*** for the ***purposes of identifying and assessing*** the adverse impacts ***referred to in paragraph 1 based on, where appropriate, quantitative and qualitative information, companies are entitled to make use of appropriate resources, including independent reports, digital solutions, industry and multi-stakeholder initiatives and information gathered through the notification mechanism and the complaints procedure provided for in Article 14***.

4a. In Article 9, the following paragraph is added:

4. Where prioritisation decisions are made in accordance with this Article, the mere fact of not having addressed a less significant adverse impact shall not expose the company to penalties pursuant to Article 27. ’

(5) in Article 10, paragraph 6 is replaced by the following:

‘6. As regards potential adverse impacts as referred to in paragraph 1 that could not be prevented or adequately mitigated by the measures set out in paragraphs 2, 4 and 5, the company shall, as a last resort ***and until the impact is addressed***:

(a) refrain from entering into new, or extending existing, relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen,

(b) where the law governing its relation with the business partner concerned so entitles it, ***suspend the business relationship with respect to the activities concerned, including with a view to using or increasing its leverage***, and

(c) ***adopt and implement an enhanced prevention action plan for the specific adverse impact without undue delay, provided that there is a reasonable expectation that those efforts will succeed.***

As long as there is a reasonable expectation that the enhanced prevention action plan will succeed, the mere fact of continuing to engage with the business partner shall not ***expose*** the company ***to penalties pursuant to Article 27 or to*** liability ***under Article 29***.

Prior to suspending a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. Should that be the case, the company shall not be required to suspend the business relationship and shall be in a position to report to the competent supervisory authority about the duly justified reasons for such decision.

Member States shall provide for an option to suspend the business relationship in contracts governed by their laws in accordance with the first subparagraph, except for contracts where the parties are obliged by law to enter into them.

Where the company decides to suspend the business relationship, it shall take steps to prevent, mitigate or bring to an end the impacts of the suspension, shall provide reasonable notice to the business partner concerned and shall keep that decision under review.

Where the company decides not to suspend the business relationship pursuant to this Article, it shall monitor the potential adverse impact and periodically assess its decision and whether further appropriate measures are available.;'

(6) in Article 11, paragraph 7 is replaced by the following:

'7. As regards actual adverse impacts as referred to in paragraph 1 that could not be ***brought to an end or the extent of which could not be minimised*** by the measures set out in paragraphs 3, 5 and 6, the company shall, as a last resort ***and until the impact is addressed***:

(a) refrain from entering into new, or extending existing, relations with a business partner in connection with which, or in the chain of activities of which, the impact has arisen,

(b) where the law governing its relation with the business partner concerned so entitles it, ***suspend the business relationship with respect to the activities concerned, including with a view to using or increasing its leverage*** and

(c) ***adopt and implement an enhanced corrective action plan for the specific adverse impact without undue delay, provided that there is a reasonable expectation that those efforts will succeed.***

As long as there is a reasonable expectation that the enhanced ***corrective*** action plan will succeed, the mere fact of continuing to engage with the business partner shall not ***expose*** the company ***to penalties pursuant to Article 27 or to*** liability ***under Article 29***.

Prior to suspending a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be ***brought to an end or the extent of which could not be*** adequately ***minimised***. Should that be the case, the company shall not be required to suspend the business relationship and shall be in a position to report to the competent supervisory authority about the duly justified reasons for such decision.

Member States shall provide for an option to suspend the business relationship in contracts governed by their laws in accordance with the first subparagraph, except for contracts where the parties are obliged by law to enter into them.

Where the company decides to suspend the business relationship, it shall take steps to prevent, mitigate or bring to an end the impacts of the suspension, shall provide reasonable notice to the business partner concerned and shall keep that decision under review.

Where the company decides not to suspend the business relationship pursuant to this Article, it shall monitor the ***actual*** adverse impact and periodically assess its decision and whether further appropriate measures are available.***'***;'

(7) in Article 13, paragraph 3 is amended as follows:

(a) the introductory wording is replaced by the following:

'Consultation of relevant stakeholders shall take place at the following stages of the due diligence process:;'

(b) points (c) and (e) are deleted;

(8) in Article 15, the second sentence is replaced by the following:

‘Such assessments shall be based, where appropriate, on qualitative and quantitative indicators and be carried out without undue delay after a significant change occurs, but at least every 5 years and whenever there are reasonable grounds to believe that the measures are no longer adequate or effective or that new risks of the occurrence of those adverse impacts may arise.;

(8a) in Article 16, paragraph 3 is replaced by the following:

‘By 31 March 2029, the Commission shall adopt delegated acts in accordance with Article 34 in order to supplement this Directive by laying down the content and criteria for the reporting under paragraph 1, specifying, in particular, sufficiently detailed information on the description of due diligence, actual and potential adverse impacts identified, and appropriate measures taken with respect to those impacts. In preparing those delegated acts, the Commission shall take due account of, and align them as appropriate with, the sustainability reporting standards adopted pursuant to Articles 29b and 40b of Directive 2013/34/EU.’;

(8b) in Article 17,

(a) paragraph 1, first subparagraph is replaced by the following:

‘1. From 1 January 2031 Member States shall ensure that, when making public the annual statement referred to in Article 16(1) of this Directive, companies submit that statement at the same time to the collection body referred to in paragraph 3 of this Article for the purpose of making it accessible on the European single access point (ESAP), as established by Regulation (EU) 2023/2859.’

