Council of the European Union

Brussels, 3 June 2025
(OR. en)

9533/1/25
REV 1

LIMITE

SIMPL 41
ANTICI 46
ECOFIN 620
EF 173
DRS 49
COMPET 437
FIN 583
COH 90
CODEC 703

Interinstitutional File:
2025/0045 (COD)

PUBLIC

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 - Revised Presidency compromise text

Delegations will find in the Annex a revised Presidency compromise proposal in relation to the above proposal, which better indicates the changes intended, for examination at the meeting of the Antici Group (Simplification) on 4 June 2025.

Additions to the first Presidency compromise proposal are indicated in **bold**, deletions are marked as ~~strike-through~~. Additions to the second Presidency compromise proposal are indicated in **bold, underlined and highlighted**, deletions are marked as **bold, underlined ~~strike-through~~ and highlighted**.

Some provisions in this version revert to the text of the Commission proposal and they are marked in square brackets […] as further discussions are ongoing. Those provisions will not be subject to discussion at the meeting of the Antici Group (Simplification) on 4 June 2025.

ANNEX

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,

[1] OJ C […], […], p. […].

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 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].

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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 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

(2a) Given the significant decrease in the number of undertakings that will fall in the scope of sustainability reporting, it would be disproportionate to require that audit firms that wish to carry out assurance 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. To enable the Commission to take account of those concerns, it should be given more flexibility in adopting those standards. In any case, the Commission will issue targeted assurance guidelines by 2026 that clarify the necessary procedures that assurance providers are to perform as part of their limited assurance engagement before adopting the standards by delegated act.

(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.

(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 ~~a~~ sustainability **reporting**~~statement~~ at individual

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the Committee of the Regions of 8 March 2018, '*Action Plan: Financing Sustainable Growth*', COM/2018/097 final.

level. 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 ~~a~~ sustainability ~~statement~~**reporting** at individual level should be reduced to large undertakings with an average of more than 1000 employees during the financial year. Considering that for an undertaking to be large it has to exceed two out of the three criteria in Article 3(4) of Directive 2013/34/EU, this means that to be subject to~~to~~ the reporting requirements an undertakings must have an average of more than 1000 employees during the financial year**, as defined in the national measures transposing Directive 2013/34/EU,** and either a net turnover above EUR 50 million or a balance sheet total above EUR 25 million.

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(6) A balance needs to be found between the objectives of data generation and reduction of administrative burden. Sustainability reporting, including the information referred to in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council[9], of large undertakings with an average of more than 1000 employees during the financial year is **important** to understand the transition to a climate-neutral economy**. That information is indispensable in the case of such undertakings with a particularly high turnover. Therefore, i**n the light of the balance to be found between the objectives of data generation and reduction of administrative burden, undertakings within the new scope for sustainability reporting **as referred to in Article 19a of Directive 2013/34/EU should only be obliged to provide the information referred to in Article 8 of Regulation (EU) 2020/852 where they meet or exceed, on their balance sheet dates, a net turnover of EUR 450 000 000 during the financial year. Undertakings within the new scope whose turnover falls below that threshold** should be given more flexibility**, pursuant to this Directive,** regarding the disclosure of **the** information referred to in Article 8 of Regulation (EU) 2020/852. **The scope of Article 8 of Regulation (EU) 2020/852 should be reduced accordingly. The provisions reducing that scope operate at the level of EU law itself, and so need not be transposed into national law.**

(6a) As regards undertakings within the new scope of sustainability reporting whose turnover falls below the EUR 450 000 000 threshold, the more flexible regime should apply. In order to reduce the administrative burdens on those undertakings and to achieve the objectives of such reporting in a more proportionate way, the specific disclosure obligations provided in this Directive should apply only when such undertakings claim through any communication or representation to external stakeholders and the public at large that their activities are associated with environmentally sustainable activities under Regulation (EU) 2020/852. To facilitate the financing of the transition of economic activities of undertakings towards environmental sustainability, it should be ensured that undertakings that wish to claim that their activities meet only certain sustainability criteria under Regulation (EU) 2020/852, but do not yet qualify as environmentally sustainable, are able to disclose that information under harmonised disclosure rules laid down in this Directive. That

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[9] 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).

information on partial alignment of economic activities with the Taxonomy may be **used as an** ~~a useful~~ indication to investors, financial markets or other third parties about the current environmental performance of the activities concerned, their transition towards full alignment with the Taxonomy ~~and the financing needs to achieve that transition~~. The Commission should be empowered to set out rules supplementing the reporting regime for those undertakings set out in this Directive by means of a delegated act. It should in particular be clarified that the Commission is empowered to specify the reporting regime for activities that are only partially Taxonomy-aligned. In order to ensure coherence and consistency insofar as appropriate, in adopting that delegated act the Commission should take into account, amongst other things, the delegated act adopted pursuant to Article 8(4) of Regulation (EU) 2020/852.

(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 large undertakings with an average of more than 1000 employees during the financial year, that reduction in scope should also apply to credit institutions and insurance undertakings.

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(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[10] 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 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 art. 19a(1) and to achieve the objectives of such reporting in a more proportionate way, this requirement should only apply to large undertakings that have more than 1-000 employees.

(9) [11] **Article 19a(3) of Directive 2013/34/EU requires undertakings to report information about the undertaking's own operations and about its value chain. However, nothing in that Directive requires value chain undertakings to provide any information to reporting undertakings nor to subject to assurance any information that they may provide. In practice, reporting undertakings obtain information about their value chains through various means, including contractual arrangements and buying power.**

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[10] 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).

[11] **N.B.**: given the number of changes in this recital, the whole text is indicated as **new**.

