European Parliament
2024 - 2029

Committee on the Environment, Climate and Food Safety

SS/FRB

FINAL COMPROMISES

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

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Compromise amendment 1

Articles 26a(3) Audit Directive (standards for limited & reasonable assurance)

on behalf of the EPP, S&D and Renew Groups

Compromise amendment replacing Amendments 3-8, 69-74

Article 1 Omnibus I, amendments to Directive 2006/43/EC ('Audit Directive')

CHAPTER V
AUDITING STANDARDS AND AUDIT REPORTING
Article 26a
Assurance standards for sustainability reporting

1. Member States shall require statutory auditors and audit firms to carry out the assurance of sustainability reporting in compliance with the assurance standards adopted by the Commission in accordance with paragraph 3.

2. Member States may apply national assurance standards, procedures or requirements as long as the Commission has not adopted an assurance standard covering the same subject matter.

   Member States shall communicate the national assurance standards, procedures or requirements to the Commission at least three months before their entry into force.

3. The Commission shall ~~**be empowered to**~~ ***no later than 1 October 2028*** ~~, no later than 1 October 2026,~~ adopt delegated acts in accordance with Article 48a in order to supplement this Directive in order to provide for limited assurance standards setting out the procedures that the auditor(s) and the audit firm(s) shall perform in order to draw his, her or its conclusions on the assurance of sustainability reporting, including engagement planning, risk consideration and response to risks and type of conclusions to be included in the assurance report on sustainability reporting, or, where relevant, in the audit report.

   The Commission shall, no later than 1 October 2028, conduct an assessment on the impact of reasonable assurance standards on costs for undertaking, and the feasibility for auditors and for undertakings, and whether such standards provide a clear added value and contribute meaningfully to the sustainability efforts of the undertaking.

~~The Commission shall, no later than 1 October 2028, adopt delegated acts in accordance with Article 48a in order to supplement this Directive in order to provide for reasonable assurance standards, following an assessment to determine if reasonable assurance is feasible for auditors and for undertakings. Taking into account the results of that assessment and if therefore appropriate, those delegated acts shall specify the date from which the opinion referred to in point (aa) of the second subparagraph of Article 34(1) is to be based on a reasonable assurance engagement that is based on those reasonable assurance standards.~~

The Commission may adopt the assurance standards referred to in the first subparagraph~~s~~ ***after having obtained opinion from EFRAG*** and only where those standards ~~if they~~:

(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.

Compromise amendment 2

Articles 1 (3)(4), 19a (1), 29a (1), 40a (1) Accounting Directive

(includes **scope of reporting**: type of undertakings & thresholds)

&

Article 5(2) first and third subparagraphs Corporate Sustainability Reporting Directive

(**alignment** related to the reduced scope of the undertakings)

&

Article 2 Corporate Sustainability Due Diligence Directive ('CSDDD')

(includes **scope of reporting;** not touched by COM proposal but covered by AMs)

on behalf of the EPP, S&D and Renew Groups

Compromise amendment replacing Amendments: (9-14), (19-22), (31-34), (41-49), (75-104), (155-164), (253-262), (275-313), (333-342)

Article 2 Omnibus I, amendments to Directive (EU) 2013/34 ('Accounting Directive')

CHAPTER 1
SCOPE, DEFINITIONS AND CATEGORIES OF UNDERTAKINGS AND GROUPS
Article 1
Scope

(…)

3. The coordination measures prescribed by Articles 19a, ~~***19b,***~~ 29a, ~~***29aa,***~~ 29d, 30 and 33, second subparagraph, point (aa), ~~point (aa) of the second subparagraph~~ of Article 34(1), 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 ***1750~~1000~~*** employees ***and a net worldwide turnover of more than EUR 450 000 000*** during the financial year~~are large undertakings, or small and medium-sized undertakings, except micro undertakings, which are public-interest entities as defined in point (a) of point (1) of Article 2 of this Directive~~:

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 ~~in points (b) and (f) of~~ Article 2, point (12), (b) and (f) ~~of Article 2~~ of Regulation (EU) 2019/2088 of the European Parliament and of the Council ([4]).

(...)

CHAPTER 5
MANAGEMENT REPORT
Article 19a
Sustainability reporting

1. Large undertakings which, on their balance sheet dates, exceed the average number of ***1750*** ~~***1000***~~ employees ***and a net worldwide turnover of more than EUR 450 000 000*** during the financial year ~~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~~ shall include in the 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.

   The information referred to in the first subparagraph shall be clearly identifiable within the management report, through a dedicated section of the management report.

(…)

CHAPTER 6
CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS
Article 29a
Consolidated sustainability reporting

1. Parent undertakings of a large group which, on its balance sheet dates, exceed the average number of ***1750*** ~~***1000***~~ employees ***and a net worldwide turnover of more than EUR 450 000 000***, on a consolidated basis, during the financial year, ~~as referred to in Article 3(7)~~ 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.

   The information referred to in the first subparagraph shall be clearly identifiable within the consolidated management report, through a dedicated section of the consolidated management report.

(…)

CHAPTER 9a
REPORTING CONCERNING THIRD-COUNTRY UNDERTAKINGS
Article 40a
Sustainability reports concerning third-country undertakings

1. A Member State shall require that a subsidiary undertaking established in its territory whose ultimate parent undertaking is governed by the law of a third country publish and make accessible a sustainability report covering the information specified in points (a)(iii) to (a)(v), points (b) to (f) and, where appropriate, point (h) of Article 29a(2) at the group level of that ultimate third-country parent undertaking.

