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**► B DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**  
**of 14 December 2022**  
**amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and**  
**Directive 2013/34/EU, as regards corporate sustainability reporting**  
**(Text with EEA relevance)**  
**(OJ L 322, 16.12.2022, p. 15)**

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**DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT  
AND OF THE COUNCIL**

**of 14 December 2022**

**amending Regulation (EU) No 537/2014, Directive 2004/109/EC,  
Directive 2006/43/EC and Directive 2013/34/EU, as regards  
corporate sustainability reporting**

**(Text with EEA relevance)**

*Article 1*

**Amendments to Directive 2013/34/EU**

Directive 2013/34/EU is amended as follows:

(1) in Article 1, the following paragraphs are added:

‘3. The coordination measures prescribed by Articles 19a, 29a, 29d, 30 and 33, 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, 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:

- (a) insurance undertakings within the meaning of Article 2(1) of Council Directive 91/674/EEC (\*);
- (b) credit institutions as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (\*\*).

Member States may choose not to apply the coordination measures referred to in the first subparagraph of this paragraph to the undertakings listed in points (2) to (23) of Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council (\*\*\*).

4. The coordination measures prescribed by Articles 19a, 29a and 29d shall not apply to financial products listed in points (b) and (f) of point (12) of Article 2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council (\*\*\*\*).

(\*) Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (OJ L 374, 31.12.1991, p. 7).

(\*\*) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

(\*\*\*) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

(\*\*\*\*) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).’;

**▼B**

5. The coordination measures prescribed by Articles 40a to 40d shall also apply to the laws, regulations and administrative provisions of the Member States relating to subsidiary undertakings and branches of undertakings which are not governed by the law of a Member State but whose legal form is comparable with the types of undertakings listed in Annex I.

(2) Article 2 is amended as follows:

(a) point (5) is replaced by the following:

‘(5) “net turnover” means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover; however, for insurance undertakings referred to in point (a) of the first subparagraph of Article 1(3) of this Directive, “net turnover” shall be defined in accordance with Article 35 and point 2 of Article 66 of Council Directive 91/674/EEC (\*); for credit institutions referred to in point (b) of the first subparagraph of Article 1(3) of this Directive, “net turnover” shall be defined in accordance with point (c) of Article 43(2) of Council Directive 86/635/EEC (\*\*); and for undertakings falling under the scope of Article 40a(1) of this Directive, “net turnover” means the revenue as defined by or within the meaning of the financial reporting framework on the basis of which the financial statements of the undertaking are prepared;

(\*) Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (OJ L 374, 31.12.1991, p. 7).

(\*\*) Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).’;

(b) the following points are added:

‘(17) “sustainability matters” means environmental, social and human rights, and governance factors, including sustainability factors defined in point (24) of Article 2 of Regulation (EU) 2019/2088;

(18) “sustainability reporting” means reporting information related to sustainability matters in accordance with Articles 19a, 29a and 29d;

(19) “key intangible resources” means resources without physical substance on which the business model of the undertaking fundamentally depends and which are a source of value creation for the undertaking;

**▼B**

- (20) “independent assurance services provider” means a conformity assessment body accredited in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council (\*) for the specific conformity assessment activity referred to in point (aa) of the second subparagraph of Article 34(1) of this Directive.

(\*) Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).’;

- (3) in Article 19(1), the following subparagraph is added:

‘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 report information on the key intangible resources and explain how the business model of the undertaking fundamentally depends on such resources and how such resources are a source of value creation for the undertaking.’;

- (4) Article 19a is replaced by the following:

*‘Article 19a*

**Sustainability reporting**

1. 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.

2. The information referred to in paragraph 1 shall contain:

- (a) a brief description of the undertaking’s business model and strategy, including:
  - (i) the resilience of the undertaking’s business model and strategy in relation to risks related to sustainability matters;
  - (ii) the opportunities for the undertaking related to sustainability matters;

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- (iii) the plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement under the United Nations Framework Convention on Climate Change adopted on 12 December 2015 (the 'Paris Agreement') and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council (\*), and, where relevant, the exposure of the undertaking to coal-, oil- and gas-related activities;
- (iv) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;
- (v) how the undertaking's strategy has been implemented with regard to sustainability matters;
- (b) a description of the time-bound targets related to sustainability matters set by the undertaking, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the undertaking has made towards achieving those targets, and a statement of whether the undertaking's targets related to environmental factors are based on conclusive scientific evidence;
- (c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;
- (d) a description of the undertaking's policies in relation to sustainability matters;
- (e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;
- (f) a description of:
  - (i) the due diligence process implemented by the undertaking with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process;
  - (ii) the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the undertaking is required to identify pursuant to other Union requirements on undertakings to conduct a due diligence process;
  - (iii) any actions taken by the undertaking to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;

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- (g) a description of the principal risks to the undertaking related to sustainability matters, including a description of the undertaking's principal dependencies on those matters, and how the undertaking manages those risks;
- (h) indicators relevant to the disclosures referred to in points (a) to (g).

Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 of this Article. The information listed in the first subparagraph of this paragraph shall include information related to short-, medium- and long-term time horizons, as applicable.

3. Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain.

For the first three years of the application of the measures to be adopted by the Member States in accordance with Article 5(2) of Directive (EU) 2022/2464 of the European Parliament and of the Council (\*\*), and in the event that not all the necessary information regarding its value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

Where applicable, the information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, the other information included in the management report in accordance with Article 19, and the amounts reported in the annual financial statements.

Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, and the impact of its activity.

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.

5. The management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.

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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 (\*\*\*) 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.

8. Undertakings that comply with the requirements set out in paragraphs 1 to 4 of this Article and undertakings that rely on the derogation laid down in paragraph 6 of this Article shall be deemed to have complied with the requirement set out in the third subparagraph of Article 19(1).

9. Provided that the conditions set out in the second subparagraph of this paragraph are met, an undertaking which is a subsidiary undertaking shall be exempted from the obligations set out in paragraphs 1 to 4 of this Article ("the exempted subsidiary undertaking") if such undertaking and its subsidiary undertakings are included in the consolidated management report of a parent undertaking, drawn up in accordance with Articles 29 and 29a. An 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 4 of this Article where such undertaking and its subsidiary undertakings

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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 of the European Parliament and of the Council (\*\*\*\*).

The exemption in the first subparagraph shall be subject to the following conditions:

- (a) the management report of the exempted subsidiary undertaking contains all of the following information:
  - (i) the name and registered office of the parent undertaking that reports information at group level in accordance with this Article or in a manner equivalent to the sustainability reporting standards adopted pursuant to Article 29b of this Directive, 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;
  - (ii) the weblinks to the consolidated management report of the parent undertaking or, where applicable, to the consolidated sustainability reporting of the parent undertaking, as referred to in the first subparagraph of this paragraph, and to the assurance opinion referred to in point (aa) of the second subparagraph of Article 34(1) of this Directive or to the assurance opinion referred to in point (b) of this subparagraph;
  - (iii) the information that the undertaking is exempted from the obligations set out in paragraphs 1 to 4 of this Article;
- (b) if the parent undertaking is established in a third country, its consolidated sustainability reporting and the assurance opinion on the consolidated sustainability reporting, expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the law governing that parent undertaking, are published in accordance with Article 30 of this Directive, and in accordance with the law of the Member State by which the exempted subsidiary undertaking is governed;
- (c) if the parent undertaking is established in a third country, the disclosures laid down in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council (\*\*\*\*\*), covering the activities carried out by the exempted subsidiary undertaking established in the Union and its subsidiary undertakings, are included in the management report of the exempted subsidiary undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country.



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The Member State by whose national law the exempted subsidiary undertaking is governed may require that the consolidated management report or, where applicable, the consolidated sustainability report, of the parent undertaking is published in a language that that Member State accepts, and that any necessary translation into such language is provided. Any translation that has not been certified shall include a statement to that effect.

Undertakings which are exempted from preparing a management report in accordance with Article 37 shall not be obliged to provide the information referred to in points (a)(i) to (iii) of the second subparagraph of this paragraph, provided that such undertakings publish the consolidated management report in accordance with Article 37.

For the purposes of the first subparagraph of this paragraph, and where Article 10 of Regulation (EU) No 575/2013 applies, credit institutions referred to in point (b) of the first subparagraph of Article 1(3) of this Directive that are permanently affiliated to a central body which supervises them under the conditions laid down in Article 10 of Regulation (EU) No 575/2013 shall be treated as subsidiary undertakings of that central body.

For the purposes of the first subparagraph of this paragraph, insurance undertakings referred to in point (a) of the first subparagraph of Article 1(3) of this Directive that are part of a group, on the basis of financial relationships as referred to in point (c)(ii) of Article 212(1) of Directive 2009/138/EC, and which are subject to group supervision in accordance with points (a) to (c) of Article 213(2) of that Directive shall be treated as subsidiary undertakings of the parent undertaking of that group.