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 limitations specified in Article 29b(4) of that Directive. It is therefore necessary to limit the burden for undertakings in the value chain that are not required to report on their sustainability. Reporting undertakings should be prohibited from requiring information exceeding certain limits from undertakings in their value chain that have up to 1000 employees on average during the financial year. At the same time, undertakings in their value chain that have up to 1000 employees on average during the financial year 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 undertakings in their value chain that have up to 1000 employees on average during the financial year 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. Second, it does not affect any obligation that may exist, whether contractually or under other Union or national law, to provide information that falls within the scope of the value-chain cap. 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 on their value chain in accordance with those limitations should be deemed to comply with the obligation to report on their sustainability. Assurance providers should prepare their assurance opinion respecting the right of undertakings in thei~~r~~ value chain that have up to 1000 employees on average during the financial year to decline to provide to the reporting undertakings any information that goes beyond the information specified in the standards for voluntary use by undertakings that are not required to report on their sustainability. For that purpose, the Commission should be empowered to adopt a delegated act to provide for sustainability reporting standards for voluntary use by undertakings that are not required to report on their sustainability. 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. Those standards should also specify, where possible, the structure to be used to present that information. Those standards should, to the greatest extent possible, take account of Regulation (EC) 1221/2009 of the European Parliament and the Council (EMAS Regulation).

(9a) Sustainability reporting requirements should not oblige an undertaking to disclose classified information. Nor should those requirements oblige an undertaking to disclose information such as intellectual capital, intellectual property, know-how 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. The reporting requirements provided for in this amending Directive should therefore be without prejudice to Directive (EU) 2016/943. There may also be circumstances not covered by that Directive where 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.

(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 large groups to prepare and publish ~~a~~ sustainability **reporting**~~statement~~ at consolidated level. To reduce the reporting burden on those parent undertakings, the scope of that obligation should be reduced to parent undertakings of large groups with an average of more than 1000 employees, on a consolidated basis, during the financial year **as defined in the national measures transposing Directive 2013/34/EU**.

(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 quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints. The revision will clarify provisions that are deemed unclear. It will improve consistency with other pieces of EU legislation. It will provide clearer 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. It will simplify the structure and presentation of the standards. It will further enhance the already very high degree of interoperability with global sustainability reporting standards. If appropriate in light of the goal of reducing burden and providing clarification, it will also introduce provisions regarding the specific situation of financial sector undertakings. It will also make any other modifications that may be considered necessary considering the experience of the first application of ESRS.

(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

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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. 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 1000 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. Undertakings should not be prevented from continuing to share sustainability information that is common to a particular sector and that they already share. In some sectors, there are established mechanisms and practices for the sharing of sustainability information between undertakings. Typically, these mechanisms and practices take the form of suppliers providing sustainability information to buyers. In some cases, there are collaborations between multiple suppliers and buyers in the same sector, where the sharing of information is facilitated through common digital platforms. In other cases, a large buyer may have its own proprietary platform to facilitate the collection of sustainability information from its suppliers. Common characteristics of these mechanisms and practices are that they are generally accepted as standard commercial practice by the suppliers and buyers, and they facilitate the sharing of sustainability information that is relevant in the sectors in which the undertakings operate.

(14a) Until the Commission adopts sustainability reporting standards for voluntary use, undertakings that report sustainability information voluntarily may do so according to the Commission recommendation 2025/XXX, 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.

(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[12] 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[13] or in Articles 19b and 29aa of Directive 2013/34/EU, as applicable, 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 are adopted by way of that a Delegated Regulation, for the marking up of sustainability reporting is adopted, undertakings ~~are~~ 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 Member States who may have different legal systems, they should be given an option to 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

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12 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).

13 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).

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, a subsidiary 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 subsidiary, a branch in the Union that generates a net turnover of more than EUR 40 million, is to publish and make accessible sustainability information at the group level of the third-country parent undertaking. To reach closer alignment with the criteria used to define which undertakings are in the scope of Directive (EU) 2024/1760, the net turnover threshold for the third-country undertaking should be raised from EUR 150 000 000 to EUR 450 000 000. Furthermore, for reasons of consistency and burden reduction, the size for a subsidiary undertaking and a branch to be in scope of Article 40a should be adjusted. The size of the subsidiary undertaking should be that of a large undertaking, whilst the net turnover criteria for the branch should be raised from EUR 40 000 000 to EUR 50 000 000, to align with the net turnover threshold for large undertakings.

(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 the scope of the individual sustainability reporting requirements should be reduced to include only large undertakings with more than 1000 employees on average during the financial year, and that the scope of the consolidated sustainability reporting requirements should be reduced accordingly, 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 material 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. That is the case for undertakings that are public-interest entities with between 501 and 1000 employees on average during the financial year, and public-interest entities that are parent-undertakings of a large group with between 501 and 1000 employees on average, on its balance sheet dates, on a consolidated basis during the financial year. Nevertheless, with a view to reducing burden as swiftly as possible, Member States should be able to exempt such undertakings from reporting obligations ~~during~~ **as regards** the financial year**s** beginning between 1 January **2025** and 31 December 2026**.** ~~**To ensure legal certainty, that exemption should only apply prospectively from the point at which the Member State law exercising this derogation enters into force. Accordingly, only those undertakings that were not required to publish their management report for a given financial year before that date should be exempted from the obligation to report as regards that financial year.**~~ **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 the scope of the individual sustainability reporting requirements should be reduced to include only large undertakings with more than 1000 employees on average during the financial year, and that the scope of the consolidated sustainability reporting requirements should be reduced accordingly, the criteria for determining the dates of application should be adjusted, and the reference to small and medium-sized undertakings 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. That is the case for issuers that are large undertakings with between 501 and 1000 employees on average on their

balance sheets during the financial year, and issuers that are parent undertakings of a large group with between 501 and 1000 employees on average, on its balance sheet dates, on a consolidated basis during the financial year. Nevertheless, with a view to reducing burden as swiftly as possible, Member States should be able to exempt such issuers from reporting obligations ~~during~~ **as regards** the financial year**s** beginning between 1 January **2025** and 31 December 2026. ~~To ensure legal certainty, that exemption should only apply prospectively from the point at which the Member State law exercising this derogation enters into force. Accordingly, only those undertakings that were not required to publish their management report for a given financial year before that date should be exempted from the obligation to report as regards that financial year.~~ **Member States are required to implement this derogation in a way that ensures compliance with the principle of legal certainty.**

(19b) In the context of this and other ongoing **and future** ~~simplification~~ initiatives, **including simplification initiatives, it** is important to ensure coherence between the sustainability information that undertakings must disclose, on the one hand, and the information that financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088 need in order to comply with those obligations, on the other. This Directive does not remove the obligation for the sustainability reporting standards adopted under Article 29b(1) of Directive 2013/34/EU to require disclosure, by the undertakings and parent undertakings within scope, of at least the latter information. Maintaining coherence more broadly, including as regards undertakings outside of the scope of the mandatory sustainability reporting standards, will require careful attention from the Commission and co-legislators in the context of these ~~ongoing simplification~~ initiatives. **This is particularly important with EU's financial services legislation, which concerns many institutions that have to fulfil their obligations arising from the corporate sustainability reporting directive, the sustainable finance regulation and sector-specific financial services legislation.**

(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, liability in that respect, and the adoption and implementation of transition plans, 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.