   The first subparagraph shall only apply to large subsidiary undertakings as defined in Article 3(4) of this Directive, ***which, on their balance sheet dates, exceed the average number of 1750 employees and a net worldwide turnover of more than EUR 450 000 000 during the financial year***.~~and to small and medium-sized subsidiary undertakings, except micro undertakings, which are public-interest entities as defined in point (a) of point (1) of Article 2.~~

   A Member State shall require that a branch located in its territory, and which is a branch of an undertaking governed by the law of a third country, which is either not part of a group or is ultimately held by an undertaking that is formed in accordance with the law of a third country publish and make accessible a sustainability report covering the information specified in points (a)(iii) to (a)(v), points (b) to (f) and, where appropriate, point (h) of Article 29a(2), at the group level, or, if not applicable, the individual level, of the third-country undertaking.

   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 ~~of more than EUR 40 million~~ 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 ~~of more than~~ EUR ~~150~~ 450 ~~million~~ 000 000 in the Union for each of the last two consecutive financial years.

   Member States may require subsidiary undertakings or branches referred to in the first and third subparagraphs to send them information about the net turnover generated in their territory and in the Union by the third-country undertakings.

(...)

Article 3 Omnibus I, amendements to Directive (EU) 2022/2464 ('CSRD')
Article 5
Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Articles 1 to 3 of this Directive by 6 July 2024. They shall immediately communicate the text of those measures to the Commission.

2. Member States shall apply the measures necessary to comply with Article 1, with the exception of point (14):

~~(a) for financial years starting on or after 1 January 2024:~~

~~(i) to large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU which are public-interest entities as defined in point (1) of Article 2 of that Directive exceeding on their balance sheet dates the average number of 500 employees during the financial year;~~

~~(ii) to public-interest entities as defined in point (1) of Article 2 of Directive 2013/34/EU which are parent undertakings of a large group within the meaning of Article 3(7) of that Directive exceeding on its balance sheet dates, on a consolidated basis, the average number of 500 employees during the financial year;~~

(b) for financial years starting on or after 1 January [*year as amended by Stop the clock proposal, i.e. 2027*]~~2025~~:

(i) to large undertakings which, on their balance sheet dates, exceed the average number of ***1750*** ~~***1000***~~ employees ***and a net worldwide turnover of more than EUR 450 000 000*** during the financial year~~within the meaning of Article 3(4) of Directive 2013/34/EU, other than those referred to in point (a)(i) of this subparagraph~~;

(ii) to parent undertakings of a large group which, on their balance sheet dates, exceed the average number of ***1750*** ~~***1000***~~ employees ***and a net worldwide turnover of more than EUR 450 000 000***, on a consolidated basis, during the financial year~~within the meaning of Article 3(7) of Directive 2013/34/EU, other than those referred to in point (a)(ii) of this subparagraph~~;

~~(c) for financial years starting on or after 1 January 2026:~~

(i) to small and medium-sized undertakings within the meaning of Article 3(2) and (3) of Directive 2013/34/EU which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive;

(ii) to small and non-complex institutions defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013, provided they are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU or that they are small and medium sized undertakings within the meaning of Article 3(2) and (3) of that Directive which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive;

(iii) to captive insurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council (39), and captive reinsurance undertakings defined in point (5) of Article 13 of that Directive, provided that they are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU or that they are small and medium sized undertakings within the meaning of Article 3(2) and (3) of that Directive which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive.

Member States shall apply the measures necessary to comply with point (14) of Article 1 for financial years starting on or after 1 January 2028.

Member States shall apply the measures necessary to comply with Article 2:

(a) for financial years starting on or after 1 January 2024:

(i) to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU exceeding on their balance sheet dates the average number of 500 employees during the financial year;

(ii) to issuers as defined in point (d) of Article 2(1) 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 exceeding on its balance sheet dates, on a

~~consolidated basis, the average number of 500 employees during the financial year;~~

(b) for financial years starting on or after 1 January [*year as amended by Stop the clock proposal, i.e. 2027*]~~2025~~:

(i) to issuers as defined in ~~point (d) of~~ 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 ***1750*** ~~***1000***~~ employees ***and a net worldwide turnover of more than EUR 450 000 000*** during the financial year;~~other than those referred to in point (a) (i) of this subparagraph~~;

(ii) to issuers as defined in ~~point (d) of~~ Article 2(1)~~,~~ point (d) of ~~of~~ Directive 2004/109/EC which are parent undertakings of a large which, on its balance sheet dates, exceed the average number ***1750*** ~~***1000***~~ employees ***and a net worldwide turnover of more than EUR 450 000 000***, on a consolidated basis, during the financial year~~group within the meaning of Article 3(7) of Directive 2013/34/EU other than those referred to in point (a) (ii) of this subparagraph~~;

~~(b) for financial years starting on or after 1 January 2026:~~

~~(i) to issuers as defined in point (d) of Article 2(1) of Directive 2004/109/EC which are small and medium-sized undertakings within the meaning of Article 3(2) and (3) of Directive 2013/34/EU and which are not micro-undertakings as defined in Article 3(1) of Directive 2013/34/EU;~~

~~(ii) to issuers defined as small and non-complex institutions in point (145) of Article 4(1) of Regulation (EU) No 575/2013, provided they are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU or that they are small and medium-sized undertakings within the meaning of Article 3(2) and (3) of that Directive which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive;~~

~~(iii) to issuers defined as captive insurance undertakings in point (2) of Article 13 of Directive 2009/138/EC, or as captive reinsurance undertakings in point (5) of Article 13 of that Directive, provided that they are large~~

~~undertakings within the meaning of Article 3 (4) of Directive 2013/34/EU or that they are small and medium-sized undertakings within the meaning of Article 3(2) and (3) of that Directive which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive.~~

Member States shall apply the measures necessary to comply with Article 3 for financial years starting on or after 1 January 2024.

