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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Simplification
Subject:	Explanatory note - CSRD SIMPLIFICATION – 1st Presidency compromise

Delegations will find attached an explanatory note on the first Presidency compromise text for CSRD Simplification (circulated in doc. ST 7952/25), in preparation of the meeting of the Antici Group (Simplification) on 25 April 2025.

EXPLANATORY NOTE

CSRD SIMPLIFICATION – 1st Presidency compromise

Antici Group on Simplification (AGS)

25 April 2025, Friday

The purpose of this explanatory note is to provide delegations with additional information, clarifications and reasoning for the amendments proposed by the Presidency.

This document is for reference only.

ARTICLE	REASONING
Recital 5	The Presidency proposes to supplement the recital regarding the reduction of the scope of reporting entities by indicating that the aim is not only to reduce the reporting burden on undertakings but also to ensure that reporting is more proportionate.
Recital 6	The proposed changes are aimed at giving the undertakings disclosing the information under the Article 8 of Regulation (EU) 2020/852 more flexibility and clarifying that the disclosure obligations only apply when an undertaking claims that their activities are environmentally sustainable according to the Regulation (EU) 2020/852. This change also clarifies the purpose of introducing partial alignment and its use. It also clarifies that the provisions and rules on partial alignment will be further specified in a delegated act adopted pursuant to Article 8(4) of Regulation (EU) 2020/852..
New recital 8a New Article 2(1a) (Article 19(1) of Directive 2013/34/EU)	The recital explains amendments introduced to Article 19(1), fourth subparagraph, of Directive 2013/34/EU that requires 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 of undertakings subject to mandatory sustainability reporting (Article 19a(1)) and to achieve the objective of such reporting in a more proportionate way, this requirement should only apply to large undertakings which have more than 1000 employees. This will also allow for further burden reduction.
Recital 9	Amendments are aimed at aligning the recital with amendments introduced to Article 19a(3) of Directive 2013/34/EU to ensure coherence and clarify the text of the recital.

Recital 10 New Article 2(13) point (0a-0c) (Article 49 of Directive 2013/34/EU)	Due to the removal of the Commission's empowerment to adopt sustainability reporting standards for small and medium-sized undertakings, references to Article 29c of Directive 2013/34/EU should accordingly be deleted throughout the directive.
Recital 14	In the context of the value chain cap introduced in amendments to Article 19a(3) of Directive 2013/34/EU, the recital has been supplemented with some explanation to clarify the term "information commonly shared".
Recital 16 Article 2(10) (Article 33(1) of Directive 2013/34/EU)	Rewording of the recital is a consequence of changing the amendments to Article 33(1) to an option for Member States. Due to the divergent comments received from Member States, some of which urged to remove the proposed new subparagraph in Article 33(1) and some to keep it, wording has been changed to formulate it as an option for Member States, which provides for more flexibility and will allow to align the requirements with the legal system of the Member State.
Recital 18a Recital 19a Article 3(1-3) (Article 5(2) of CSRD)	Rewording of the recitals is a consequence of changing the amendments to Article 5(2) of CSRD. In relation to the first wave of entities changes have been introduced to provide legal certainty, indicating the financial years for which entities from this group are obliged to publish sustainability reporting , i.e. for financial years starting between 1 January 2024 and 31 December 2026 inclusive. In relation to the second wave of entities changes are a consequence of the above mentioned reporting deadline for the first wave. In light of the postponement of the date of the first reporting for the second wave introduced by the "stop the clock", i.e. for financial years starting on or after 1 January 2027, the first wave and the second wave will no longer overlap. The new fifth subparagraph introduced to Article 5(2) of CSRD aims to address concerns regarding the level playing field for the first wave undertakings. It provides for a Member State option to exempt entities from this group from sustainability reporting already for financial year 2026.
New recital 19b	A new recital has been added to indicate that the changes to CSRD will be followed by proposals for amendments to the sustainable finance regulations for the financial sector (e.g. SFDR) in order to maintain consistency.
New Article 2(2), point (d)	As a consequence of introducing the Taxonomy opt-in option for certain entities reporting under CSRD, a reference to Articles 19b and 29aa of

(Article 19a(9) of Directive 2013/34/EU) New Article 2(4), point (c) (Article 29a(8) of Directive 2013/34/EU) Article 2(9) (Article 29d of Directive 2013/34/EU) New Article 2(10a) (Article 33a(1) of Directive 2013/34/EU) Article 2(11), point (a) (Article 34(1) of Directive 2013/34/EU) New Article 2(12a) (Article 48i(1) of Directive 2013/34/EU)	Directive 2013/34/EU has been added wherever the directive refers to Article 8 of Taxonomy Regulation.
New Article 2(2), point (e) (Article 19a(10) of Directive 2013/34/EU) New Article 2(4), point (d) (Article 29a(9) of Directive 2013/34/EU)	The change is intended to allow large listed entities to be exempted from preparing the sustainability reporting (either individual or consolidated) when they are included in the consolidated sustainability reporting prepared by a parent entity. The exemption from sustainability reporting should no longer be determined by whether an entity is listed or not. Thus consistency would be ensured with the new scope of undertakings subject to mandatory reporting, i.e. large undertakings with the average number of employees over 1000, irrespective of the fact whether these undertakings are listed or other type of PIEs. Furthermore, this possibility would offer additional simplification for undertakings. Lastly its aim is not to discourage entities from listing.
Article 2(6), point (a) (Article 29b of Directive 2013/34/EU)	The adjustment is due to deletion of sectoral standards.

Article 2(8) (Article 29ca of Directive 2013/34/EU)	The change is aimed at clarifying and supplementing the wording of the Commission's empowerment to adopt voluntary sustainability reporting standards in order to also include the purpose of limiting the scope of information that can be requested.
Article 5(1)	The changes result from adding a new subparagraph to Article 5(2) of CSRD introducing an option for Member States to exempt first wave undertakings from sustainability reporting already for financial year 2026. The change aims to specify the deadline for transposition of the provisions concerning the above-mentioned option. This deadline should be shorter to provide legal certainty for these entities. Therefore, the date of 1 July 2026 is proposed similarly to the date of the original transposition deadline of CSRD, which fell in the middle of the first reporting year of the first wave of entities.
Article 19b(1)	The proposed change introduces a clarification in the second subparagraph that Article 8 of Regulation does not apply to the undertakings in the first subparagraph.
Article 19b(5)	The changes aim at specifying that the methodology necessary to comply with the criteria set out in Article 3 of Regulation (EU) 2020/852 will take into account the delegated act adopted under Article 8(4) of the Regulation (EU) 2020/852.
Article 29aa(1)	The proposed change introduces a clarification in the second subparagraph that Article 8 of Regulation does not apply to the undertakings in the first subparagraph.
Article 29aa(5)	The changes aim at specifying that the methodology necessary to comply with the criteria set out in Article 3 of Regulation (EU) 2020/852 will take into account the delegated act adopted under Article 8(4) of the Regulation (EU) 2020/852.