(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, 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. 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 **in 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.

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Recitals 21 and 22 – linked to Article 8 CSDDD

OPTION 1 – full risk-based approach

(21) Article 5 of Directive (EU) 2024/1760 obliges Member States to ensure that large companies above a certain size conduct risk-based 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. To reduce burdens on companies, they should no longer be required to carry out a full mapping of their own operations, their subsidiaries and all their chains of activities. The concept of mapping could be understood as requiring entity-by-entity analysis in every case, even where this is not necessary to identify adverse impacts. Instead, companies should be required to conduct a scoping exercise to identify 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 likely to occur and carry out an in-depth assessment in the areas where adverse impacts were identified to be most likely to occur and most severe. Under this risk-based scoping approach, companies are not required to identify and assess every single entity or risk where that would not be reasonable taking into account the circumstances of the specific case. In the same vein, it should be clarified that companies are only required to take reasonable measures in gathering the necessary information. When identifying and assessing adverse impacts, the company should take into account, based on an overall assessment, relevant risk factors, including company-level risk factors, such as whether the business partner is not a company covered by this Directive; business operation risk factors; geographic and contextual risk factors, such as the level of law enforcement with respect to the type of adverse impacts; product and service risk factors; and sectoral risk factors. Companies should also identify and assess the impact of existing business models and strategies, including trading, procurement and pricing practices.
For the data gathering process, companies are entitled to make use of appropriate resources,

such as data produced by government bodies, baseline studies or impact assessments commissioned by other parties, local community grievances and demand records, studies and indices by academics, NGOs, government agencies and industry bodies, available reports prepared by other enterprises operating in the local area or region, studies and reports by inter-governmental organisations and multilateral and bilateral development institutions, studies undertaken by communities about key issues that may be relevant to project development, land mapping and other information about the project or activity. Information sources may also include a notification or complaint, stakeholder engagement, credible reports in the media or from international organisations or NGOs, environmental and social impact assessments, geographical risk assessments and reports of recent incidents. Using such information sources constitutes good practice under the OECD Due Diligence Guidance for Responsible Business Conduct. 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 the prioritisation in accordance with Article 9 and adopt appropriate measures to address them in accordance with Articles 10 to 12. The identification process should be further clarified, including through best practice examples, in Commission guidance.

(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 scoping of areas across their chains of activities where adverse impacts are likely to occur, large companies should only request information from business partners where that information is necessary and, in case of business partners with fewer than 1,000 employees, cannot reasonably be obtained by other means.

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Recitals 21 and 22 – linked to Article 8 CSDDD

OPTION 2 – risk-based approach limited to Tier 1

(21) Article 5 of Directive (EU) 2024/1760 obliges Member States to ensure that large companies above a certain size conduct risk-based 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 to identify areas across their own operations, those of their subsidiaries and, where related to their chains of activities, those of their direct business partners ('tier 1') where adverse impacts are likely to occur and carry out an in-depth assessment in the areas where adverse impacts were identified to be most likely to occur and most severe. Under this risk-based scoping approach, companies are not required to identify and assess every single entity or risk where that would not be reasonable taking into account the circumstances of the specific case. In the same vein, companies should only be required to take reasonable measures in gathering the necessary information. When identifying and assessing adverse impacts, the company should take into account, based on an overall assessment, relevant risk factors, including company-level risk factors, such as whether the business partner is not a company covered by this Directive; business operation risk factors; geographic and contextual risk factors, such as the level of law enforcement with respect to the type of adverse impacts; product and service risk factors; and sectoral risk factors. Companies should also identify and assess the impact of existing business models and strategies, including trading, procurement and pricing practices.

(21a) Furthermore, with a view to reducing burdens and achieving the objectives of Directive (EU) 2024/1760 in a more proportionate way, this scoping exercise should be limited to the company's own operations, those of its subsidiaries and those of its direct business partners ('tier 1'). Consequently, when it comes to business relationships, companies should, after having mapped their chains of activities, be required to carry out in-depth assessments as regards direct business partners only. Companies should, however, look beyond their direct business relationships where they have, or can be reasonably expected to know of, plausible information that suggests an adverse impact at the level of an indirect business partner. Plausible information should be defined as information that objectively has a reasonable likelihood of being true, taking into account amongst other things the credibility of the source. Those sources could include data produced by government bodies, baseline studies

or impact assessments commissioned by other parties, local community grievances and demand records, studies and indices by academics, NGOs, government agencies and industry bodies, available reports prepared by other enterprises operating in the local area or region, studies and reports by inter-governmental organisations and multilateral and bilateral development institutions, studies undertaken by communities about key issues that may be relevant to project development, land mapping and other information about the project or activity. Examples of information suggesting an adverse impact could include a notification or complaint, stakeholder engagement, credible reports in the media or from international organisations or NGOs, environmental and social impact assessments, geographical risk assessments, reports of recent incidents, or information about recurring problems in the sector in which the company operates or at certain locations. Using such information sources constitutes good practice under the OECD Due Diligence Guidance for Responsible Business Conduct. Where the company has, or can reasonably be expected to know of, such information, it should carry out an in-depth assessment. Companies should also carry out in-depth assessments with respect to adverse impacts arising beyond their direct business partner where the structure of this business relationship lacks economic rationale and suggests that it was chosen to remove an otherwise direct supplier with harmful activities from the purview of the company. In each of these cases, 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 the prioritisation in accordance with Article 9 and adopt appropriate measures to address them in accordance with Articles 10 to 12. Where the in-depth assessment confirms the likelihood or existence of the adverse impact, it should then be deemed to be identified. In addition, companies should be able to request that their code of conduct – which is part of their due diligence policy and sets out the expectations as to how to protect human, including labour, rights and the environment in business operations – is followed throughout the chain of activities in accordance with contractual cascading and SME support.