3. When Member States adopt the measures referred to in paragraph 1, they shall contain a reference to this Directive or shall be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

4. 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 4 Omnibus I, amendments to Directive (EU) 2024/1760 ('CSDDD')

Article 2

Scope

1. This Directive shall apply to companies which are formed in accordance with the legislation of a Member State and which fulfil one of the following conditions:

   (a) the company had more than ***1750*** ~~***1000***~~ employees on average and had a net worldwide turnover of more than EUR 450 000 000 in the last financial year for which annual financial statements have been or should have been adopted;

   (b) the company did not reach the thresholds as referred to in point (a) but is the ultimate parent company of a group that reached those thresholds in the last financial year for which consolidated annual financial statements have been or should have been adopted;

   (c) the company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreements in the Union in return for royalties with independent third-party companies, where those agreements ensure a common identity, a common business concept and the application of uniform business methods, and where those royalties amounted to more than EUR 22 500 000 in the last financial year for which annual financial statements have been or should have been adopted, and provided that the company had or is the ultimate parent company of a group that had a net worldwide turnover of more than EUR 80 000 000 in the last financial year for which annual financial statements have been or should have been adopted.

2. This Directive shall also apply to companies which are formed in accordance with the legislation of a third country and fulfil one of the following conditions:

   (a) the company ***had more than 1750 employees on average and*** generated a net turnover of more than EUR 450 000 000 in the Union in the financial year preceding the last financial year;

   (b) the company did not reach the threshold as referred to in point (a) but is the ultimate parent company of a group that on a consolidated basis reached that threshold in the financial year preceding the last financial year;

   (c) the company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreements in the Union in return for royalties with independent third-party companies, where those agreements ensure a common identity, a common business concept and

the application of uniform business methods, and where those royalties amounted to more than EUR 22 500 000 in the Union in the financial year preceding the last financial year; and provided that the company generated, or is the ultimate parent company of a group that generated, a net turnover of more than EUR 80 000 000 in the Union in the financial year preceding the last financial year.

3. Where the ultimate parent company has as its main activity the holding of shares in operational subsidiaries and does not engage in taking management, operational or financial decisions affecting the group or one or more of its subsidiaries, it may be exempted from carrying out the obligations under this Directive. That exemption is subject to the condition that one of the ultimate parent company's subsidiaries established in the Union is designated to fulfil the obligations set out in Articles 6 to 16 and Article 22 on behalf of the ultimate parent company, including the obligations of the ultimate parent company with respect to the activities of its subsidiaries. In such a case, the designated subsidiary is given all the necessary means and legal authority to fulfil those obligations in an effective manner, in particular to ensure that the designated subsidiary obtains from the companies of the group the relevant information and documents to fulfil the obligations of the ultimate parent company under this Directive.

   The ultimate parent company shall apply for the exemption referred to in the first subparagraph of this paragraph to the competent supervisory authority, in accordance with Article 24, to assess whether the conditions referred to in the first subparagraph of this paragraph are met. Where the conditions are met, the competent supervisory authority shall grant the exemption. Where applicable, such authority shall duly inform the competent supervisory authority of the Member State where the designated subsidiary is established of the application and then of its decision.

   The ultimate parent company shall remain jointly liable with the designated subsidiary for a failure of the latter to comply with its obligations in accordance with the first subparagraph of this paragraph.

4. For the purposes of paragraph 1, the number of part-time employees shall be calculated on a full-time equivalent basis. Temporary agency workers and other workers in non-standard forms of employment, provided that they fulfil the criteria for determining the status of worker as established by the Court of Justice of the European Union, shall be included in the calculation of the number of employees in the same way as if they were workers employed directly for the same period of time by the company.

5. Where a company meets the conditions laid down in paragraph 1 or 2, this Directive shall only apply if those conditions are met in two consecutive financial years. This Directive shall no longer apply to

a company referred to in paragraph 1 or 2 where the conditions laid down in paragraph 1 or 2 cease to be met for each of the last two relevant financial years.

6. As regards the companies referred to in paragraph 1, the Member State competent to regulate matters covered by this Directive shall be the Member State in which the company has its registered office.

7. As regards a company as referred to in paragraph 2, the Member State competent to regulate matters covered by this Directive shall be the Member State in which that company has a branch. If a company does not have a branch in any Member State, or has branches located in different Member States, the Member State competent to regulate matters covered by this Directive shall be that in which that company generated the highest net turnover in the Union in the financial year preceding the last financial year.

8. This Directive shall not apply to AIFs, as defined in Article 4(1), point (a), of Directive 2011/61/EU of the European Parliament and of the Council [(31)] or to undertakings for collective investment in transferable securities (UCITS) within the meaning of Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council [(32)].

Compromise amendment 3

Articles 19a(3)(4)(6)(7)(10), 29(1), 29a(3)(8)(9), 29b(1)(4), 29c, 29ca, 34(1)(2)(2a) Accounting Directive

(includes **non-scope-**related changes **and** paragraphs that will be aligned to agreement under CA2-scope) (includes also those articles/paragraphs that were not amended by the COM proposal but covered by AMs)

on behalf of the EPP, S&D and Renew Groups

Compromise amendment replacing Amendments: (23-30), (35-40), (105-118), 120, (122-126), (154), (165-178), (207-237), (242-252), 314

Article 2 Omnibus I, amendments to Directive (EU) 2013/34 ('Accounting Directive')

CHAPTER 5
MANAGEMENT REPORT
Article 19a
Sustainability reporting

(…)

3. Where applicable, the ***material*** 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 750 ~~1000~~ employees and a net turnover of EUR 150 000 000*** 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.***

Undertakings referred to in paragraph 1 shall inform undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 750 employees and a net turnover of EUR 150 000 000 during the financial year which information falls outside the information referred to in Article 29ca.