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

- (\*) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).
- (\*\*) Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OL L 322, 16.12.2022, p. 15).
- (\*\*\*) Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).
- (\*\*\*\*) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).
- (\*\*\*\*\*) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).';

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(5) Article 20(1) is amended as follows:

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

‘(g) a description of the diversity policy applied in relation to the undertaking’s administrative, management and supervisory bodies with regard to gender and other aspects such as, age, disabilities or educational and professional background, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why that is the case.’;

(b) the following subparagraph is added:

‘Undertakings subject to Article 19a shall be deemed to have complied with the obligation laid down in point (g) of the first subparagraph of this paragraph where they include the information required under that point as part of their sustainability reporting and a reference thereto is included in the corporate governance statement.’;

(6) Article 23 is amended as follows:

(a) in paragraph 4, point (b) is replaced by the following:

‘(b) the consolidated financial statements referred to in point (a) and the consolidated management report of the larger body of undertakings are drawn up by the parent undertaking of that body, in accordance with the law of the Member State by which that parent undertaking is governed, in accordance with this Directive, with the exception of the requirements laid down in Article 29a, or in accordance with international accounting standards adopted in accordance with Regulation (EC) No 1606/2002;’;

(b) in paragraph 8, point (b)(i) is replaced by the following:

‘(i) in accordance with this Directive, with the exception of the requirements laid down in Article 29a;’;

(c) in paragraph 8, point (b)(iii) is replaced by the following:

‘(iii) in a manner equivalent to consolidated financial statements and consolidated management reports drawn up in accordance with this Directive, with the exception of the requirements laid down in Article 29a, or’;

(7) Article 29a is replaced by the following:

*‘Article 29a*

**Consolidated sustainability reporting**

1. Parent undertakings of a large group 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.

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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.

2. The information referred to in paragraph 1 shall contain:

- (a) a brief description of the group's business model and strategy, including:
  - (i) the resilience of the group's business model and strategy in relation to risks related to sustainability matters;
  - (ii) the opportunities for the group related to sustainability matters;
  - (iii) the plans of the group, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 and where relevant, the exposure of the group to coal-, oil- and gas-related activities;
  - (iv) how the group's business model and strategy take account of the interests of the group's stakeholders and of the impacts of the group on sustainability matters;
  - (v) how the group's strategy has been implemented with regard to sustainability matters;
- (b) a description of the time-bound targets related to sustainability matters set by the group, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the group has made towards achieving those targets, and a statement of whether the group's targets related to environmental factors are based on conclusive scientific evidence;
- (c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;
- (d) a description of the group's policies in relation to sustainability matters;
- (e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;
- (f) a description of:
  - (i) the due diligence process implemented by the group with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process;

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- (ii) the principal actual or potential adverse impacts connected with the group's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the parent undertaking is required to identify pursuant to other Union requirements to conduct a due diligence process;
- (iii) any actions taken by the group to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;
- (g) a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on those matters, and how the group manages those risks;
- (h) indicators relevant to the disclosures referred to in points (a) to (g).

Parent undertakings shall report the process carried out to identify the information that they have included in the consolidated management report in accordance with paragraph 1 of this Article. The information listed in the first subparagraph of this paragraph shall include information related to short-, medium- and long-term time horizons, as applicable.

3. Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the group's own operations and about its value chain, including its products and services, its business relationships and its supply chain.

For the first three years of the application of the measures to be adopted by the Member States in accordance with Article 5(2) of Directive (EU) 2022/2464, and in the event that not all the necessary information regarding its value chain is available, the parent undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

Where applicable, the information referred to in paragraphs 1 and 2 shall also include references to, and additional explanations of, the other information included in the consolidated management report in accordance with Article 29 of this Directive and the amounts reported in the consolidated financial statements.

Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the group, provided that such omission does not prevent a fair and balanced understanding of the group's development, performance, and position, and the impact of its activity.

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4. Where the reporting undertaking identifies significant differences between the risks for, or impacts of, the group and the risks for, or impacts of, one or more of its subsidiary undertakings, the undertaking shall provide an adequate understanding of, as appropriate, the risks for, and impacts of, the subsidiary undertaking or subsidiary undertakings concerned.

Undertakings shall indicate which subsidiary undertakings included in the consolidation are exempted from annual or consolidated sustainability reporting pursuant to Articles 19a(9) or 29a(8) respectively.

5. Parent 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. The management of the parent undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.

7. A parent undertaking that complies with the requirements set out in paragraphs 1 to 5 of this Article shall be deemed to have complied with the requirements set out in the third subparagraph of Article 19(1) and Article 19a.

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.

The exemption in the first subparagraph shall be subject to the following conditions:

- (a) the management report of the exempted parent undertaking contains all of the following information:
  - (i) the name and registered office of the parent undertaking that reports information at group level in accordance with this Article, or in a manner equivalent to the sustainability reporting standards adopted pursuant to Article 29b of this Directive, 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;

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- (ii) the weblinks to the consolidated management report of the parent undertaking or, where applicable, to the consolidated sustainability reporting of the parent undertaking, as referred to in the first subparagraph of this paragraph, and to the assurance opinion referred to in point (aa) of the second subparagraph of Article 34(1) of this Directive or to the assurance opinion referred to in point (b) of this subparagraph;
  - (iii) the information that the parent undertaking is exempted from the obligations set out in paragraphs 1 to 5 of this Article;
- (b) if the parent undertaking is established in a third country, its consolidated sustainability reporting and the assurance opinion, expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the national law governing the parent undertaking, are published in accordance with Article 30, and in accordance with the law of the Member State by which the exempted parent undertaking is governed;
- (c) if the parent undertaking is established in a third country, the disclosures laid down in Article 8 of Regulation (EU) 2020/852, covering the activities carried out by the subsidiary undertaking established in the Union and exempted from sustainability reporting on the basis of Article 19a(9) of this Directive, shall be included in the management report of the exempted parent undertaking, or in the consolidated sustainability reporting carried out by the parent undertaking established in a third country.

The Member State by whose national law the exempted parent undertaking is governed may require that the consolidated management report or, where applicable, the consolidated sustainability report of the parent undertaking is published in a language that that Member State accepts, and that any necessary translation into such language is provided. Any translation that has not been certified shall include a statement to that effect.

Parent undertakings which are exempted from preparing a management report pursuant to Article 37 shall not be obliged to provide the information referred to in points (a)(i) to (a)(iii) of the second subparagraph of this paragraph, provided that such undertakings publish the consolidated management report in accordance with Article 37.

For the purposes of the first subparagraph of this paragraph, and where Article 10 of Regulation (EU) No 575/2013 applies, credit institutions referred to in point (b) of the first subparagraph of Article 1(3) of this Directive that are permanently affiliated to a central body which supervises them under the conditions laid down in Article 10 of Regulation (EU) No 575/2013 shall be treated as subsidiary undertakings of that central body.

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For the purposes of the first subparagraph of this paragraph, insurance undertakings referred to in point (a) of the first subparagraph of Article 1(3) of this Directive that are part of a group, on the basis of financial relationships referred to in point (c)(ii) of Article 212(1) of Directive 2009/138/EC, and which are subject to group supervision in accordance with points (a) to (c) of Article 213(2) of that Directive shall be treated as subsidiary undertakings of the parent undertaking of that group.

9. The exemption laid down in paragraph 8 shall also apply to public-interest entities subject to the requirements of this Article, with the exception of large undertakings which are public-interest entities defined in point (a) of point (1) of Article 2 of this Directive.’;

(8) the following chapter is inserted:

‘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 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 30 June 2024, 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;

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

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.

When adopting delegated acts to specify the information required under point (ii) of the third subparagraph, the Commission shall pay particular attention to the scale of the risks and impacts related to sustainability matters for each sector, taking account of the fact that risks and impacts are higher for some sectors than for others.

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 European Financial Reporting Advisory Group (EFRAG), and, where necessary, it shall amend such delegated acts to take into account relevant developments, including developments with regard to international standards.

The Commission shall, at least once a year, consult the European Parliament, and 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 EFRAG's work programme as regards the development of sustainability reporting standards.

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 avoid imposing a disproportionate administrative burden on undertakings, including by taking account, to the greatest extent possible, of the work of global standard-setting initiatives for sustainability reporting as required by point (a) of paragraph 5.