(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 scoping of areas across their chains of activities where adverse impacts are likely to occur, large companies should only request information from direct business partners where that information is necessary and, in

the case of direct business partners with fewer than 1,000 employees, cannot reasonably be obtained by other means.

(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 employees**, **the employees of their subsidiaries and of their business partners,** the~~ir~~ representatives **of those employees** 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~~ **In line with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, this includes the legitimate representatives of those individuals or communities. They play an important role for communities, such as indigenous peoples or local communities, but can also be relevant for individuals, in particular in situations where it is not possible or appropriate to engage directly with individual rightsholders, or not all of them. For instance, it may be difficult to reach out to certain rightsholders, due to, for example, communication barriers, but especially in situations where their security cannot be guaranteed (such as in conflict areas or if rightsholders fear reprisals) or there is a serious lack of trust. Legitimate representatives might for instance be community leaders, the individuals or bodies representing indigenous peoples in accordance with their organisational rules and traditions (e.g., elected elders), consumer protection groups or, in certain situations, civil society organisations where they can be considered to genuinely represent the interests of rightsholders.**

Conversely, this does not include individuals or organisations which show solidarity with the case but without any specific connection and without any formal representation role. Directly affected individuals or communities are those right-

holders 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.

(24a) Companies should monitor the implementation and effectiveness of their due diligence measures. They should carry out periodic assessments of their own operations, those of their subsidiaries and, where related to the chain of activities of the company, those of their business partners, to assess the implementation and to monitor the adequacy and effectiveness of the identification, prevention, minimisation, bringing to an end and mitigation of adverse impacts. Such assessments should verify that adverse impacts are properly identified, due diligence measures are implemented and adverse impacts have actually been prevented or brought to an end. In order to ensure that such assessments are up-to-date, they should be carried out without undue delay after a significant change occurs, but at least every 5 years and be revised in-between if there are reasonable grounds to believe that the measures are no longer adequate or effective or new risks of adverse impact could have arisen. In order to ensure alignment with the international standards companies could also consider conducting periodic assessments annually in order to ensure that the information about the adequacy and effectiveness of the identification, prevention, mitigation, bringing to an end and minimisation of the extent of adverse impacts remains relevant, accurate and current. In particular, companies operating in high risk sectors or having business partners operating in such sectors could benefit from more frequent assessments, which serve to maintain usefulness of the information for company's decision making or in order to better monitor the progress towards the net zero interim target. The Directive also foresees that the due diligence policy is updated without undue delay after a significant change occurs and it is reviewed and where necessary, updated at least every two years.

More frequent, including ad hoc monitoring should contribute to a proper update of the due diligence policy. A significant change should be understood as a change to the status quo of the company's own operations, operations of its subsidiaries or business

partners, the legal or business environment or any other substantial shift from the situation of the company or its operating context. Examples of a significant change could be cases when the company starts to operate in a new economic sector or geographical area, starts producing new products or changes the way of producing the existing products using technology with potentially higher adverse impact, or changes its corporate structure via restructuring or via mergers or acquisitions. Reasonable grounds to believe that there are new risks may arise in different ways, including learning about the adverse impact from publicly available information, through stakeholder engagement, or through notifications. Companies should retain documentation demonstrating their compliance with this requirement for at least five years. Such documentation should at least include, where relevant, the identified impacts and in-depth assessments pursuant to Article 8, the prevention and/or corrective action plan pursuant to Articles 10(2), point (a), and 11(3), point (b), contractual provisions obtained or contracts concluded pursuant to Articles 10(2), point (b), Article 10(4) and 11(3) (c), Article 11(5), verifications pursuant to Articles 10(5) and 11(6), remediation measures, periodic assessments as part of the company's monitoring obligation, as well as notifications and complaints. Financial undertakings should carry out periodic assessment only of their own operations, those of their subsidiaries and those of their upstream business partners.

(25) To reduce administrative burdens on companies, the Commission's deadline for the adoption of general due diligence guidelines should be advanced to 26 July 2026. In parallel, the application deadline for Directive (EU) 2024/1760 for the first group of companies should be deferred to 26 July 2028 in accordance with Directive (EU) **2025/794**~~XXX/XXX~~[14]. That two-year interval ~~will~~ 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) To ensure better alignment of Directive (EU) 2024/1760 with the sustainability reporting regime laid down in Directive (EU) 2022/2464, the requirement to put into effect the transition plan for climate change mitigation should be replaced by a clarification that the obligation of

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[14] Directive (EU) **2025/794**~~2025/XX~~ of ~~……~~**the European Parliament and of the Council**

companies to adopt a transition plan includes outlining implementing actions, planned and taken. The obligation to adopt the plan and its initial and updated design remains subject to administrative supervision**. The plan should aim to ensure, through best efforts, that the business model and strategy of the company are compatible with the limiting of global warming to 1,5°C in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119. Recital 73 of the Directive clarifies that this should be understood as an "obligation of means" and that due account shall be given to the complexity and evolving nature of climate transitioning and the progress made by companies. While companies should strive to achieve the 1.5°C aligned greenhouse gas emission reduction targets contained in their plans, specific circumstances may lead to companies not being able to reach these targets where this is no longer reasonable. The notion of "best efforts" thus refers to what can be expected from a diligent party to reach the targets in its transition plan, taking into account best industry practices, the effectiveness of actions taken and the principle of proportionality. It does not require making every possible effort, or going beyond the underlying science, and factors outside the control of the company that the company cannot reasonably foresee cannot be held against it. As announced in the Clean Industrial Deal, the Commission is working on defining sectorial pathways which should help companies develop 1.5°C compatible plans and targets. Commission guidelines on transition plans under the Directive should reflect the results of this work.**