Undertakings that report the necessary value chain information ***without having obtained ~~reporting~~*** from undertakings in their value chain which, on their balance sheet dates, ***do not exceed the average number of 750 ~~1000~~ employees and a net turnover of EUR 150 000 000*** during the financial year ***~~[do not~~***

~~***exceed/threshold, once agreed for Article 19a1, to be inserted***~~] 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. ***Where such information is not available, undertakings may briefly mention any resulting limitations in their sustainability reporting.***

Nothing in this paragraph shall affect information requests made for purposes other than the reporting of sustainability information as required by this Directive, including Union requirements on undertakings to conduct a due diligence process. Such requests may also include, where required by EU law, information necessary to calculate the undertaking's GHG emissions.

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

4. Undertakings shall report the information referred to in paragraphs 1 to 3 of this Article in accordance with the sustainability reporting standards adopted pursuant to Article 29b.

~~6. By way of derogation from paragraphs 2 to 4 of this Article, and without prejudice to paragraphs 9 and 10 of this Article, small and medium-sized undertakings referred to in paragraph 1 of this Article, small and non-complex institutions defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013, captive insurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council (14) and captive reinsurance undertakings defined in point (5) of Article 13 of that Directive may limit their sustainability reporting to the following information:~~

~~(a) a brief description of the undertaking's business model and strategy;~~

~~(b) a description of the undertaking's policies in relation to sustainability matters;~~

~~(c) the principal actual or potential adverse impacts of the undertaking on sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts;~~

~~(d) the principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks;~~

~~(e) key indicators necessary for the disclosures referred to in points (a) to (d).~~

~~Small and medium-sized undertakings, small and non-complex institutions and captive insurance and reinsurance undertakings that rely on the derogation referred to in the first subparagraph shall~~

~~report in accordance with the sustainability reporting standards for small and medium-sized undertakings referred to in Article 29c.~~

~~7. For financial years starting before 1 January 2028, by way of derogation from paragraph 1 of this Article, small and medium-sized undertakings which are public-interest entities as defined in point (a) of point (1) of Article 2 may decide not to include in their management report the information referred to in paragraph 1 of this Article. In such cases, the undertaking shall, nevertheless, briefly state in its management report why the sustainability reporting was not provided.~~

(...)

10. The exemption laid down in paragraph 9 shall also apply to public-interest entities subject to the requirements of this Article ***and of Article 4, paragraph 5 of*** ~~***with the exception of large undertakings which are public-interest entities defined in point (a) of point (1) of Article 2 of this***~~ Directive ***2004/109/EC.***

CHAPTER 6
CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS
Article 29
The consolidated management report

1. The consolidated management report shall, as a minimum, in addition to any other information required under other provisions of this Directive, set out the information required by Articles 19 and 20, taking account of the essential adjustments resulting from the particular characteristics of a consolidated management report as compared to a management report in a way which facilitates the assessment of the position of the undertakings included in the consolidation taken as a whole.

Article 29a
Consolidated sustainability reporting

3. Where applicable, the ***material*** 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 750 ~~1000~~ employees and a net turnover of EUR 150 000 000*** 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.~~***

Undertakings referred to in paragraph 1 shall inform undertakings in their value chain which, on their balance sheet dates, do not exceed the average number of 750 employees and a net turnover of EUR 150 000 000 during the financial year which information falls outside the information referred to in Article 29ca.

Undertakings that report the necessary value chain information ***without having obtained ~~reporting~~*** from undertakings in their value chain which, on their balance sheet dates, ***do not exceed the average number of 750 ~~1000~~ employees and a net turnover of EUR 150 000 000*** during the financial year ***~~[do not exceed/threshold, once agreed for Article 19a1, to be inserted~~***~~]~~ 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. ***Where such information is not***

available, undertakings may briefly mention any resulting limitations in their sustainability reporting.

Nothing in this paragraph shall affect information requests made for purposes other than the reporting of sustainability information as required by this Directive, including Union requirements on undertakings to conduct a due diligence process. Such requests may also include, where required by EU law, information necessary to calculate the undertaking's GHG emissions.

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

(…)

8. Provided that the conditions set out in the second subparagraph of this paragraph are met, a parent undertaking which is a subsidiary undertaking shall be exempted from the obligations set out in paragraphs 1 to 5 of this Article (the "exempted parent undertaking") if such parent undertaking and its subsidiary undertakings are included in the consolidated management report of another undertaking, drawn up in accordance with Article 29 and this Article. A parent undertaking which is a subsidiary undertaking of a parent undertaking that is established in a third country shall also be exempted from the obligations set out in paragraphs 1 to 5 of this Article where such parent undertaking and its subsidiary undertakings are included in the consolidated sustainability reporting of that parent undertaking that is established in a third country and where that consolidated sustainability reporting is carried out in accordance with the sustainability reporting standards adopted pursuant to Article 29b or in a manner equivalent to those sustainability reporting standards, as determined in accordance with an implementing act on the equivalence of sustainability reporting standards adopted pursuant to the third subparagraph of Article 23(4) of Directive 2004/109/EC.