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

- (a) specify the information that undertakings are to disclose about the following environmental factors:
  - (i) climate change mitigation, including as regards scope 1, scope 2 and, where relevant, scope 3 greenhouse gas emissions;
  - (ii) climate change adaptation;



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- (iii) water and marine resources;
  - (iv) resource use and the circular economy;
  - (v) pollution;
  - (vi) biodiversity and ecosystems;
- (b) specify the information that undertakings are to disclose about the following social and human rights factors:
- (i) equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity;
  - (ii) working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of works councils, collective bargaining, including the proportion of workers covered by collective agreements, the information, consultation and participation rights of workers, work-life balance, and health and safety;
  - (iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, including the UN Convention on the Rights of Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the fundamental conventions of the International Labour Organization, the European Convention for the protection of Human Rights and Fundamental Freedoms, the European Social Charter, and the Charter of Fundamental Rights of the European Union;
- (c) specify the information that undertakings are to disclose about the following governance factors:
- (i) the role of the undertaking's administrative, management and supervisory bodies with regard to sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;
  - (ii) the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting and decision-making process;

**▼B**

- (iii) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare;
- (iv) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities;
- (v) the management and quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, including payment practices, especially with regard to late payment to small and medium-sized undertakings.

3. The sustainability reporting standards shall specify the forward-looking, retrospective, qualitative and quantitative information, as appropriate, to be reported by undertakings.

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 that exceeds the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings referred to in Article 29c.

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

5. When adopting delegated acts pursuant to paragraph 1, the Commission shall, to the greatest extent possible, take account of:

- (a) the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development;
- (b) the information that financial market participants need in order to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation;

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- (c) the criteria, indicators and methodologies set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852, including the technical screening criteria established pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of that Regulation and the reporting requirements set out in the delegated act adopted pursuant to Article 8 of that Regulation;
- (d) the disclosure requirements applicable to benchmark administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816 <sup>(1)</sup>, (EU) 2020/1817 <sup>(2)</sup> and (EU) 2020/1818 <sup>(3)</sup>;
- (e) the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013;
- (f) Commission Recommendation 2013/179/EU <sup>(4)</sup>;
- (g) Directive 2003/87/EC of the European Parliament and of the Council <sup>(5)</sup>;
- (h) Regulation (EU) 2021/1119;
- (i) Regulation (EC) No 1221/2009 of the European Parliament and of the Council <sup>(6)</sup>;
- (j) Directive (EU) 2019/1937 of the European Parliament and of the Council <sup>(7)</sup>.

*Article 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).

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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.

- (<sup>1</sup>) Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).
- (<sup>2</sup>) Commission Delegated Regulation (EU) 2020/1817 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology (OJ L 406, 3.12.2020, p. 12).
- (<sup>3</sup>) Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).
- (<sup>4</sup>) Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1).
- (<sup>5</sup>) Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).
- (<sup>6</sup>) Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).
- (<sup>7</sup>) Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L 305, 26.11.2019, p. 17).';

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- (9) the following chapter is inserted:

‘CHAPTER 6b

**SINGLE ELECTRONIC REPORTING FORMAT**

*Article 29d*

**Single electronic reporting format**

1. Undertakings subject to the requirements of Article 19a of this Directive shall prepare their management report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815 (\*) and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format specified in that Delegated Regulation.

2. Parent undertakings subject to the requirements of Article 29a shall prepare their consolidated management report in the electronic reporting format specified in Article 3 of Delegated Regulation (EU) 2019/815 and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format specified in that Delegated Regulation.

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

- (10) in Article 30, paragraph 1 is replaced by the following:

‘1. Member States shall ensure that undertakings publish within a reasonable period of time, which shall not exceed 12 months after the balance sheet date, the duly approved annual financial statements and the management report, in the electronic reporting format referred to in Article 29d of this Directive where applicable, together with the opinion and statement submitted by the statutory auditor or audit firm referred to in Article 34 of this Directive, as laid down by the laws of each Member State in accordance with Chapter III of Title 1 of Directive (EU) 2017/1132 of the European Parliament and of the Council (\*).

Member States may require undertakings subject to Articles 19a and 29a to make the management report available to the public on their website, free of charge. Where an undertaking does not have a website, Member States may require it to make a written copy of its management report available upon request.

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Where an independent assurance services provider expresses the opinion referred to in point (aa) of the second subparagraph of Article 34(1), that opinion shall be published together with the documents referred to in the first subparagraph of this paragraph.

Member States may, however, exempt undertakings from the obligation to publish the management report where a copy of all or part of any such report can be easily obtained upon request at a price not exceeding its administrative cost.

The exemption laid down in the fourth subparagraph of this paragraph shall not apply to undertakings subject to the requirements on sustainability reporting laid down in Articles 19a and 29a.

(\*) Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (OJ L 169, 30.6.2017, p. 46).’;

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

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

- (a) the annual financial statements, the management report and the corporate governance statement when provided separately; and
- (b) the consolidated financial statements, the consolidated management reports and the consolidated corporate governance statement when provided separately.’;

(12) the title of Chapter 8 is replaced by the following:

‘Auditing and assurance of sustainability reporting’;

(13) Article 34 is amended as follows:

- (a) in paragraph 1, the second subparagraph is amended as follows:

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

‘(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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(ii) the following point is inserted:

‘(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, and the compliance with the requirement to mark up sustainability reporting in accordance with Article 29d, and as regards the compliance with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852;’;

(b) paragraph 3 is replaced by the following:

‘3. Member States may allow a statutory auditor or an audit firm other than the one(s) carrying out the statutory audit of financial statements to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1.’;

(c) the following paragraphs are added:

‘4. Member States may allow an independent assurance services provider established in their territory to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1, provided that such independent assurance services provider is subject to requirements that are equivalent to those set out in Directive 2006/43/EC of the European Parliament and of the Council (\*) as regards the assurance of sustainability reporting as defined in point 22 of Article 2 of that Directive, in particular the requirements on:

(a) training and examination, ensuring that independent assurance services providers acquire the necessary expertise concerning sustainability reporting and the assurance of sustainability reporting;

(b) continuing education;

(c) quality assurance systems;

(d) professional ethics, independence, objectivity, confidentiality and professional secrecy;

(e) appointment and dismissal;

(f) investigations and sanctions;

**▼B**

(g) the organisation of the work of the independent assurance services provider, in particular in terms of sufficient resources and personnel and the maintenance of client account records and files; and

(h) reporting irregularities.

Member States shall ensure that, where an independent assurance services provider expresses the opinion referred to in point (aa) of the second subparagraph of paragraph 1 of this Article, that opinion is prepared in accordance with Articles 26a, 27a and 28a of Directive 2006/43/EC and that, where applicable, the audit committee, or a dedicated committee, reviews and monitors the independence of the independent assurance services provider in accordance with point (e) of Article 39(6) of Directive 2006/43/EC.

Member States shall ensure that independent assurance services providers accredited before 1 January 2024 for the assurance of sustainability reporting, in accordance with Regulation (EC) No 765/2008, are not subject to the training and examination requirements referred to in point (a) of the first subparagraph of this paragraph.

Member States shall ensure that independent assurance services providers that on 1 January 2024 are undergoing the accreditation process in accordance with the relevant national requirements are not subject to the training and examination requirements referred to in point (a) of the first subparagraph as regards the assurance of sustainability reporting, provided they complete that process by 1 January 2026.

Member States shall ensure that the independent assurance services providers referred to in the third and fourth subparagraphs acquire the necessary knowledge in sustainability reporting and the assurance of sustainability reporting via the continuing education requirement referred to in point (b) of the first subparagraph.

If a Member State, pursuant to the first subparagraph, decides to allow an independent assurance services provider to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1, it shall also allow a statutory auditor other than the one(s) carrying out the statutory audit of financial statements to do so, as provided for in paragraph 3.

5. From 6 January 2027, a Member State that has made use of the option provided for in paragraph 4 (the “host Member State”) shall allow independent assurance services provider established in a Member State other than the host Member State (the “home Member State”) to carry out the assurance of sustainability reporting.



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The home Member State shall be responsible for the supervision of the independent assurance services providers established in its territory, unless the host Member State decides to supervise the assurance of sustainability reporting carried out by independent assurance services providers in its territory.

If the host Member State decides to supervise the assurance of sustainability reporting carried out in its territory by independent assurance services providers registered in another Member State, the host Member State shall:

- (a) not impose more stringent requirements or liability on such independent assurance services providers than those required for assurance of sustainability reporting by the national laws for the independent assurance services providers or auditors established in that host Member State; and
- (b) inform other Member States about its decision to supervise the assurance of sustainability reporting carried out by independent assurance services providers established in other Member States.

6. Member States shall ensure that where an undertaking is required by Union law to have elements of its sustainability reporting verified by an accredited independent third party, the report of the accredited independent third party is made available either as an annex to the management report or by other publicly accessible means.