(26a) Under Article 22(2) of Directive (EU) 2024/1760, companies that report a transition plan for climate change mitigation in accordance with the CSRD Directive (EU) 2022/2464) are deemed to have complied with the obligation to adopt a transition plan for climate change mitigation as referred to in Article 22(1) of Directive (EU) 2024/1760. This transition plan for climate change mitigation is one and the same as in the Directive (EU) 2022/2464 and in the Commission Delegated Regulation (EU) 2023/2772. It is, however, important to maintain the obligation to adopt such a plan in Directive (EU) 2024/1760, because nothing in Directive (EU) 2022/2464 requires such adoption. While there are requirements for the adoption of climate-related transition plans also in other areas of EU law, those rules either have a different scope (e.g., transformation plans under the Industrial Emissions Directive (Directive 2010/75/EU) or climate-neutrality plans under the ETS Directive (Directive 2003/87/EC), both of which are at installation level) or pursue different objectives (e.g., plans under the

Capital Requirements Directive VI (Directive 2013/36/EU) and the Solvency II Directive (Directive 2009/138/EC) which seek to address financial risks to the institution, including from climate change and the transition to climate neutrality). A common transition plan template could support the integration of activity or installation-level data into company level transition plans. The template would be based on existing requirements and would not add additional reporting for companies.

(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 to base any imposed pecuniary penalties on the net worldwide turnover of the company concerned. However, given the fact that ~~**Member States**~~ **supervisory authorities** already have to take into account a series of factors **as** laid down in Article 27(2) of that directive, ~~**the need to base**~~ pecuniary penalties **cannot be based solely** on the net worldwide turnover of the company concerned ~~**is superfluous**~~. **Rather, they should take appropriate account of the net worldwide turnover, namely to ensure the effectiveness, dissuasiveness and proportionality of the penalty.** ~~**However, to ensure a level playing field across the Union, Member States should be prohibited from introducing in their national law a ceiling or cap for any pecuniary penalties imposed on companies under their jurisdiction that would prevent supervisory authorities from imposing penalties in accordance with the factors laid down in Article 27(2).**~~ Moreover, to ~~harmonise~~ **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.

I(28) To limit possible litigation risks linked to the harmonised civil liability regime of Directive (EU) 2024/1760, 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.

(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:

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Article 1

Amendments to Directive 2006/43/EC

Directive 2006/43/EC is amended as follows:

(-1) Article 3, 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:

'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 be empowered to 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 may adopt the assurance standards referred to in the first subparagraph only where those 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);'

(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, 19b, 29a, 29aa, 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 large undertakings which, on their balance sheet dates, exceed the average number of 1000 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) Article 19(1), fourth subparagraph is replaced by the following:

‘Large undertakings which, on their balance sheet dates, exceed the average number of 1000 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:

‘Large undertakings which, on their balance sheet dates, exceed the average number of 1000 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 five subparagraphs are inserted:

‘When establishing contractual and other arrangements for the reporting of sustainability information as required by this Directive, an undertaking shall not require undertakings in its value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year, to provide information exceeding:

(i) the information specified in the standards for voluntary use referred to in Article 29ca; or

(ii) additional sustainability information that is commonly shared between undertakings in the sector concerned.

Any contractual provision contrary to the second subparagraph shall not be binding. This shall not affect the binding nature of the remainder of the contract.

Where an undertaking:

(i) requests information, for the purposes of sustainability information as required by this Directive, from undertakings in its value chain; and

(ii) some or all of that information exceeds the information referred to in points (i) and (ii) of the second subparagraph,

that undertaking shall ensure that undertakings in its value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year, are informed of which information falls into point (ii) of this subparagraph and of their statutory right to decline to provide that information.

Any undertaking in the value chain which, on its balance sheet date, does not exceed the average number of 1000 employees during the financial year, shall have a right to decline to provide information falling outside of points (i) and (ii) of the second subparagraph in response to a request made for the purposes of reporting of sustainability as required by this Directive.

Nothing in the second, third, fourth or fifth subparagraphs:

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

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(ii) imposes or implies any obligation on undertakings in the value-chain to provide information falling within points (i) or (ii) of the second subparagraph.'

(iii) the fourth subparagraph is replaced by the following ~~two~~ three subparagraphs:

'When reporting the information referred to in paragraphs 1 and 2, undertakings may omit classified information as defined in Article 2, point (7) of Regulation (EU) 2023/2418.

When reporting the information referred to in paragraphs 1 and 2, undertakings may omit information corresponding to intellectual capital, intellectual property, know-how 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:

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

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

When reporting the information referred to in paragraphs 1 and 2, undertakings may also omit information in exceptional cases where ~~in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion~~, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that all of the following conditions are met:

a) 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 ~~of its activity;~~

~~b) the use of this exemption does not lead to a situation in which the undertaking fails to disclose the existence of a principal risk or a principal impact;~~

c) 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;

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

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

~~(i) the first subparagraph is replaced by the following:~~

~~'Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain. Member States shall ensure that, for the reporting of sustainability information as required by this Directive, undertakings do not seek to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year are not obliged to provide to undertakings referred to in paragraph 1 any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned. Undertakings that report the necessary value chain information without reporting from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned, shall be deemed to have complied with the obligation to report value chain information set out in this paragraph.';~~

~~(ii) the following subparagraph is added:~~

~~**'The first subparagraph is without prejudice to Union requirements on undertakings to conduct a due diligence process.';**~~

(c) paragraphs 6 and 7 are deleted;

PUBLIC

(d) paragraph 9 second subparagraph point (c) is replaced by the following:

‘if the parent undertaking is established in a third country, the disclosures laid down in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council or in Article 19b and Article 29aa of this Directive, as applicable, covering the activities carried out by the exempted subsidiary undertaking established in the Union and its subsidiary undertakings, are included in the management report of the exempted subsidiary undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country.’

(e) 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’.