9. The exemption laid down in paragraph 8 shall also apply to public-interest entities subject to the requirements of this Article ***and of Article 4, paragraph 5 of Directive 2004/109/EC****~~, with the exception of large undertakings which are public-interest entities defined in point (a) of point (1) of Article 2 of this Directive~~) .*

CHAPTER 6a

SUSTAINABILITY REPORTING STANDARDS

Article 29b

Sustainability reporting standards

1. The Commission shall adopt delegated acts in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the ***relevant*** information that undertakings are to report in accordance with Articles 19a and 29a and, where relevant, shall specify the structure to be used to present that information.

In the delegated acts referred to in the first subparagraph of this paragraph the Commission shall, by 30 June 2023, specify the information that undertakings are to report in accordance with Article 19a(1) and (2), and Article 29a(1) and (2) where appropriate, which shall at least include the information that financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088 need in order to comply with those obligations.

~~In the delegated acts referred to in the first subparagraph the Commission shall, by ►M7 30 June 2026 ◄, specify:~~

~~(i) complementary information that undertakings are to report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;~~

~~(ii) information that undertakings are to report that is specific to the sector in which they operate.~~

~~**►M4**~~ ~~The delegated acts containing sustainability reporting standards referred to in the third subparagraph, point (ii), shall assist undertakings in applying the standards referred to in the second subparagraph without adding to the overall administrative burden on undertakings. The Commission shall endeavour to adopt delegated acts containing eight of the sustainability reporting standards referred to in the third subparagraph, point (ii), as soon as each is ready.~~

The Commission shall adopt, in close cooperation with EFRAG and stakeholders, sector-specific guidelines on sustainability reporting to assist undertakings in applying the standards referred to in the second subparagraph to ensure a high level of consistency within the relevant sector.

The Commission shall assess the necessity of developing sector-specific sustainability reporting standards to assist undertakings in applying the horizontal standards in a manner that ensures a high level of relevance and consistency within the relevant sector. Where such sector-specific standards are deemed necessary and subsequently adopted, they shall replace - rather than supplement - those

elements of the horizontal standards which they specifically address.

2. The sustainability reporting standards shall ensure the quality of reported information, by requiring that it is understandable, relevant, verifiable, comparable and represented in a faithful manner. The sustainability reporting standards shall ***emphasize the use of quantitative data and shall ensure interoperability and with reporting requirements in accordance with other Union laws, and shall*** avoid imposing a disproportionate ***financial and*** administrative burden on undertakings ***and shall ensure interoperability and compatibility ~~consistency~~ with internationally-recognised standards set by, ~~including by taking account, to the greatest extent possible of the work of~~*** global standard-setting initiatives for sustainability reporting as required by point (a) of paragraph 5.

   The sustainability reporting standards shall, taking into account the subject matter of a particular sustainability reporting standard:

(…)

4. Sustainability reporting standards shall take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements laid down in Article 19a or 29a and from suppliers in emerging markets and economies. Sustainability reporting standards shall specify disclosures on value chains that are proportionate and relevant to the capacities and the characteristics of undertakings in value chains, and to the scale and complexity of their activities, especially those of undertakings that are not subject to the sustainability reporting requirements in Article 19a or 29a. Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain ~~information~~ from ~~small and medium-sized~~ undertakings in their value chain which, on their balance sheet dates, do not exceed ***the average number of 750 ~~1000~~ employees and a net turnover of EUR 150 000 000*** during the financial year any information that exceeds the information to be disclosed pursuant to the sustainability reporting standards for voluntary use ~~for small and medium-sized undertakings~~ referred to in Article 29c~~a~~.

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

(…)

~~*Art. 29c*~~

~~*Sustainability reporting standards for small and medium-sized undertakings*~~

~~1. The Commission shall, by 30 June 2024, adopt delegated acts in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities. Those sustainability reporting standards shall specify for the small and medium-sized undertakings referred to in point (1)(a) of Article 2 the information that is to be reported in accordance with Article 19a(6).~~

~~The reporting requirements laid down in the delegated acts referred to in the first subparagraph shall not enter into force earlier than four months after their adoption by the Commission.~~

~~2. Sustainability reporting standards for small and medium-sized undertakings shall take into account the criteria set out in Article 29b(2) to (5). They shall also, to the extent possible, specify the structure to be used to present that information.~~

~~3. The Commission shall, at least every three years after their date of application, review the delegated acts adopted pursuant to this Article, taking into consideration the technical advice of the EFRAG and, where necessary, it shall amend such delegated acts to take into account relevant developments, including developments with regard to international standards.~~

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), 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 ***in line with the standards specified in Article 29b.***

2. The sustainability reporting standards referred to in paragraph 1 shall 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***, while preserving the high quality of data, ensuring precise information and effective assessments of sustainability performance and guiding investment towards the green and clean transition, in line with the overall objectives***. They shall also, to the extent

possible, specify the structure to be used to present such sustainability information.

CHAPTER 8

>M4

AUDITING AND ASSURANCE OF SUSTAINABILITY REPORTING

>B

Article 34
General requirement

1. Member States shall ensure that the financial statements of public-interest entities, medium-sized and large undertakings are audited by one or more statutory auditors or audit firms approved by Member States to carry out statutory audits on the basis of Directive 2006/43/EC.

The statutory auditor(s) or audit firm(s) shall also:

(a) express an opinion on:

(i) whether the management report is consistent with the financial statements for the same financial year, and

>M4

(ii) whether the management report has been prepared in accordance with the applicable legal requirements, excluding the requirements on sustainability reporting laid down in Article 19a of this Directive;

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(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 ~~or Article 29c~~, the process carried out by the undertaking to identify the information reported pursuant to those sustainability reporting standards, ***as regards compliance with the requirement to mark up sustainability reporting in accordance with Article 29d,*** and as regards the compliance with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852~~;~~

>B

(…)

2. The first subparagraph of paragraph 1 shall apply mutatis mutandis with respect to consolidated financial statements. The second subparagraph of paragraph 1 shall apply mutatis mutandis with respect to consolidated financial statements and consolidated management reports.