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(\*) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).';

(14) the following chapter is inserted:

‘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.

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The first subparagraph shall only apply to large subsidiary undertakings 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 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 of more than EUR 150 million 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.

2. Member States shall require that the sustainability report communicated by the subsidiary undertaking or branch as referred to in paragraph 1 is drawn up in accordance with the standards adopted pursuant to Article 40b.

By way of derogation from the first subparagraph of this paragraph, the sustainability report referred to in paragraph 1 of this Article may be drawn up 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.

Where the information required to draw up the sustainability report referred to in the first subparagraph of this paragraph is not available, the subsidiary undertaking or branch referred to in paragraph 1 shall request the third-country undertaking to provide them with all information necessary to enable them to meet their obligations.

In the event that not all the required information is provided, the subsidiary undertaking or branch referred to in paragraph 1 shall draw up, publish and make accessible the sustainability report referred to in paragraph 1, containing all information in its possession, obtained or acquired, and issue a statement indicating that the third-country undertaking did not make the necessary information available.

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3. Member States shall require that the sustainability report referred to in paragraph 1 is published accompanied by an assurance opinion expressed by one or more person(s) or firm(s) authorised to give an opinion on the assurance of sustainability reporting under the national law of the third-country undertaking or of a Member State.

In the event that the third-country undertaking does not provide the assurance opinion in accordance with the first subparagraph, the subsidiary undertaking or branch shall issue a statement indicating that the third-country undertaking did not make the necessary assurance opinion available.

4. Member States may inform the Commission on an annual basis of the subsidiary undertakings or branches of third-country undertakings that fulfilled the publication requirement laid down in Article 40d and of the cases where a report was published but where the subsidiary undertaking or branch has acted in accordance with the fourth subparagraph of paragraph 2 of this Article. The Commission shall make publicly available on its website a list of the third-country undertakings that publish a sustainability report.

*Article 40b***Sustainability reporting standards for third-country undertakings**

The Commission shall adopt by 30 June 2024 a delegated act in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards for third-country undertakings that specify the information that is to be included in the sustainability reports referred to in Article 40a.

*Article 40c***Responsibility for drawing up, publishing and making accessible sustainability reports concerning third-country undertakings**

Member States shall provide that the branches of third-country undertakings are responsible for ensuring, to the best of their knowledge and ability, that their sustainability report is drawn up in accordance with Article 40a, and that that report is published and made accessible in accordance with Article 40d.

Member States shall provide that the members of the administrative, management and supervisory bodies of the subsidiary undertakings referred to in Article 40a have collective responsibility for ensuring, to the best of their knowledge and ability, that their sustainability report is drawn up in accordance with Article 40a, and that that report is published and made accessible in accordance with Article 40d.

**▼B***Article 40d***Publication**

1. The subsidiary undertakings and branches referred to in Article 40a(1) of this Directive shall publish their sustainability report, together with the assurance opinion and, where applicable, the statement mentioned in the fourth subparagraph of Article 40a(2) of this Directive, within 12 months of the balance sheet date of the financial year for which the report is drawn up, as provided for by each Member State, in accordance with Articles 14 to 28 of Directive (EU) 2017/1132 and, where relevant, in accordance with Article 36 of that Directive.

2. Where the sustainability report together with the assurance opinion and, where applicable, with the statement published in accordance with paragraph 1 of this Article, are not made accessible, free of charge, to the public on the website of the register referred to in Article 16 of Directive (EU) 2017/1132, Member States shall ensure that the sustainability report together with the assurance opinion and, where applicable, with the statement published by the undertakings in accordance with paragraph 1 of this Article, are made accessible to the public in at least one of the official languages of the Union, free of charge, no later than 12 months after the balance sheet date of the financial year for which the report is drawn up, on the website of the subsidiary undertaking or the branch as referred to in Article 40a(1) of this Directive.’;

(15) the title of Chapter 11 is replaced by the following:

‘CHAPTER 11

**TRANSITIONAL AND FINAL PROVISIONS’;**

(16) The following article is inserted:

*‘Article 48i*

**Transitional provisions**

1. Until 6 January 2030, Member States shall permit a Union subsidiary undertaking which is subject to Article 19a or 29a and whose parent undertaking is not governed by the law of a Member State to prepare consolidated sustainability reporting, in accordance with the requirements of Article 29a, that includes all Union subsidiary undertakings of such parent undertaking that are subject to Article 19a or 29a.

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

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2. The Union subsidiary undertaking referred to in paragraph 1 shall be one of the Union subsidiary undertakings of the group that generated the greatest turnover in the Union in at least one of the preceding five financial years, on a consolidated basis where applicable.

3. The consolidated sustainability reporting referred to in paragraph 1 of this Article shall be published in accordance with Article 30.

4. For the purpose of the exemption laid down in Article 19a(9) and Article 29a(8), reporting in accordance with paragraph 1 of this Article shall be considered to be reporting by a parent undertaking at group level with respect to the undertakings included in the consolidation. Reporting in accordance with the second subparagraph of paragraph 1 of this Article shall be considered to fulfil the conditions referred to in point (c) of the second subparagraph of Article 19a(9) and point (c) of the second subparagraph of Article 29a(8), respectively.’;

(17) Article 49 is amended as follows:

(a) paragraphs 2 and 3 are replaced by the following:

‘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.’;

(b) the following paragraph is inserted:

‘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;

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- (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.’;

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(c) paragraph 5 is replaced by the following:

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

*Article 2***Amendments to Directive 2004/109/EC**

Directive 2004/109/EC is amended as follows:

(1) in Article 2(1) the following point is added:

‘(r) “sustainability reporting” means sustainability reporting as defined in point (18) of Article 2 of Directive 2013/34/EU of the European Parliament and of the Council (\*).

(\*) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).’;

(2) Article 4 is amended as follows:

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

‘(c) statements made by the persons responsible within the issuer, whose names and functions shall be clearly indicated, to the effect that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and, where appropriate, that it is prepared in accordance with sustainability reporting standards referred to in Article 29b of Directive 2013/34/EU and with the specifications adopted pursuant to Article 8(4) of Regulation (EU) 2020/852 of the European Parliament and of the Council (\*).

(\*) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).’;

**▼B**

(b) paragraphs 4 and 5 are replaced by the following:

‘4. The financial statements shall be audited in accordance with the first subparagraph of Article 34(1) and Article 34(2) of Directive 2013/34/EU.

The statutory auditor shall deliver the opinion and statement on the management report referred to in points (a) and (b) of the second subparagraph of Article 34(1) and in Article 34(2) of Directive 2013/34/EU.

The audit report, referred to in Article 28 of Directive 2006/43/EC of the European Parliament and of the Council (\*), signed by the person or persons responsible for carrying out the work set out in Article 34(1) and (2) of Directive 2013/34/EU shall be disclosed in full to the public together with the annual financial report.

Where applicable, an assurance opinion on sustainability reporting shall be provided in accordance with point (aa) of the second subparagraph of Article 34(1) and Article 34(2) to (5) of Directive 2013/34/EU.

The assurance report on sustainability reporting referred to in Article 28a of Directive 2006/43/EC shall be disclosed in full to the public together with the annual financial report.

5. The management report shall be drawn up in accordance with Articles 19, 19a and 20, and Article 29d(1) of Directive 2013/34/EU, and shall include the specifications adopted pursuant to Article 8(4) of Regulation (EU) 2020/852, when drawn up by undertakings referred to in those provisions.

Where the issuer is required to prepare consolidated accounts, the consolidated management report shall be drawn up in accordance with Articles 29 and 29a and Article 29d(2) of Directive 2013/34/EU and shall include the specifications adopted pursuant to Article 8(4) of Regulation (EU) 2020/852, when drawn up by undertakings referred to in those provisions.

(\*) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).’;

(3) Article 23(4) is amended as follows:

(a) the third and fourth subparagraphs are replaced by the following:

‘The Commission shall, in accordance with the procedure referred to in Article 27(2) of this Directive, take the necessary decisions on the equivalence of accounting standards under the conditions set out in Article 30(3) of this Directive and on the equivalence of sustainability reporting standards as referred to in Article 29b of Directive 2013/34/EU which are used by third-country issuers. If the Commission decides that the accounting standards or the sustainability reporting standards of a third country are not equivalent, it may allow the issuers concerned to continue using such standards during an appropriate transitional period.