PUBLIC

(3) the following Article 19b is inserted:

'Article 19b

Optional taxonomy reporting for certain undertakings

1. Member States shall ensure that undertakings as referred to in Article 19a(1) of this Directive which, on their balance sheet dates, do not exceed a net turnover of EUR 450 000 000 during the financial year shall apply the paragraphs 2, 3 and 4 of this Article.

Article 8 of Regulation (EU) 2020/852 shall not apply to undertakings referred to in the first subparagraph.

2. An undertaking as referred to in paragraph 1 that claims that its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 or with economic activities that fulfil only certain requirements of that provision shall include in its management report information on how and to what extent its activities are associated with those economic activities.

3. In particular, a non-financial undertaking that claims that its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 shall disclose the following indicators:

(a) the proportion of its turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of that Regulation;

(b) the proportion of its capital expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of that Regulation.

PUBLIC

A non-financial undertaking that discloses the indicators referred to in the first subparagraph may disclose the proportion of its operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852.

4. In particular, a non-financial undertaking that claims that its activities are associated with economic activities that fulfil only certain requirements of Article 3 of Regulation (EU) 2020/852 shall disclose the following indicators:

(a) the proportion of its turnover derived from products or services associated with economic activities fulfilling only certain requirements of Article 3 of that Regulation;

(b) the proportion of its capital expenditure related to assets or processes associated with economic activities that fulfil only certain requirements of Article 3 of that Regulation;

A non-financial undertaking that discloses the indicators referred to in the first subparagraph may disclose the proportion of its operating expenditure related to assets or processes associated with economic activities that fulfil only certain requirements of Article 3 of Regulation (EU) 2020/852.

5. The Commission shall adopt a delegated act in accordance with Article 49 of this Directive to supplement paragraphs 1, 2, 3 and 4 of this Article to specify the content and presentation of the information to be disclosed pursuant to those paragraphs, including the content of the information concerning economic activities that fulfil only certain of the criteria set out in Article 3 of Regulation (EU) 2020/852, and the methodology to be used in order to comply with them, taking into account the delegated act adopted under Article 8(4) of that Regulation, the specificities of both financial and non-financial undertakings, and the technical screening criteria established pursuant to that Regulation.';

PUBLIC

(4) Article 29a is amended as follows:

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

'Parent undertakings of a large group which, on their balance sheet dates, exceed the average number of 1000 employees, on a consolidated basis, 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 five subparagraphs are inserted ~~is replaced by the following~~:**

'When establishing contractual and other arrangements for the reporting of sustainability information as required by this Directive, an undertaking shall not require undertakings in its value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year, to provide information exceeding:

(i) the information specified in the standards for voluntary use referred to in Article 29ca; or

(ii) additional sustainability information that is commonly shared between undertakings in the sector concerned.

Any contractual provision contrary to the second subparagraph shall not be binding. This shall not affect the binding nature of the remainder of the contract.

Where an undertaking:

(i) requests information, for the purposes of sustainability information as required by this Directive, from undertakings in its value chain; and

(ii) some or all of that information exceeds the information referred to in points (i) and (ii) of the second subparagraph,

that undertaking shall ensure that undertakings in its value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year, are informed of which information falls into point (ii) of this subparagraph and of their statutory right to decline to provide that information.

Any undertaking in the value chain which, on its balance sheet date, does not exceed the average number of 1000 employees during the financial year, shall have a right to decline to provide information falling outside of points (i) and (ii) of the second subparagraph in response to a request made for the purposes of reporting of sustainability as required by this Directive.

Nothing in the second, third, fourth or fifth subparagraphs:

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

(ii) imposes or implies any obligation on undertakings in the value-chain to provide information falling within points (i) or (ii) of the second subparagraph.'

(iii) The fourth subparagraph is replaced by the following ~~two~~ three subparagraphs:

'When reporting the information referred to in paragraphs 1 and 2, parent undertakings may omit classified information as defined in Article 2, point (7) of Regulation (EU) 2023/2418.

When reporting the information referred to in paragraphs 1 and 2, parent undertakings may omit information corresponding to intellectual capital, intellectual property, know-how 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:

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

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

When reporting the information referred to in paragraphs 1 and 2, parent undertakings may also omit information in exceptional cases where~~, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion,~~ the disclosure of such information would be seriously prejudicial to the eecommercial position of the ~~undertaking~~ group, provided that all of the following conditions are met:

a) such omission does not prevent a fair and balanced understanding of the ~~undertaking's~~group's development, performance and position, or of its principal risks or principal impacts ~~of its activity~~;

~~b) the use of this exemption does not lead to a situation in which the undertaking fails to disclose the existence of a principal risk or a principal impact;~~

c) 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 ~~its~~the group's commercial position;

d) the parent undertaking discloses the fact that it has used this exemption;

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

~~**'Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the group's own operations and about its value chain, including its products and services, its business relationships and its supply chain. Member States shall ensure that, for the reporting of sustainability information as required by this Directive, undertakings do not seek to obtain from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year are not obliged to provide to undertakings referred to in paragraph 1 any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned. Undertakings that report the necessary value chain information without reporting from undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 1000 employees during the financial year any information that exceeds the information specified in the standards for voluntary use referred to in Article 29ca, except for additional sustainability information that is commonly shared between undertakings in the sector concerned, shall be deemed to have complied with the obligation to report value chain information set out in this paragraph.';**~~

~~**(ii) the following subparagraph is added:**~~

~~**'The first subparagraph is without prejudice to Union requirements on undertakings to conduct a due diligence process.';**~~

(c) paragraph 8, second subparagraph, point (c) is replaced by the following:

‘if the parent undertaking is established in a third country, the disclosures laid down in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council or in Article 19b and Article 29aa of this Directive, as applicable, covering the activities carried out by the subsidiary undertaking established in the Union and exempted from sustainability reporting on the basis of Article 19a(9) of this Directive, shall be included in the management report of the exempted parent undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country.’

(d) 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’.

PUBLIC

(5) the following Article 29aa is inserted:

'Article 29aa

Optional taxonomy reporting for certain parent undertakings

1. Member States shall ensure that parent undertakings as referred to in Article 29a(1) of this Directive which, on their balance sheet dates, do not exceed a net turnover of EUR 450 000 000, on a consolidated basis, during the financial year shall apply the paragraphs 2, 3 and 4 of this ~~Directive~~**Article**.