(b) paragraph 3 is replaced by the following:

‘By 31 December 2030, for the purposes of making the information referred to in paragraph 1 of this Article accessible on ESAP, Member States shall designate at least one collection body, as defined in Article 2, point (2), of Regulation (EU) 2023/2859, and notify the European Securities and Markets Authority thereof.’

(8c) in Article 18, the sole paragraph is replaced by:

'In order to provide support to companies to facilitate their compliance with Article 10(2), point (b), and Article 11(3), point (c), the Commission, in consultation with Member States and stakeholders, shall adopt guidance about voluntary model contractual clauses, by 26 July 2027.''

in Article 19(2), point (b) is deleted;

(9) in Article 19, paragraph 3 is replaced by the following:

'3. The guidelines referred to in paragraph 2, point (a), ***(d) and (e)*** shall be made available by 26 July ▌ 2027, and those referred to in paragraph 2, points ▌ (f) and (g) ▌ by 26 July ***2028***.;'

(10) ▌ Article ***22 is deleted;***▌

▌

(10a) in Article 24, paragraphs 1 and 7 are replaced by the following:

'1. Each Member State shall designate one or more supervisory authorities to supervise compliance with the obligations laid down in the provisions of national law adopted pursuant to Articles 7 to 16.';

'7. By 26 July 2028, Member States shall inform the Commission of the names and contact details of the supervisory authorities designated pursuant to this Article, as well as of their respective competences where there are several designated supervisory authorities. They shall inform the Commission of any changes thereto.';

(10b) in Article 25, paragraph 1 is replaced by the following:

'1. Member States shall ensure that the supervisory authorities have adequate powers and resources to carry out the tasks assigned to them under this Directive, including the power to require companies to provide information and carry out investigations related to compliance with the obligations set out in Articles 7 to 16.';'

(11) in Article 27, paragraph 4 is replaced by the following:

▌

4. The Commission, in collaboration with Member States, shall issue guidance to assist supervisory authorities in determining the level of penalties in accordance with this Article. Member States shall ***ensure that the*** maximum limit of pecuniary penalties ***is set at 3% of the net worldwide turnover of the company or, in the case of ultimate parent companies referred to in Article 2(1), point (b) and (c), and Article 2(2), point (b) and (c), 3% of the net consolidated worldwide turnover calculated at the level of the ultimate parent company, in the financial year preceding that of the decision to impose the fine.''***

(12) Article 29 is amended as follows:

(a) paragraph 1 is deleted;

(b) paragraph 2 is replaced by the following:

'2. Where a company is held liable pursuant to national law for damage caused to a natural or legal person by a failure to comply with the due diligence requirements under this Directive, Member States shall ensure that those persons have a right to full compensation. Full compensation shall not lead to overcompensation, whether by means of punitive, multiple or other types of damages.;'

(c) in paragraph 3, point (d) is deleted;

(d) paragraph 4 is replaced by the following:

'4. Companies that have participated in industry or multi-stakeholder initiatives, or used independent third-party verification or contractual clauses to support the implementation of due diligence obligations may nevertheless be held liable in accordance with national law.;'

(e) in paragraph 5, the first subparagraph is replaced by the following:

‘The civil liability of a company for damages as referred to in this Article shall be without prejudice to the civil liability of its subsidiaries or of any direct and indirect business partners in the chain of activities of the company.;’

(f) paragraph 7 is deleted;

(13) Article 36 ***is amended as follows:***

(a) paragraph 1 is deleted;

(aa) in paragraph 2, point (b), the third indent is replaced by the following:

- whether the thresholds regarding the number of employees and net turnover laid down in Article 2 need to be revised and if a sector-specific approach needs to be introduced in high-risk sectors; and, in particular, whether companies with more than 1 000 employees on average and a net worldwide turnover of more than EUR 450 000 000 and, in addition to that, companies operating in high-impact sectors should be covered by this Directive;

(b) in paragraph 2, point (e) is deleted.

(c) in paragraph 2, point (f) is replaced by the following:

(f) the effectiveness of the enforcement mechanisms of this Directive including their protective effects on rights holders put in place at national level.

(i) the introductory text is replaced by the following:

‘By 26 July 2031 and every five years thereafter, the Commission shall submit a report to the European Parliament and to the Council on the implementation of this Directive and its effectiveness and efficiency in reaching its objectives, in particular in addressing adverse impacts. The report shall be accompanied, if appropriate, by a legislative proposal. The first report shall, inter alia, assess the following issues:’

(14) in Article 37(1), the first and second subparagraphs are replaced by the following:

'1. Member States shall adopt and publish, by 26 July 2028, the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate the text of those measures to the Commission.

They shall apply those measures from 26 July 2029 with the exception of the measures necessary to comply with Article 16, which Member States shall apply for financial years starting on or after 1 January 2030.'.

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Article 5

Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive***, with the exception of Article 4, by [12 months after entry into force]*** at the latest. They shall forthwith communicate to the Commission the text of those provisions.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Article 4 of this Directive by 26 July 2028 at the latest. They shall forthwith communicate to the Commission the text of those provisions.

When Member States adopt ***the*** provisions ***referred to in the first and second subparagraphs***, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

Article 6

Entry into force

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Article 7

Addressees

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*