**▼B**

In the context of the third subparagraph of this paragraph, the Commission shall also adopt, by means of delegated acts adopted in accordance with Article 27(2a), (2b) and (2c), and subject to the conditions laid down in Articles 27a and 27b, measures that aim to establish general equivalence criteria regarding accounting standards and sustainability reporting standards relevant to issuers of more than one country.’;

(b) the following subparagraph is added:

‘The criteria that the Commission shall use when assessing the equivalence of sustainability reporting standards used by third-country issuers referred to in the third subparagraph shall at least ensure the following:

- (a) that the sustainability reporting standards require undertakings to disclose information on environmental, social and governance factors;
- (b) that the sustainability reporting standards require undertakings to disclose information necessary to understand their impacts on sustainability matters, and information necessary to understand how sustainability matters affect their development, performance and position.’;

(4) the following Article is inserted:

*‘Article 28d*

**ESMA guidelines**

After consulting the European Environment Agency and the European Union Agency for Fundamental Rights, ESMA shall issue guidelines in accordance with Article 16 of Regulation (EU) No 1095/2010 on the supervision of sustainability reporting by national competent authorities.’.

*Article 3*

**Amendments to Directive 2006/43/EC**

Directive 2006/43/EC is amended as follows:

(1) Article 1 is replaced by the following:

*‘Article 1*

**Subject matter**

This Directive establishes rules concerning the statutory audit of annual and consolidated accounts and the assurance of annual and consolidated sustainability reporting.’;

**▼B**

(2) Article 2 is amended as follows:

(a) points 2 to 6 are replaced by the following:

- ‘2. “statutory auditor” means a natural person who is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, where applicable, the assurance of sustainability reporting;
3. “audit firm” means a legal person or any other entity, regardless of its legal form, that is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, where applicable, the assurance of sustainability reporting;
4. “third-country audit entity” means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements, or, where applicable, the assurance of sustainability reporting of a company incorporated in a third country, other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3;
5. “third-country auditor” means a natural person who carries out audits of the annual or consolidated financial statements or, where applicable, the assurance of sustainability reporting of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Articles 3 and 44;
6. “group auditor” means the statutory auditor(s) or audit firm(s) carrying out the statutory audit of the consolidated accounts or, where applicable, the assurance of consolidated sustainability reporting;’;

(b) the following point is inserted:

‘16a. “key sustainability partner(s)” means:

- (a) the statutory auditor(s) designated by an audit firm for a particular assurance engagement concerning sustainability reporting as being primarily responsible for carrying out the assurance of sustainability reporting on behalf of the audit firm; or

**▼B**

- (b) in the case of the assurance of consolidated sustainability reporting at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the assurance of sustainability reporting at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or
- (c) the statutory auditor(s) who sign(s) the assurance report on sustainability reporting referred to in Article 28a;’;

(c) the following points are added:

- ‘21. “sustainability reporting” means sustainability reporting as defined in point (18) of Article 2 of Directive 2013/34/EU;
- 22. “assurance of sustainability reporting” means the performance of procedures resulting in the opinion expressed by the statutory auditor or audit firm in accordance with point (aa) of the second subparagraph of Article 34(1) and Article 34(2) of Directive 2013/34/EU;
- 23. “independent assurance services provider” means a conformity assessment body accredited in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council (\*) for the specific conformity assessment activity referred to in point (aa) of the second subparagraph of Article 34(1) of Directive 2013/34/EU.

(\*) Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).’;

(3) Article 6 is replaced by the following:

*‘Article 6*

**Educational qualifications**

1. Without prejudice to Article 11, a natural person may be approved to carry out a statutory audit only after having attained university entrance or equivalent level, then completed a course of theoretical instruction, undergone practical training and passed an examination of professional competence of university final or equivalent examination level, organised or recognised by the Member State concerned.

**▼B**

2. A natural person may, in addition to the approval to carry out statutory audits provided for in paragraph 1 of this Article, be approved to carry out the assurance of sustainability reporting when the additional specific requirements of Article 7(2), Article 8(3), the second subparagraph of Article 10(1) and the fourth subparagraph of Article 14(2) of this Directive are met.

3. The competent authorities referred to in Article 32 shall cooperate with each other with a view to achieving a convergence of the requirements set out in this Article. When engaging in such cooperation, those competent authorities shall take into account developments in auditing and in the audit profession and, in particular, convergence that has already been achieved by the profession. They shall cooperate with the Committee of European Auditing Oversight Bodies (CEAOB) and the competent authorities referred to in Article 20 of Regulation (EU) No 537/2014 in so far as such convergence relates to the statutory audit and assurance of sustainability reporting of public-interest entities.’;

(4) Article 7 is replaced by the following:

*‘Article 7***Examination of professional competence**

1. The examination of professional competence referred to in Article 6 shall guarantee the necessary level of theoretical knowledge of subjects relevant to statutory audit and the ability to apply such knowledge in practice. At least part of that examination shall be written.

2. In order for the statutory auditor to also be approved to carry out the assurance of sustainability reporting, the examination of professional competence referred to in Article 6 shall guarantee the necessary level of theoretical knowledge of subjects relevant to the assurance of sustainability reporting and the ability to apply such knowledge in practice. At least part of that examination shall be written.’;

(5) in Article 8, the following paragraph is added:

‘3. In order for the statutory auditor to also be approved to carry out the assurance of sustainability reporting, the test of theoretical knowledge referred to in paragraph 1 shall also cover at least the following subjects:

- (a) legal requirements and standards relating to the preparation of annual and consolidated sustainability reporting;
- (b) sustainability analysis;

**▼B**

- (c) due diligence processes with regard to sustainability matters;
  - (d) legal requirements and assurance standards for the sustainability reporting referred to in Article 26a.’;
- (6) in Article 10(1), the following subparagraph is added:

‘In order for the statutory auditor or the trainee to also be approved to carry out the assurance of sustainability reporting, at least eight months of the practical training referred to in the first subparagraph shall be on the assurance of annual and consolidated sustainability reporting or on other sustainability-related services.’;

- (7) Article 12 is replaced by the following:

*‘Article 12*

**Combination of practical training and theoretical instruction**

1. Member States may provide that periods of theoretical instruction in the subjects referred to in Article 8(1) and (2) shall count towards the periods of professional activity referred to in Article 11, provided that such instruction is attested by an examination recognised by the Member State. Such instruction shall not last less than one year, nor may it reduce the period of professional activity by more than four years.

2. The period of professional activity and practical training shall not be shorter than the course of theoretical instruction together with the practical training required under the first subparagraph of Article 10(1).’;

- (8) in Article 14(2), the following subparagraph is added:

‘In order for the statutory auditor to also be approved to carry out the assurance of sustainability reporting, the aptitude test referred to in the first subparagraph shall cover the statutory auditor’s adequate knowledge of the laws and regulations of the host Member State in so far as it is relevant to the assurance of sustainability reporting.’;

- (9) the following Article is inserted:

*‘Article 14a*

**Statutory auditors approved or recognised before 1 January 2024 and persons undergoing the approval process for statutory auditors on 1 January 2024**

Member States shall ensure that statutory auditors that are approved or recognised to carry out statutory audits before 1 January 2024 are not subject to the requirements of Article 7(2), Article 8(3), the second subparagraph of Article 10(1) and the fourth subparagraph of Article 14(2).

**▼B**

Member States shall ensure that persons that on 1 January 2024 are undergoing the approval process provided for in Articles 6 to 14 are not subject to the requirements of Article 7(2), Article 8(3), the second subparagraph of Article 10(1) and the fourth subparagraph of Article 14(2), provided they complete that process by 1 January 2026.

Member States shall ensure that statutory auditors approved before 1 January 2026 who wish to carry out the assurance of sustainability reporting acquire the necessary knowledge of sustainability reporting and the assurance of sustainability reporting, including of the subjects listed in Article 8(3), via the continuing education referred to in Article 13.’;

(10) Article 16 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. As regards statutory auditors, the public register shall contain at least the following information:

- (a) name, address and registration number;
- (b) if applicable, the name, address, website address and registration number of the audit firm(s) by which the statutory auditor is employed, or with whom he or she is associated as a partner or otherwise;
- (c) whether the statutory auditor is also approved for carrying out the assurance of sustainability reporting;
- (d) all other registration(s) as statutory auditor with the competent authorities of other Member States and as auditor with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s), and an indication of whether the registration concerns the statutory audit, the assurance of sustainability reporting, or both.’;

(b) in paragraph 2, the following subparagraph is added:

‘The register shall indicate whether third-country auditors as referred to in the first subparagraph are registered for carrying out the statutory audit, the assurance of sustainability reporting, or both.’;

(11) Article 17 is amended as follows:

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

‘(e) name and registration number of all statutory auditors employed by, or associated as partners or otherwise with, the audit firm, and an indication of whether they are also approved for carrying out the assurance of sustainability reporting.’;

**▼B**

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

‘(i) all other registration(s) as audit firm with the competent authorities of other Member States and as audit entity with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s), and an indication of whether the registration concerns the statutory audit, the assurance of sustainability reporting, or both.’;

(c) in paragraph 2, the following subparagraph is added:

‘The register shall indicate whether third-country audit entities as referred to in the first subparagraph are registered for carrying out the statutory audit, the assurance of sustainability reporting, or both.’;

(12) Article 24b is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. Member States shall ensure that, when the statutory audit is carried out by an audit firm, that audit firm designates at least one key audit partner. The audit firm shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.