Article 8 of Regulation (EU) 2020/852 shall not apply to parent undertakings referred to in the first subparagraph.

2. A parent undertaking as referred to in paragraph 1 that claims that its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 or with economic activities that fulfil only certain requirements of that provision shall include in its management report information on how and to what extent its activities are associated with those economic activities.

3. In particular, a non-financial parent undertaking that claims that its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 shall disclose the following indicators:

(a) the proportion of its turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of that Regulation;

(b) the proportion of its capital expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of that Regulation.

A non-financial parent undertaking that discloses the indicators referred to in the first subparagraph may disclose the proportion of its operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of that Regulation.

4. In particular, a non-financial parent undertaking that claims that its activities are associated with economic activities that fulfil only certain requirements of Article 3 of Regulation (EU) 2020/852 shall disclose the following indicators:

(a) the proportion of its turnover derived from products or services associated with economic activities fulfilling only certain requirements of Article 3 of that Regulation;

(b) the proportion of its capital expenditure related to assets or processes associated with economic activities that fulfil only certain requirements of Article 3 of that Regulation;

A non-financial parent undertaking that discloses the indicators referred to in the first subparagraph may disclose the proportion of its operating expenditure related to assets or processes associated with economic activities that fulfil only certain requirements of Article 3 of that Regulation.

5. The Commission shall adopt a delegated act in accordance with Article 49 of this Directive to supplement paragraphs 1, 2, 3 and 4 of this Article to specify the content and presentation of the information to be disclosed pursuant to those paragraphs, including the content of the information concerning economic activities that fulfil only certain of the criteria set out in Article 3 of Regulation (EU) 2020/852, and the methodology to be used in order to comply with them, taking into account the delegated act adopted under Article 8(4) of that Regulation, the specificities of both financial and non-financial undertakings and the technical screening criteria established pursuant to this Regulation.';

(6) Article 29b is amended as follows:

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

(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 1000 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;

PUBLIC

(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 other than those referred to in Articles 19a(1) and 29a(1) and to limit the information that may be ~~**requested**~~**required** from such undertakings for the purposes of this Directive, 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**~~The~~ sustainability reporting standards referred to in paragraph 1 shall **be based on Commission Recommendation 2025/XXX, 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 may amend the delegated act referred to in paragraph 1 to take into account developments relevant to sustainability reporting.';

(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 or Article 19b of this Directive, as applicable, 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 or Article 29aa of this Directive, as applicable, 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).';

PUBLIC

(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.';

(10a) In Article 33a(1), the first subparagraph is replaced by the following:

'1. From 10 January 2028, Member States shall ensure that, when making public the management report, consolidated management report, including for both reports the information required in Article 8 of Regulation (EU) 2020/852 or in Articles 19b and 29aa of this Directive, as applicable, as well as the annual financial statements, consolidated financial statements, audit report, assurance report, sustainability reports concerning third-country undertakings and related assurance opinion, the statement referred to in Article 40a(2), fourth subparagraph, of this Directive, the report on payments to governments, and the consolidated report on payments to governments referred to in Article 30, Article 40d and Article 45 of this Directive, the undertakings referred to in Articles 19a, 29a and 40a of this Directive submit those statements and reports at the same time to the collection body referred to in paragraph 4 of this Article for the purpose of making them accessible on the European single access point

(ESAP) established under Regulation (EU) 2023/2859 of the European Parliament and of the Council.'.

(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 or Articles 19b and 29aa of this Directive, as applicable;';

(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 ~~obligation on undertakings not to seek to obtain from~~**right of the** undertakings in the~~ir~~ value chain which, on their balance sheet dates, do not exceed the average number of 1000 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, except for additional sustainability information that is commonly shared between undertakings in the sector concerned.';

PUBLIC

(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 large subsidiary undertakings as defined in Article 3(4) of this Directive';

(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 the threshold referred to in Article 3(4) point (b) of this Directive 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.';

(12a) in Article 48i(1), the second subparagraph is replaced by the following:

'Until 6 January 2030, Member States shall permit the consolidated sustainability reporting referred to in the first subparagraph of this paragraph to include the disclosures laid down in Article 8 of Regulation (EU) 2020/852 or Articles 19b and 29aa of this Directive, as applicable, covering the activities carried out by all Union subsidiary undertakings of the parent undertaking referred to in the first subparagraph of this paragraph that are subject to Article 19a or 29a of this Directive.';

(13) Article 49 is amended as follows:

(-a) in paragraph 2, first sentence, the reference to Article 29c is deleted;

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

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

PUBLIC

(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 to 3e are inserted:

'3c. The power to adopt delegated acts referred to in Articles 19b(5), 29aa(5) and 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 Articles 19b(5), 29aa(5) and 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.

3e. The Commission shall gather all necessary expertise, prior to the adoption and during the development of delegated acts pursuant to Articles 19b(5) and 29aa(5), including through the consultation of the experts of the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852.';

(b) paragraph 5 is replaced by the following:

'5. A delegated act adopted pursuant to Article 1(2), Article 3(13), Article 19b, Article 29aa, 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.'.

PUBLIC

Article 3

Amendments to Directive (EU) 2022/2464

PUBLIC

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 large undertakings **within the meaning of article 3(4) of Directive 2013/34/EU** which, on their balance sheet dates, exceed the average number of 1000 employees during the financial year;';

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

'(ii) to parent undertakings of a large group **within the meaning of article 3(7) of Directive 2013/34/EU** which, on their balance sheet dates, exceed the average number of 1000 employees, on a consolidated basis, 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 large undertakings within the meaning of Article 3(4) of

Directive 2013/34/EU which, on their balance sheet dates, exceed the average number of 1000 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 large group **within the meaning of Article 3(7) of Directive 2013/34/EU** which, on its balance sheet dates, exceed the average number of 1000 employees, on a consolidated basis, 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 the average number of 1000 employees, on a consolidated basis, where applicable, during the financial year, from complying with the measures necessary to comply with Article 1, with the exception of point (14), and with Article 2, for the financial year**s** starting between 1 January **2025** and 31 December 2026. ~~**As regards a given financial year, that exemption may only apply to those undertakings or issuers that were not required to publish their management report in respect of that financial year before the date on which the Member State law implementing this derogation enters into force.**~~**'**

PUBLIC

Article 4

Amendments to Directive (EU) 2024/1760

PUBLIC

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

(1) Article 1 **is amended as follows:**

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

‘(c) the obligation for companies to adopt a transition plan for climate change mitigation, including implementing actions which aim to ensure, through best efforts, compatibility of the business model and of the strategy of the company with the transition to a sustainable economy and with the limiting of global warming to 1,5 ºC in line with the Paris Agreement.’;

(b) the following paragraph 4 is inserted:

‘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.’