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 undertakings in

their value chain which, on their balance sheet dates, do not exceed the average number of ***750*** ~~***1000***~~ employees ***and a net turnover of EUR 150 000 000*** 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***~~.

(…)

Compromise amendment 4

Articles 19b, 29aa, 49 Accounting Directive (Taxonomy-related)

on behalf of the EPP, S&D and Renew Groups

Compromise amendment replacing Amendments: 15-18, 127-153, 179-206, 263-274

Article 2 Omnibus I, amendments to Directive (EU) 2013/34 ('Accounting Directive')

CHAPTER 5

MANAGEMENT REPORT

~~Article 19b~~
~~Optional taxonomy reporting for certain undertakings~~

~~1. Member States shall ensure that, by way of derogation from Article 8 of Regulation (EU) 2020/852, 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 Directive.~~

~~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.~~

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 specificities of both financial and non-financial undertakings and the technical screening criteria established pursuant to that Regulation.

CHAPTER 6
CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS

Article 29aa

Optional taxonomy reporting for certain parent undertakings

1. Member States shall ensure that, by way of derogation from Article 8 of Regulation (EU) 2020/852, 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.

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 specificities of both financial and non-financial undertakings and the technical screening criteria established pursuant to this Regulation.

CHAPTER 11
TRANSITIONAL AND FINAL PROVISIONS

Article 49
Exercise of delegated powers

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

3a. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making ([36]).

3b. When adopting delegated acts pursuant to Articles 29b and 29c, the Commission shall take into consideration technical advice from EFRAG, provided that:

(a) such advice has been developed with proper due process, public oversight and transparency, with the expertise and balanced participation of relevant stakeholders, and with sufficient public funding to ensure its independence, and on the basis of a work programme on which the Commission has been consulted;

(b) such advice is accompanied by cost-benefit analyses that include analyses of the impacts of the technical advice on sustainability matters;

(c) such advice is accompanied by an explanation of how it takes account of the elements listed in Article 29b(5);

(d) participation in EFRAG's work at technical level is based on expertise in sustainability reporting and is not conditional on a financial contribution.

Points (a) and (d) are without prejudice to the participation of public bodies and national standard-setting organisations in the technical work of EFRAG.

The accompanying documents for the EFRAG technical advice shall be submitted together with that technical advice.

The Commission shall consult jointly the Member State Expert Group on Sustainable Finance, referred to in Article 24 of Regulation (EU) 2020/852, and the Accounting Regulatory Committee, referred to in Article 6 of Regulation (EC) No 1606/2002, on the draft delegated acts prior to their adoption as referred to in Articles 29b and 29c of this Directive.

The Commission shall request the opinion of the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) on the technical advice provided by EFRAG, in particular with regard to its consistency with Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation. ESMA, EBA and EIOPA shall provide their opinions within two months of the date of receipt of the request from the Commission.

The Commission shall also consult the European Environment Agency, the European Union Agency for Fundamental Rights, the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance established pursuant to Article 20 of Regulation (EU) 2020/852 on the technical advice provided by EFRAG prior to the adoption of delegated acts referred to in Articles 29b and 29c of this Directive. If any of those bodies decide to submit an opinion, they shall do so within two months of the date of being consulted by the Commission.

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.

4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

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.

Compromise amendment 5

Article 4 of the Omnibus Proposal
Amendments to Directive 2024/1760 (CSDDD)

on behalf of the EPP, S&D and Renew Groups

Compromise amendment replacing AMs: (50-68), (316-332), (343-390), (418-430), (433-457, 471-472)

Article 4 Omnibus I, amendments to Directive (EU) 2024/1760 ('CSDDD')

Article 1
Subject matter

1. This Directive lays down rules on:

   (a) obligations for companies regarding actual and potential human rights adverse impacts and environmental adverse impacts, with respect to their own operations, the operations of their subsidiaries, and the operations carried out by their business partners in the chains of activities of those companies;

   (b) liability for violations of the obligations as referred to in point (a); and

   (c) the obligation for companies, ***with more than 3000 employees and an annual turnover of more than EUR 450 000 000 in the last financial year,*** to adopt ~~and put into effect~~ a transition plan for climate change mitigation ***including, and to make all reasonable efforts and put into effect proportional*** implementing actions which aim~~s~~ 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.

2. This Directive shall not constitute grounds for reducing the level of protection of human, employment and social rights, or of protection of the environment or of protection of the climate provided for by the national law of the Member States or by the collective agreements applicable at the time of the adoption of this Directive.

3. This Directive shall be without prejudice to obligations in the areas of human, employment and social rights, and of protection of the environment and climate change under other Union legislative acts. If a provision of this Directive conflicts with a provision of another Union legislative act pursuing the same objectives and providing for more extensive or more specific obligations, the provision of that other Union

legislative act shall prevail to the extent of the conflict and shall apply as regards those specific obligations.

Article 3
Definitions

1. For the purpose of this Directive, the following definitions shall apply:

(...)

(n) 'stakeholders' means the company's employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers' representatives, consumers and other individuals, groupings or communities or entities 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, including employees of the company's business partners and their trade unions and workers' representatives, national human rights and environmental institutions, civil society organisations whose purposes include the protection of the environment and the legitimate representatives of those individuals, or communities or entities;

(...)