Member States shall ensure that, when the assurance of sustainability reporting is carried out by an audit firm, that audit firm designates at least one key sustainability partner, who may be (one of) the key audit partner(s). The audit firm shall provide the key sustainability partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.

Securing audit and assurance quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner(s) and, where applicable, the key sustainability partner(s) to be designated.

The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit. The key sustainability partner shall be actively involved in the carrying-out of the assurance of sustainability reporting.’;

(b) the following paragraph is inserted:

‘2a. When carrying out the assurance of sustainability reporting, the statutory auditor shall devote sufficient time to the engagement and shall assign sufficient resources to enable him or her to carry out his or her duties appropriately.’;

**▼B**

(c) in paragraph 4, points (b) and (c) are replaced by the following:

‘(b) in the case of an audit firm, the name(s) of the key audit partner(s) and, where applicable, the name(s) of the key sustainability partner(s);

(c) the fees charged for the statutory audit, the fees charged for the assurance of sustainability reporting and the fees charged for other services in any financial year.’;

(d) the following paragraph is inserted:

‘5a. A statutory auditor or an audit firm shall create an assurance file for each assurance engagement concerning sustainability reporting.

The statutory auditor or the audit firm shall document at least the data recorded pursuant to Article 22b as regards the assurance of sustainability reporting.

The statutory auditor or the audit firm shall retain any other data and documents that are of importance in support of the assurance report on sustainability reporting referred to in Article 28a and for monitoring compliance with this Directive and other applicable legal requirements as regards the assurance of sustainability reporting.

The assurance file shall be closed no later than 60 days after the date of signature of the assurance report on sustainability reporting referred to in Article 28a.

Where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the assurance file may be included in the audit file.’;

(e) paragraph 6 is replaced by the following:

‘The statutory auditor or the audit firm shall keep records of any complaints made in writing about the performance of the statutory audits carried out and about the performance of assurance engagements concerning sustainability reporting carried out.’;



**▼B**

(13) Article 25 is replaced by the following:

*‘Article 25*

**Audit and assurance fees**

Member States shall ensure that adequate rules are in place which provide that fees for statutory audits and the assurance of sustainability reporting:

- (a) are not influenced or determined by the provision of additional services to the entity that is the subject of the statutory audit or the assurance of sustainability reporting; and
- (b) cannot be based on any form of contingency.’;

(14) the following Articles are inserted:

*‘Article 25b*

**Professional ethics, independence, objectivity, confidentiality and professional secrecy as regards the assurance of sustainability reporting**

The requirements in Articles 21 to 24a as regards the statutory audit of financial statements shall apply *mutatis mutandis* to the assurance of sustainability reporting.

*Article 25c*

**Prohibited non-audit services in cases where the statutory auditor carries out the assurance of sustainability reporting of a public-interest entity**

1. A statutory auditor or an audit firm carrying out the assurance of sustainability reporting of a public-interest entity, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the public-interest entity that is the subject of the assurance of sustainability reporting, to its parent undertaking or to its controlled undertakings within the Union the prohibited non-audit services referred to in points (b) and (c) and points (e) to (k) of the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014 in:

- (a) the period between the beginning of the period subject to the assurance of sustainability reporting and the issuing of the assurance report on sustainability reporting; and

**▼B**

- (b) the financial year immediately preceding the period referred to in point (a) of this paragraph in relation to the services referred to in point (e) of the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014.

2. A statutory auditor or an audit firm carrying out the assurance of sustainability reporting of public-interest entities and, where the statutory auditor or the audit firm belongs to a network, any member of such network, may provide to the public-interest entity that is the subject of the assurance of sustainability reporting, to its parent undertaking or to its controlled undertakings non-audit services other than the prohibited non-audit services referred to in paragraph 1 of this Article, or if applicable, the prohibited non-audit services referred to in the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014 or services considered by Member States to represent a threat to independence as referred to in Article 5(2) of that Regulation, subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with Article 22b of this Directive.

3. When a member of a network to which the statutory auditor or the audit firm carrying out the assurance of sustainability reporting of a public-interest entity belongs provides the prohibited non-audit services referred to in paragraph 1 of this Article to an undertaking incorporated in a third country which is controlled by the public-interest entity that is the subject of assurance of sustainability reporting, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network.

If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards in order to mitigate the threats caused by the provision of prohibited non-audit services referred to in paragraph 1 of this Article in a third country. The statutory auditor or the audit firm may continue to carry out the assurance of sustainability reporting of the public-interest entity only if he, she or it can justify, in accordance with Article 22b, that the provision of such services does not affect his, her or its professional judgement and the assurance report on sustainability reporting.

*Article 25d***Irregularities**

Article 7 of Regulation (EU) No 537/2014 shall apply *mutatis mutandis* to a statutory auditor or an audit firm carrying out the assurance of sustainability reporting of a public-interest entity.’;

**▼B**

(15) the following Article is inserted:

*‘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, 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, 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 and second subparagraphs only if they:

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

**▼B**

(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.’;

(16) the following Article is inserted:

*‘Article 27a*

**Assurance of consolidated sustainability reporting**

1. Member States shall ensure that in the case of assurance engagements concerning the consolidated sustainability reporting of a group of undertakings:

(a) in relation to the consolidated sustainability reporting, the group auditor bears the full responsibility for the assurance report on sustainability reporting referred to in Article 28a;

(b) the group auditor evaluates the assurance work performed by any independent assurance services provider(s), third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the assurance of consolidated sustainability reporting and documents the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor’s review of relevant parts of those auditors’ assurance documentation; and

(c) the group auditor reviews the assurance work performed by independent assurance services provider(s), third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the assurance of consolidated sustainability reporting and documents it.

The documentation retained by the group auditor shall be such as to enable the relevant competent authority to review the work of the group auditor.

For the purposes of point (c) of the first subparagraph of this paragraph, the group auditor shall request the agreement of the independent assurance services provider(s), third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) concerned to the transfer of relevant documentation during the conduct of the assurance of consolidated sustainability reporting, as a condition of the reliance by the group auditor on the work of those independent assurance services provider(s), third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).

2. Where the group auditor is unable to comply with point (c) of the first subparagraph of paragraph 1, he, she or it shall take appropriate measures and inform the relevant competent authority.

**▼B**

Such measures shall, where appropriate, include carrying out additional assurance work, either directly or by outsourcing such tasks, in the relevant subsidiary.

3. Where the group auditor is subject to a quality assurance review or an investigation concerning the assurance of consolidated sustainability reporting of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the assurance work performed by the respective independent assurance services provider(s), third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the assurance of consolidated sustainability reporting, including any working papers relevant to the assurance of consolidated sustainability reporting.

The competent authority may request additional documentation on the assurance work performed by any statutory auditor(s) or audit firm(s) for the purpose of the assurance of consolidated sustainability reporting from the relevant competent authorities pursuant to Article 36.

Where the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings is carried out by any auditor(s) or audit entity(ies) from a third country, the competent authority may request additional documentation on the assurance work performed by any third-country auditor(s) or third-country audit entity(ies) from the relevant competent authorities from third countries through working arrangements.

By way of derogation from the third subparagraph, where any independent assurance services provider(s), third-country auditor(s) or audit entity(ies) that have no working arrangements carried out the assurance of sustainability reporting of a parent undertaking or a subsidiary undertaking of a group of undertakings, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation on the assurance work performed by such independent assurance services provider(s), third-country auditor(s) or audit entity(ies), including the working papers relevant to the assurance of consolidated sustainability reporting. In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the independent assurance services provider(s), third-country auditor(s) or audit entity(ies) that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action. Where assurance working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he, she or it has undertaken the appropriate procedures in order to gain access to the assurance documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.’;

**▼B**

(17) in Article 28(2), point (e) is replaced by the following:

‘(e) include an opinion and a statement, both of which shall be based on the work undertaken in the course of the audit, pursuant to points (a) and (b) of the second subparagraph of Article 34(1) of Directive 2013/34/EU;’;

(18) the following Article is inserted:

*‘Article 28a*

**Assurance report on sustainability reporting**

1. The statutory auditor(s) or the audit firm(s) shall present the results of the assurance of sustainability reporting in an assurance report on sustainability reporting. That report shall be prepared in accordance with the requirements of assurance standards adopted by the Commission by means of the delegated acts adopted pursuant to Article 26a(3), or, pending adoption by the Commission of those assurance standards, in accordance with national assurance standards, as referred to in Article 26a(2).