(2) 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;’;

[for art.8 CS3D, option 2 only:

(b) the following point (w) is inserted:

‘(w) ‘plausible information’ means information that objectively has a reasonable likelihood of being true.’

(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 and 8, Article 10(1) to (5), Article 11(1) to (6) and Article 14.

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 and, 8, Article 10(1) to (5), Article 11(1) to (6) and Article 14, 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.’;

PUBLIC

(4) Article 8 is amended as follows:

OPTION 1 – full risk-based approach

‘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, taking into account relevant risk factors, companies shall take appropriate measures to:

a. carry out a scoping exercise to identify the 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 likely to occur;
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.

For the purposes of this article, a measure cannot be appropriate if it is not reasonably available to the company.

3. 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 and information gathered through the notification mechanism and the complaints procedure provided for in Article 14.

4. Where information necessary for the in-depth assessment provided for in paragraph 2, point (b), can be obtained from different business partners, the company shall prioritise requesting such information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur.’;

5. Member States shall ensure that, for the purposes of scoping provided for in paragraph 2, point (a), companies only request to obtain information from business partners where that information is necessary and, in case of business partners with fewer than 1 000 employees, cannot reasonably be obtained by other means.

PUBLIC

The guidelines issued under Article 19(1) on the identification process shall include guidance in respect of the first subparagraph.'

PUBLIC

OPTION 2 – risk-based approach limited to Tier 1

'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, taking into account relevant risk factors, companies shall take appropriate measures to:

a. carry out a scoping exercise to identify the areas across their own operations, those of their subsidiaries and, where related to their chains of activities, those of their direct business partners where adverse impacts are likely to occur;
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.

For the purposes of this Article, a measure cannot be appropriate if it is not reasonably available to the company.

2a. Where a company has, or can be reasonably expected to know of, plausible information that suggests that adverse impacts at the level of the operations of an indirect business partner have arisen or have a reasonable prospect of arising, it shall carry out an in-depth assessment. Where a company is aware, or can reasonably be expected to be aware, that the indirect, rather than direct, nature of the relationship with the business partner is the result of an artificial arrangement that does not reflect economic reality and is designed to circumvent paragraph 2, point (b), it shall carry out an in-depth assessment. Where the assessment confirms the likelihood or existence of the adverse impact, it is deemed to have been identified.

Irrespective of whether the first paragraph applies, a company may seek contractual assurances from a direct business partner that that business partner will ensure compliance with the company's code of conduct by establishing corresponding contractual assurances from its business partners, together with requests to inform the company of adverse impacts and any measures taken to address

them. Where the company makes such a request, it shall provide the support referred to in Article 10(2) point (e), where relevant. This subparagraph is without prejudice to Article 10(2)(b), Article 10(4), Article 10(5), Article 11(3)(c), Article 11(5) and Article 11(6).'

3. 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 and information gathered through the notification mechanism and the complaints procedure provided for in Article 14.

4. Where information necessary for the in-depth assessment provided for in paragraph 2, point (b), and in paragraph 2a can be obtained from different business partners, the company shall prioritise requesting such information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur.';

5. Member States shall ensure that, for the purposes of scoping provided for in paragraph 2, point (a), companies only request to obtain information from direct business partners where that information is necessary and, in case of direct business partners with fewer than 1 000 employees, cannot reasonably be obtained by other means.

The guidelines issued under Article 19(1) on the identification process shall include guidance in respect of the first subparagraph.';

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(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.

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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 a 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 ~~prevented or adequately mitigated~~ **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.

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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** ~~3~~ 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.';

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

'3. The guidelines referred to in paragraph 2, point (a), shall be made available by 26 July 2026, those referred to in paragraph 2, points (d) and (e), by 26 January 2027, and those referred to in paragraph 2, points (b), (f) and (g), by 26 July 2027.';

(10) in Article 22(1), the first subparagraph is replaced by the following:

'Member States shall ensure that companies referred to in Article 2(1), points (a), (b) and (c), and Article 2(2), points (a), (b) and (c), adopt a transition plan for climate change mitigation, including implementing actions, which aim to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement

and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119, including its intermediate and 2050 climate neutrality targets, and where relevant, the exposure of the company to coal-, oil- and gas-related activities.';

(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 not set a maximum limit of pecuniary penalties in their national law transposing this Directive that would prevent supervisory authorities from imposing penalties in accordance with the principles and factors set out in paragraphs 1 and 2.';~~

When pecuniary penalties are imposed, they shall **take appropriate account of** ~~be based on~~ the company's net worldwide turnover. Member States shall ensure that the maximum limit of pecuniary penalties is set at 5% of the net worldwide turnover of the company in the financial year preceding that of the decision to impose the fine. Member States shall ensure that, with regard to companies referred to in Article 2(1), point (b), and Article 2(2), point (b), pecuniary penalties are calculated taking into account the consolidated turnover reported by the ultimate parent company.'

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(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) in Article 36, paragraph 1 is deleted.

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 3(3), and~~ Article 4 by [*12*

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months after entry into force ***or by 31 December 2026, whichever comes later***] at the latest. They shall forthwith communicate to the Commission the text of those provisions.

~~Member States relying on the derogation provided for under Article 3(3) shall bring into force the laws, regulations and administrative provisions necessary to comply with that provision by [1 July 2026] 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 2027 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 ~~and third~~ 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*.

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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*

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