(w) 'plausible information' means information of an objective and verifiable nature, which is readily available to the company and, taking into account its source, reliability, and context, is sufficient to enable the company to reasonably assume that a potential or actual adverse impact may have occurred or is likely to occur;

new recital 21

(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. To reduce burdens on companies that have to comply with that obligation, the required due diligence should, as a general rule, 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 plausible information that suggests an adverse impact at the level of an indirect business partner. Plausible information ***should*** mean***s information of an objective and verifiable nature, which is readily available to the company and, taking into account its source, reliability, and context, is sufficient to enable the company to reasonably assume that a potential or actual adverse impact may have occurred or is likely to occur information of an objective character that allows the company to conclude that there is a reasonable likelihood that the information is true***. ***In line with***

the OECD guidelines, plausible information may derive, inter alia, from substantiated complaints, credible reports issued by cross-sectorial stakeholders, civil society organisations, trade unions, international organisations or national authorities, media investigations, and from recurring incidents in the company's own operations, those of its subsidiaries, or within its chain of activities, including through indirect business relationships. ~~This may be the case where the company concerned has received a complaint or is in the possession of information, for example through credible media or NGO reports, reports of recent incidents, or through recurring problems at certain locations about likely or actual harmful activities at the level of an indirect business partner.~~ Where the company has 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.*** 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 ***also*** seek to ensure 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.***~~ ***This should, however, not prevent companies from seeking contractual assurances from their business partners to ensure compliance with company's code of conduct and affect information requests for purposes other than for identifying and assessing actual and potential adverse impacts, including Union requirements on undertakings to conduct a due diligence process.***

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~~(1) and (2)~~, Article 10(1) to (5) ~~and~~ 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 in Articles 6 and 8~~(1) and (2)~~, Article 10(1) to (5) ~~and~~ 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.

Article 8
Identifying and assessing actual and potential adverse impacts

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

2. As part of the obligation set out in paragraph 1, taking into account relevant risk factors, ***including geographical and contextual risk factors, sectoral, product or service risk factors, as well as business operation or business partners' risk factors,*** companies shall take appropriate measures to:

   (a) map ***general risk areas*** across their own operations, those of their subsidiaries and, where related to their chains of activities, those of their ***direct and indirect*** business partners, in order to identify general areas where adverse impacts are most likely to occur and to be most severe;

   (b) based on the results of the ***risk*** mapping as referred to in point (a), carry out an~~d~~ in-depth assessment of their own operations, those of their subsidiaries and, where related to their chains of activities, of their ***direct*** business partners in areas where ***the potential risk of*** adverse impacts ***is high, have arisen or may arise were identified to be most likely to occur and most severe;***

   (c) carry out an in-depth assessment of an indirect business partner where there is plausible information suggesting that adverse impacts have arisen or may arise at the level of that indirect partner's operations.

~~***2a.***~~ ***Where a company has plausible information that suggests that adverse impacts at the level of the operations of an indirect business partner have arisen or may arise, it shall carry out an in-depth assessment. The company shall always carry out such an assessment where 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 but points to a circumvention of paragraph 2, point (b). Where the assessment confirms the likelihood or existence of the adverse impact, it is deemed to have been identified.***

The first subparagraph is without prejudice to the company considering available information about indirect business partners and whether those business partners can follow the rules and principles set out in the company's code of conduct when selecting a direct business partner.

Notwithstanding the first subparagraph, irrespective of whether plausible information is available about indirect business partners, a company shall 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. Article 10(2), points (b) and (c) shall apply accordingly.

3. Member States shall ensure that, for the purposes of identifying and assessing the adverse impacts referred to in paragraph ***2(b) 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 (c),*** ***and in paragraph 2a*** can be obtained from business partners at different levels of the chain of activities 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 ***obligation in paragraph 2 (b) and (c) mapping provided for in paragraph 2, point (a),*** companies do not seek to obtain ***information*** from direct business partners with fewer than ***750 500*** employees ***and a net worldwide turnover of less than EUR 150 000 000 in the last financial year information*** that exceeds the information specified in the standards for voluntary use referred to in Article 29a of Directive 2013/34/EU.

   By way of derogation to the first sub-paragraph, where additional information is necessary for the ***in-depth assessment mapping*** provided for in paragraph 2 point **(b) and (c) (a),** in light of indications of likely adverse impacts ***identified by risk-based assessment or by plausible information*** or because the standards do not cover relevant impacts, and where such additional information cannot reasonably be obtained by other means, the company may seek such information from that business partner. , ***only in duly justified cases with reasonable indication of potential or actual adverse impacts or risks and only after having thoroughly consulted publicly available sources and making best efforts to obtain information through collective action, including through the use of industry or multi-stakeholder initiatives and comprehensive stakeholder consultation.***

   Companies as referred to in Article 19a of Directive 2013/34/EU shall inform companies in their value chain with fewer than 750 employees and a net worldwide turnover of less than EUR 150 000 000 in the last financial year which information falls outside the information referred to in Article 29ca of Directive 2013/34/EU.

   Nothing in the paragraph shall prevent the company from seeking contractual assurances from its business partners to ensure compliance with company's code of conduct and affects

information requests for purposes other than for the requirements in this Article, including Union requirements on undertakings to conduct a due diligence process.

Article 13
Meaningful engagement with stakeholders

1. Member States shall ensure that companies take appropriate measures to carry out effective engagement with stakeholders, in accordance with this Article.

2. Without prejudice to Directive (EU) 2016/943, when consulting with stakeholders, companies shall, as appropriate, provide them with relevant and comprehensive information, in order to carry out effective and transparent consultations. Without prejudice to Directive (EU) 2016/943, consulted stakeholders shall be allowed to make a reasoned request for relevant additional information, which shall be provided by the company within a reasonable period of time and in an appropriate and comprehensible format. If the company refuses a request for additional information, the consulted stakeholders shall be entitled to a written justification for that refusal.