2. The assurance report on sustainability reporting shall be in writing and shall:

(a) identify the entity whose annual or consolidated sustainability reporting is the subject of the assurance engagement; specify the annual or consolidated sustainability reporting and the date and period it covers; and identify the sustainability reporting framework that has been applied in its preparation;

(b) include a description of the scope of the assurance of sustainability reporting which shall, as a minimum, identify the assurance standards in accordance with which the assurance of sustainability reporting was conducted;

(c) include the opinion referred to in point (aa) of the second subparagraph of Article 34(1) of Directive 2013/34/EU.

3. Where the assurance of sustainability reporting was carried out by more than one statutory auditor or audit firm, the statutory auditor(s) or the audit firm(s) shall agree on the results of the assurance of sustainability reporting and submit a joint report and opinion. In the case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the assurance report on sustainability reporting and shall state the reason for the disagreement.

**▼B**

4. The assurance report on sustainability reporting shall be signed and dated by the statutory auditor carrying out the assurance of sustainability reporting. Where an audit firm carries out the assurance of sustainability reporting, the assurance report on sustainability reporting shall bear the signature of at least the statutory auditor(s) carrying out the assurance of sustainability reporting on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged, the assurance report on sustainability reporting shall be signed by all statutory auditors or at least by the statutory auditors carrying out the assurance of sustainability reporting on behalf of every audit firm. In exceptional circumstances, Member States may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person.

In any event, the name(s) of the person(s) involved shall be known to the relevant competent authorities.

5. Member States may require that, where the same statutory auditor carries out the statutory audit of annual financial statements and the assurance of sustainability reporting, the assurance report on sustainability reporting may be included as a separate section of the audit report.

6. The report of the statutory auditor or the audit firm on the consolidated sustainability reporting shall comply with the requirements set out in paragraphs 1 to 5.’;

(19) Article 29 is amended as follows:

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

‘(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting and, where applicable, in sustainability reporting and in the assurance of sustainability reporting or in other sustainability-related services, combined with specific training on quality assurance reviews;’;

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

‘(f) the scope of the quality assurance review, supported by adequate testing of selected audit files and, where applicable, assurance files, shall include an assessment of compliance with applicable auditing standards and independence requirements and, where applicable, with assurance standards, and an assessment of the quantity and quality of resources spent, of the audit fees and fees charged for the assurance of sustainability reporting, and of the internal quality control system of the audit firm;’;

**▼B**

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

‘(h) quality assurance reviews shall take place on the basis of an analysis of the risk and, in the case of statutory auditors and audit firms carrying out statutory audits as defined in point (a) of point 1 of Article 2 and, where applicable, carrying out assurance of sustainability reporting, at least every six years;’;

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

‘(a) reviewers shall have appropriate professional education and relevant experience in statutory audit and financial reporting and, where applicable, in sustainability reporting and in the assurance of sustainability reporting or in other sustainability-related services, combined with specific training on quality assurance reviews;’;

(e) the following paragraph is inserted:

‘2a. Member States may exempt, until 31 December 2025, persons who carry out quality assurance reviews relating to the assurance of sustainability reporting from the requirement to have relevant experience in sustainability reporting and in the assurance of sustainability reporting or in other sustainability-related services.’;

(20) in Article 30, paragraphs 1 and 2 are replaced by the following:

‘1. Member States shall ensure that there are effective systems of investigations and sanctions to detect, correct and prevent inadequate execution of the statutory audit and the assurance of sustainability reporting.

2. Without prejudice to their civil liability regimes, Member States shall provide for effective, proportionate and dissuasive sanctions in respect of statutory auditors and audit firms, where statutory audits or assurance of sustainability reporting are not carried out in conformity with the provisions adopted in the implementation of this Directive, and, where applicable, with Regulation (EU) No 537/2014.

Member States may decide not to lay down rules for administrative sanctions for infringements which are already subject to national criminal law. In that event, they shall communicate to the Commission the relevant criminal law provisions.’;

(21) in Article 30a(1), the following point is inserted:

‘(ca) a temporary prohibition, of up to three years’ duration, banning the statutory auditor, the audit firm or the key sustainability partner from carrying out the assurance of sustainability reporting and/or signing assurance reports on sustainability reporting;’;



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(22) in Article 30a(1), the following point is inserted:

‘(da) a declaration that the assurance report on sustainability reporting does not meet the requirements of Article 28a of this Directive;’;

(23) Article 32 is amended as follows:

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

‘3. The competent authority shall be governed by non-practitioners who are knowledgeable in the areas relevant to statutory audit and, where applicable, to the assurance of sustainability reporting. They shall be selected in accordance with an independent and transparent nomination procedure.’;

(b) in paragraph 4, point (b) is replaced by the following:

‘(b) the adoption of standards on professional ethics, internal quality control of audit firms, auditing and the assurance of sustainability reporting, except where those standards are adopted or approved by other Member State authorities;’;

(24) the following Article is inserted:

*‘Article 36a*

**Regulatory arrangements between Member States as regards the assurance of sustainability reporting**

The requirements of Articles 34 and 36 as regards the statutory audit of financial statements shall apply *mutatis mutandis* to the assurance of sustainability reporting.’;

(25) Article 37 is amended as follows:

(a) in paragraph 1, the following subparagraph is added:

‘The first subparagraph shall apply to the appointment of the statutory auditor or audit firm for the purpose of the assurance of sustainability reporting.’;

(b) in paragraph 2, the following subparagraph is added:

‘The first subparagraph shall apply to the appointment of the statutory auditor or audit firm for the purpose of the assurance of sustainability reporting.’;

(c) paragraph 3 is replaced by the following:

‘3. Any contractual clause restricting the choice by the general meeting of shareholders or members of the audited entity pursuant to paragraph 1 to certain categories or lists of statutory auditors or audit firms as regards the appointment of a particular statutory auditor or audit firm to carry out the statutory audit and, where applicable, the assurance of sustainability reporting of that entity shall be prohibited. Any such existing clauses shall be null and void.

**▼B**

Member States shall ensure that shareholders or members of large undertakings subject to Articles 19a and 29a of Directive 2013/34/EU, except undertakings referred to in point (a) of point (1) of Article 2 of that Directive, and which represent more than 5 % of the voting rights or 5 % of the capital of the undertaking, acting individually or collectively, have the right to table a draft resolution to be adopted in the general meeting of shareholders or members, requiring that an accredited third party that does not belong to the same audit firm or network as the statutory auditor or audit firm carrying out the statutory audit prepare a report on certain elements of the sustainability reporting and that such report be made available to the general meeting of shareholders or members.’;

(26) Article 38 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. Member States shall ensure that statutory auditors or audit firms may be dismissed only where there are proper grounds. Divergence of opinions on accounting treatments, audit procedures or, where applicable, on sustainability reporting or assurance procedures shall not be proper grounds for dismissal.’;

(b) in paragraph 2, the following subparagraph is added:

‘The obligation to inform provided for in the first subparagraph shall also apply to the assurance of sustainability reporting.’;

(c) in paragraph 3, the following subparagraph is added:

‘The first subparagraph shall also apply to the assurance of sustainability reporting.’;

(27) Article 39 is amended as follows:

(a) the following paragraph is inserted:

‘4a. Member States may allow the functions assigned to the audit committee relating to sustainability reporting and relating to the assurance of sustainability reporting to be performed by the administrative or supervisory body as a whole or by a dedicated body established by the administrative or supervisory body.’;

(b) in paragraph 6, points (a) to (e) are replaced by the following:

‘(a) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and, where applicable, of the outcome of the assurance of sustainability reporting and explain how the statutory audit and the assurance of sustainability reporting contributed to the integrity of financial reporting and sustainability reporting respectively, and what the role of the audit committee was in that process;

**▼B**

- (b) monitor the financial and, where applicable, sustainability reporting process, including the electronic reporting process as referred to in Article 29d of Directive 2013/34/EU and the process carried out by the undertaking to identify the information reported in accordance with the sustainability reporting standards adopted pursuant to Article 29b of that Directive, and submit recommendations or proposals to ensure their integrity;
- (c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting and, where applicable, sustainability reporting of the undertaking, including its electronic reporting process as referred to in Article 29d of Directive 2013/34/EU, without breaching its independence;
- (d) monitor the statutory audit of the annual and consolidated financial statements and, where applicable, the assurance of the annual and consolidated sustainability reporting, in particular its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014;
- (e) review and monitor the independence of the statutory auditors or the audit firms in accordance with Articles 22, 22a, 22b, 24a, 24b, 25b, 25c and 25d of this Directive and with Article 6 of Regulation (EU) No 537/2014, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;';

(28) Article 45 is amended as follows:

- (a) paragraph 1 is replaced by the following:

‘1. The competent authorities of a Member State shall, in accordance with Articles 15, 16 and 17 of this Directive, register every third-country auditor and audit entity, where that third-country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements, or, where applicable, an assurance report concerning the annual or consolidated sustainability reporting of an undertaking incorporated outside the Union whose transferable securities are admitted to trading on a regulated market of that Member State, defined in point (21) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council (\*), except where the undertaking in question is an issuer exclusively of outstanding debt securities for which one of the following applies:

- (a) such securities have been admitted to trading on a regulated market in a Member State, defined in point (21) of Article 4(1) of Directive 2014/65/EU prior to 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 50 000 or, in the case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50 000;

**▼B**

- (b) such securities are admitted to trading on a regulated market in a Member State, defined in point (21) of Article 4(1) of Directive 2014/65/EU from 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 100 000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100 000.

