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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Antici Group (Simplification)
Subject:	Explanatory notes - CSRD and CS3D SIMPLIFICATION

Delegations will find attached the explanatory notes for CSRD and for CS3D Simplification, in preparation for the meeting of the Antici Group (Simplification) on 13 June 2025.

EXPLANATORY NOTE

CSRD SIMPLIFICATION – 4th Presidency compromise

Antici Group on Simplification (AGS)

13 June 2025, Friday

PUBLIC

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

The explanatory note follows the order of the relevant recitals.

This document is for reference only.

ARTICLE	REASONING
Recital 2a	The text of recital 2a has been slightly reworded to soften the language.
New recital 4a New Article 1(1aa) (Article 45(5b) of Directive 2006/43/EC)	Several Member States called for introducing transitional provisions related to the registration of third country auditors and third country audit entities in relation to assurance of sustainability reporting. The Presidency acknowledges the current practical challenges with this registration, and after additional consultations with the COM, added a new paragraph 5b to Article 45 of the Audit Directive accompanied with new recital 4a which explains the rationale behind this amendment. This proposal is based on drafting suggestions submitted by the delegations, however the Presidency has limited the changes to what is strictly necessary to address the identified issue.
Recital 6 Recital 6a	Recital 6 clarifies that Member States do not need to transpose Article 19b point 1 paragraph 2 (and respectively point 1 paragraph 2 of Article 29aa) of Directive 2013/34/EU. A minor language change has been made – the word “indispensable” is now replaced by the “especially important” as well as the wording “net turnover” has been made consistent in the text. In terms of Recital 6a, certain undertakings (which do not exceed 450 000 000 EUR net turnover) would have the possibility to use the optional taxonomy reporting regime set in Art. 19b and 29aa. The purpose of the Art 19b and respectively 29aa is to simplify the process of reporting taxonomy data for certain undertakings (which do not exceed 450 000 000 EUR net turnover), which may face significant burden in collecting and fully assessing such data. The detailed

	presentation of these disclosures will be determined by the European Commission at the level 2 measures. Nevertheless, if these undertakings will prefer to disclose full information under Article 8 of Taxonomy Regulation, they will still have this opportunity.
Recital 9 Recital 14 Article 2(2) point b (i) (Article 19a(3) of Directive 2013/34/EC) Article 2(4) point b (i) (Article 29a(3) of Directive 2013/34/EC) Article 2(8) (Article 29ca(3) of Directive 2013/34/EU) Article 2(11) point b (Article 34(2a) of Directive 2013/34/EU)	Due to the concerns raised by several Member States that the notion of information commonly shared in a given sector is not clear and that it could pose a risk of circumventing the value chain cap, the provisions on information commonly shared have been removed from the proposal (Articles 19a(3), 29a(3) and 34(2a)). Nevertheless, recital 9 has been amended to reflect that the exchange of such commonly shared information may still take place on a voluntary basis between reporting undertakings and their value chain undertakings. Furthermore the text on the commonly shared information has been deleted in recital 14. While introducing amendments to Article 19a(3) and Article 29a(3) of Directive 2013/34/EC in the third compromise proposal, the sentence clarifying that “undertakings reporting the necessary value chain information without reporting from undertakings in their value chain any information exceeding the VSME shall be deemed to have complied with the obligation to report value chain information” was unintentionally omitted. This sentence have been now reinstated in the revised wording of Article 19a(3) and Article 29a(3) of Directive 2013/34/EC. Taking note of the suggestions from some Member States that the European Commission should be required to review the VSME on a regular basis and amend it if necessary, the provisions of Article 29ca(3) empowering the Commission do adopt the VSME have been supplemented accordingly. It is proposed to require the European Commission to review the delegated act on the VSME and amend it if deemed necessary at least every four years. The aim of this provision is to ensure that the VSME, once adopted, is kept updated so that it meets its objective of effectively protecting SMEs from a trickle-down effect.
Article 2(2) point b (iii) (Article 19a(3) of Directive 2013/34/EC) Article 2(4) point b (iii) (Article 29a(3) of Directive 2013/34/EC)	Taking note of concerns that undertakings should be allowed to omit certain information that is sensitive in the context of the defence industry, following consultations with the European Commission and the Council Legal Service, the text of Articles 19a(3) and 29a(3) of Directive 2013/34/EC have been supplemented to allow for omitting such information (new point b) in the fourth subparagraphs of the above mentioned Articles).
Recital 12a	In response to suggestions of some Member States, the text of the Recital 12a has been supplemented to ensure greater consistency of revision of ESRS with other parts of EU legislation, especially the financial services legislation.

EXPLANATORY NOTE

CS3D SIMPLIFICATION – 4th Presidency compromise

Antici Group on Simplification (AGS)

13 June 2025, Friday

PUBLIC

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

The explanatory note follows the order of the relevant provisions.

This document is for reference only.

Explanation regarding changes related to Article 22 will be circulated after the final text is distributed to the Member States.

ARTICLE	REASONING
Recital 20	Minor technical change, aimed at improving the text.
Article 3(1) point (w), Article 8(2), Article 8(4), Recital 21, 21a, 21b, 21c, 21d	The Presidency proposes a text that reflects a risk-based approach, in-line with the international standards. As a result, the previously inserted definition on plausible information is removed from Article 3(1) as it no longer applies. Article 8(2) and corresponding Recital 21(c) underline that the risk-based scoping expercise should be based on reasonably available information. This should make it clearer than the now deleted sentence in Article 8(2) referring to appropriate measures. While the in-depth assessment outlines a full risk-based approach, the text introduces significant relief for the companies in scope. Firstly, the companies, when they first become subject to the Directive, can benefit from a gradual approach. It means that in the assessment process, they may begin to focus on the most likely and most severe adverse impacts, as opposed to assessing every risk area at the same time. The term reasonable period allows for a greater flexibility, considering the case of each individual company. However, Member States may choose to define this period. The second type of relief, which is a part of the gradual approach is that companies are allowed to focus their assessment process on tier 1 only for the first 24 months. As a result, the outlined changes allow companies to gradually learn how to conduct due diligence process,

	without being overburdened or overwhelmed immediately once they become subject to this Directive. The changes also clarify that in the identification and assessment process, relevant risk factors should be takien into account, while listing such factors. Putting this change in the text, as opposed to keeping it just in a recital allows for greater clarity. This can be especially useful, considering the changes made in Article 8(2) point (b). The Presidency proposes to put an additional safeguard for business partners of companies in scope in Article 8(4). It underlines that requests should be specific and reasonable, considering the capacity of business partners. It implies that if a company expects to receive more information than what is normally reasonable for a given business partner, they should provide support for that business partner.
Recital 24a	Minor technical changes, aimed at improving the text.
Article 27, Recital 27	The proposed change removes from the text of Article 27(4) a sentence which referred to taking into account net worldwide turnover of a company when applying pecuniary penalties. Changes in Recital 27 sufficiently explain that the principles of proportionality, effectiveness and dissuasiveness, which are already outlined in Article 27(1), should apply. The recital further clarifies that this factor should take into account company's net worldwide turnover as one of the factors outlinec in Article 27(2). The proposed changes also clarify that in case of a company belonging to a group, consolidated net worldwide turnover of the ultimate parent company shall be taken into account.

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