3. Consultation of ~~***relevant***~~ stakeholders shall take place at the following stages of the due diligence process:

   (a) when gathering the necessary information on actual or potential adverse impacts, in order to identify, assess and prioritise adverse impacts pursuant to Articles 8 and 9;

   (b) when developing prevention and corrective action plans pursuant to Article 10(2) and Article 11(3), and developing enhanced prevention and corrective action plans pursuant to Article 10(6) and Article 11(7);

   ~~(c) when deciding to terminate or suspend a business relationship pursuant to Article 10(6) and Article 11(7);~~

   (d) when adopting appropriate measures to remediate adverse impacts pursuant to Article 12;

   ~~(e) as appropriate, when developing qualitative and quantitative indicators for the monitoring required under Article 15.~~

4. Where it is not reasonably possible to carry out effective engagement with stakeholders to the extent necessary to comply with the requirements of this Directive, companies shall consult additionally with experts who can provide credible insights into actual or potential adverse impacts.

5. In consulting stakeholders, companies shall identify and address barriers to engagement and shall ensure that participants are not the subject of retaliation or retribution, including by maintaining confidentiality or anonymity.

6. Member States shall ensure that companies are allowed to fulfil the obligations laid down in this Article through industry or multi-stakeholder initiatives, as appropriate, provided that the consultation procedures meet the requirements set out in this Article. The use of industry and multi-stakeholder initiatives shall not be sufficient to fulfil

the obligation to consult the company’s own employees and their representatives.

7. Engagement with employees and their representatives shall be without prejudice to relevant Union and national law in the field of employment and social rights as well as to the applicable collective agreements.

Article 15
Monitoring

Member States shall ensure that companies carry out periodic assessments of their own operations and measures, 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, mitigation, bringing to an end and minimisation of the extent of adverse impacts. 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 ***4*** ~~5~~ years and whenever there are reasonable grounds to believe that the measures are no longer adequate or effective or that new risks of the occurrence of those adverse impacts may arise. Where appropriate, the due diligence policy, the adverse impacts identified and the appropriate measures that derived shall be updated in accordance with the outcome of such assessments and with due consideration of relevant information from stakeholders.

Article 22

Combating climate change

1. 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),~~ with more than 3000 employees and a net worldwide turnover of more than EUR 450 000 000 in the last financial year,*** adopt ~~and put into effect~~ a transition plan for climate change mitigation, ***and shall make all reasonable efforts and put into effect proportional ~~including~~*** implementing actions, ***which aim~~s~~*** 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 ºC~~*** 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.

All reasonable efforts in the context of this Article shall be understood as taking proportional and reasonable implementing actions to ensure compatibility with the transition to a sustainable economy in line with the Paris Agreement, without having to exhaust all possible means at their disposal. Member States shall ensure that the obligation of this Article is an obligation of means, not an obligation of results.

The design of the transition plan for climate change mitigation referred to in the first subparagraph shall contain:

(a) ***time-bound*** objectives ***targets*** related to climate change for 2030 and in five-year steps up to climate neutrality in 2050 based on conclusive scientific evidence and, where appropriate, absolute emission reduction targets for greenhouse gas for scope 1, scope 2 and scope 3 greenhouse gas emissions for each significant category;

(b) a description of ***key*** decarbonisation levers identified and ***outlining implementation actions*** towards the objectives targets referred to in point (a) ***~~, including, where appropriate, changes in the product and service portfolio of the company and the adoption of new technologies;~~***

(c) a ***~~n explanation and quantification~~*** brief description of the investments and funding supporting the implementation of the transition plan for climate change mitigation ***~~;~~***.

~~(d) a description of the role of the administrative, management and supervisory bodies with regard to the transition plan for climate change mitigation.~~

2. Companies that report a transition plan for climate change mitigation in accordance with Article 19a, 29a or 40a, as the case may be, of Directive 2013/34/EU shall be deemed to have complied with the obligation to adopt a transition plan for climate change mitigation referred to in paragraph 1 of this Article.

Companies that are included in the transition plan for climate change mitigation of their parent undertaking reported in accordance with Article 29a or 40a, as the case may be, of Directive 2013/34/EU, shall be deemed to have complied with the obligation to adopt a transition plan for climate change mitigation referred to in paragraph 1 of this Article.

3. Member States shall ensure that the transition plan for climate change mitigation referred to in paragraph 1 is updated every 12 months***, including a brief progress description***. ~~***and contains a description of the progress the company has made towards achieving the targets referred to in paragraph 1, second subparagraph, point (a).***~~

Article 27
Penalties

(…)

4. The Commission, in collaboration with Member States, shall issue guidance ***on the appropriate level of penalties, taking into account the net profits of companies,*** to assist supervisory authorities in determining the level of penalties in accordance with this Article.

   ~~***Member States shall not set a***~~ When pecuniary penalties are imposed, they shall be based on the company's net worldwide turnover. The ~~***maximum limit of pecuniary penalties***~~ shall be not less than 5 % of the net worldwide turnover of the company in the financial year preceding that of the decision to impose the fine ~~***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***~~.

   ~~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.~~

5. Member States shall ensure that any decision of the supervisory authorities concerning penalties related to the infringements of the provisions of national law adopted pursuant to this Directive is published, remains publicly available for at least five years and is sent to the European Network of Supervisory Authorities set up under Article 28. The published decision shall not contain any personal data within the meaning of Article 4(1) of Regulation (EU) 2016/67.