(\*) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).';

- (b) paragraphs 4 to 6 are replaced by the following:

‘4. Without prejudice to Article 46, audit reports concerning annual accounts or consolidated accounts or, where applicable, the assurance reports concerning annual or consolidated sustainability reporting referred to in paragraph 1 of this Article issued by third-country auditors or audit entities that are not registered in the Member State shall have no legal effect in that Member State.

5. A Member State may register a third-country audit entity for the purpose of the audit of financial statements only if:

- (a) the majority of the members of the administrative or management body of the third-country audit entity meet requirements which are equivalent to those laid down in Articles 4 to 10, with the exception of Article 7(2), Article 8(3) and the second subparagraph of Article 10(1);
- (b) the third-country auditor carrying out the audit on behalf of the third-country audit entity meets requirements which are equivalent to those laid down in Articles 4 to 10, with the exception of Article 7(2), Article 8(3) and the second subparagraph of Article 10(1);
- (c) the audits of the annual or consolidated financial statements referred to in paragraph 1 of this Article are carried out in accordance with international auditing standards as referred to in Article 26, as well as the requirements laid down in Articles 22, 22b and 25, or with equivalent standards and requirements;
- (d) the third-country audit entity publishes on its website an annual transparency report which includes the information referred to in Article 13 of Regulation (EU) No 537/2014 or it complies with equivalent disclosure requirements.

A Member State may register a third-country audit entity for the purpose of the assurance of sustainability reporting only if:

- (a) the majority of the members of the administrative or management body of the third-country audit entity meet requirements which are equivalent to those laid down in Articles 4 to 10;

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- (b) the third-country auditor carrying out the assurance on behalf of the third-country audit entity meets requirements which are equivalent to those laid down in Articles 4 to 10;
- (c) the assurance of the annual or consolidated sustainability reporting referred to in paragraph 1 is carried out in accordance with the assurance standards referred to in Article 26a, as well as the requirements laid down in Articles 22, 22b, 25 and 25b, or with equivalent standards and requirements;
- (d) the third-country audit entity publishes on its website an annual transparency report which includes the information referred to in Article 13 of Regulation (EU) No 537/2014 or it complies with equivalent disclosure requirements.

5a. A Member State may register a third-country auditor for the purpose of the audit of financial statements only if he or she meets the requirements set out in points (b), (c) and (d) of the first subparagraph of paragraph 5 of this Article.

A Member State may register a third-country auditor for the purpose of the assurance for sustainability reporting only if he or she meets the requirements set out in points (b), (c) and (d) of the second subparagraph of paragraph 5 of this Article.

6. In order to ensure uniform conditions for the application of point (c) of the first subparagraph of paragraph 5 and point (c) of the second subparagraph of paragraph 5 of this Article, the Commission shall be empowered to decide upon the equivalence referred to therein by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 48(2).

Member States may assess the equivalence referred to point (c) of the first subparagraph of paragraph 5 and point (c) of the second subparagraph of paragraph 5 of this Article, as long as the Commission has not taken any such decision.

The Commission shall be empowered to adopt delegated acts in accordance with Article 48a supplementing this Directive for the purpose of establishing the general equivalence criteria to be used in assessing whether the audits of the financial statements and, where applicable, the assurance of sustainability reporting referred to in paragraph 1 of this Article are carried out in accordance with international auditing standards as defined in Article 26 and with assurance standards for sustainability reporting referred to in Article 26a, respectively, and with the requirements laid down in Articles 22, 24 and 25. Such criteria, which are applicable to all third countries, shall be used by Member States when assessing equivalence at national level.’;

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(29) Article 48a is amended as follows:

(a) in paragraph 2, the following subparagraph is added:

‘The power to adopt delegated acts referred to in Article 26a(2) shall be conferred on the Commission for an indeterminate period of time.’;

(b) paragraph 3 is replaced by the following:

‘3. The delegation of power referred to in Article 26(3), Article 26a(3), Article 45(6), Article 46(2) and Article 47(3) 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.’;

(c) paragraph 5 is replaced by the following:

‘5. A delegated act adopted pursuant to Article 26(3), Article 26a(3), Article 45(6), Article 46(2) or Article 47(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of four 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 of the Council.’.

#### *Article 4*

#### **Amendments to Regulation (EU) No 537/2014**

Regulation (EU) No 537/2014 is amended as follows:

(1) in Article 4(2), the second subparagraph is replaced by the following:

‘For the purposes of the limits specified in the first subparagraph of this paragraph, the assurance of sustainability reporting, and non-audit services other than those referred to in Article 5(1), required by Union or national legislation, shall be excluded.’;

(2) Article 5 is amended as follows:

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

‘(c) bookkeeping and preparing accounting records and financial statements as well as preparing sustainability reporting.’;

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- (b) in paragraph 4, the following subparagraph is inserted after the first subparagraph:

‘The approval of the audit committee referred to in the first subparagraph shall not be needed for the provision of assurance of sustainability reporting.’.

*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) ► **M1** for financial years starting on or after 1 January 2027: ◀

- (i) to large undertakings 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 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) ► **M1** for financial years starting on or after 1 January 2028: ◀

- (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;

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- (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<sup>(1)</sup>, 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) ►**M1** for financial years starting on or after 1 January 2027: ◀

- (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 other than those referred to in point (a) (i) of this subparagraph;
- (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 other than those referred to in point (a) (ii) of this subparagraph;

(c) ►**M1** for financial years starting on or after 1 January 2028: ◀

- (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;

<sup>(1)</sup> Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).



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- (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 6*

#### **Review and reporting**

1. The Commission shall submit a report to the European Parliament and to the Council on the implementation of this amending Directive, including, inter alia:

- (a) an assessment of the achievement of the goals of this amending Directive, including the convergence of reporting practices between Member States;
- (b) an assessment of the number of small and medium-sized undertakings voluntarily using the sustainability reporting standards referred to in Article 29c of Directive 2013/34/EU;
- (c) an assessment of whether and how the scope of the provisions amended by this amending Directive should be further extended, in particular in relation to small and medium-sized undertakings and to third-country undertakings operating directly on the Union internal market without a subsidiary or a branch on the territory of the Union;
- (d) an assessment of the implementation of the reporting requirements on subsidiaries and branches of third-country undertakings introduced by this amending Directive, including an assessment of the number of third-country undertakings which have a subsidiary undertaking or a branch reporting in accordance with Article 40a of Directive 2013/34/EU; an assessment of the enforcement mechanism and of the thresholds set out in that Article;
- (e) an assessment of whether and how to ensure the accessibility for persons with disabilities to the sustainability reports published by undertakings falling under the scope of this amending Directive.

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The report shall be published by 30 April 2029 and every three years thereafter, and shall be accompanied, if appropriate, by legislative proposals.

2. By 31 December 2028, the Commission shall review and report on the level of concentration of the sustainability assurance market. That review shall take into account the national regimes applicable to independent assurance services providers and assess whether and to what extent those national regimes contribute to opening up the assurance market.

By 31 December 2028, the Commission shall assess possible legal measures to ensure sufficient diversification of the sustainability assurance market and appropriate sustainability reporting quality. The Commission shall review the measures provided for in Article 34 of Directive 2013/34/EU and assess the need to extend them to other large undertakings.

The report shall be transmitted to the European Parliament and the Council by 31 December 2028 and shall be accompanied, if appropriate, by legislative proposals.

*Article 7***Entry into force and application**

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

Article 4 of this Directive shall apply from 1 January 2024 for financial years starting on or after 1 January 2024.

*Article 8***Addressees**

This Directive is addressed to the Member States.

Article 4 shall be binding in its entirety and directly applicable in all Member States.